



STATE OF ARIZONA

**Appropriations
Report**

**Fiscal Years Ending
June 30, 1998
And
June 30, 1999**

JOINT LEGISLATIVE BUDGET COMMITTEE

RECYCLED PAPER

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STATE OF ARIZONA

Joint Legislative Budget Committee

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LAURA KNAPEREX
JEAN HOUGH MCGRATH
ROBERT J. MCLENDON

INTRODUCTION

This annual Appropriations Report provides a single source document for obtaining summary and detailed information on appropriations for Fiscal Year 1998 and 1999, as provided in the General Appropriation Act, Laws 1997, Chapter 1 (S.B. 1001), 1st Special Session, and other legislative acts. Also included is the economic and state revenue forecast upon which the budget was based. This Report also provides information relative to the legislative intent of appropriations. We have attempted to describe both the legal limitations or conditions ("footnotes") as well as that which was made apparent as "legislative intent" through the budgetary process.

The many state agencies are encouraged to review the contents of this Appropriations Report, and to contact the Joint Legislative Budget Committee Staff with any concerns regarding "legislative intent." Agencies may want to pay particular attention to the General Provisions section, which includes important technical information.

Additional information on appropriations and revenue can be obtained from the Staff of the Joint Legislative Budget Committee.

Ted A. Ferris,
Director and
Legislative Budget Analyst

JOINT LEGISLATIVE BUDGET COMMITTEE

The Joint Legislative Budget Committee was established in 1966, pursuant to Laws 1966, Chapter 96. In 1979, a bill was passed to expand and alter the committee membership, which now consists of the following 16 members:

Senator Russell W. "Rusty" Bowers
Chairman 1998
Senator Gus Arzberger
Senator Scott Bundgaard
Senator Joe Eddie Lopez
Senator Gary Richardson
Senator Victor Soltero
Senator Marc Spitzer
Senator John Wettaw

Representative Robert "Bob" Burns
Chairman 1997
Representative David Armstead
Representative Lori S. Daniels
Representative Jeff Groscost
Representative Herschella Horton
Representative Laura Knaperek
Representative Jean Hough McGrath
Representative Robert J. McLendon

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

JLBC appoints a Director who is responsible for providing staff support and sound technical analysis to the Committee. The objectives and major products of the staff of the JLBC are:

- **Analysis and recommendations for the annual state budget, which are presented in January of each year;**
- **Technical, analytical, and preparatory support in the development of appropriations bills considered by the Legislature;**
- **Periodic economic and state revenue forecasts;**
- **Periodic analysis of economic activity, state budget conditions, and the relationship of one to the other;**
- **Preparation of fiscal notes on the bills considered by the Legislature that have a fiscal impact on the state or any of its political subdivisions;**
- **An annual Appropriations Report, which is published shortly after the budget is completed and provides detail on the budget along with an explanation of legislative intent;**
- **Management and fiscal research reports related to state programs and state agency operations;**
- **Support to the JLBC with respect to recommendations on business items placed on the committee's agenda such as transfers of appropriations pursuant to A.R.S. § 35-173;**
- **Support to the Joint Committee on Capital Review (JCCR) with respect to all capital outlay issues including land acquisition, new construction, and building renewal projects;**
- **Support to the Joint Legislative Tax Committee (JLTC) as directed in fulfilling the requirements of A.R.S. § 41-1322(D).**

Joint Legislative Budget Committee
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Phone: (602) 542-5491

Ted A. Ferris
Director

Richard Stavneak
Deputy Director

STAFF OF THE JOINT LEGISLATIVE BUDGET COMMITTEE

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- Deputy Director Richard Stavneak
- Assistant Director John Lee
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Forty-third Legislature

First Regular Session

1997

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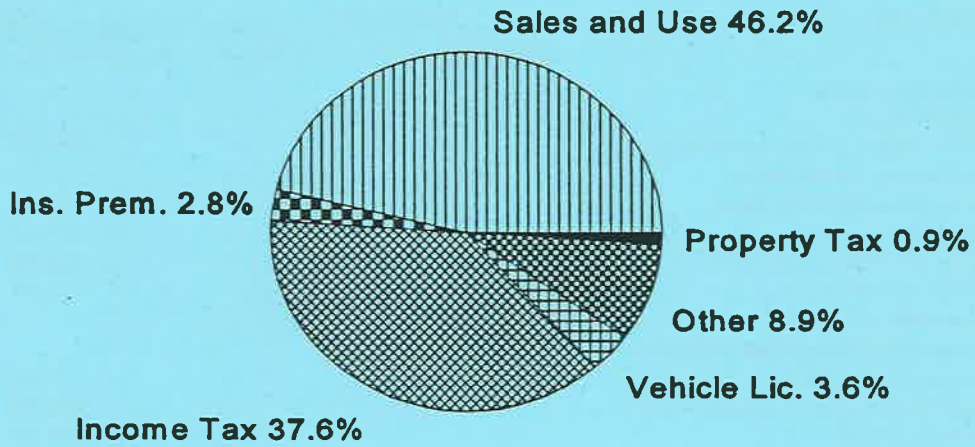
**STATE OF ARIZONA
GENERAL FUND
STATEMENT OF PROJECTED REVENUES AND EXPENDITURES
Update of Enacted Budget as of *Sine Die* 1/**

	Preliminary FY 1997	Forecast FY 1998	
REVENUES			
Balance Forward	\$ 399,932,000	\$ 347,458,300	
Base Revenues	4,865,239,700	5,003,177,100	
Other Legislation and Adjustments	(427,000)	(133,668,400)	
	\$ 5,264,744,700	\$ 5,216,967,000	
EXPENDITURES			
Operating Appropriations	\$ 4,829,982,300	\$ 5,091,721,300	2/
Budget Stabilization Fund Deposit	0	30,000,000	3/
Capital Outlay	95,081,900	99,287,300	4/
Administrative Adjustments and Emergencies	52,964,300	27,500,000	5/
Revertments	(60,742,100)	(56,000,000)	
	\$ 4,917,286,400	\$ 5,192,508,600	
	\$ 4,917,286,400	\$ 5,192,508,600	
ENDING BALANCE	\$ 347,458,300	\$ 24,458,400	

- 1/ This General Fund "balance sheet" reflects the status of the enacted budget as of the adjournment of the 1997 Regular Session. The key assumptions include: a) a consensus Executive-Legislative Base Revenue forecast (midway between the higher JLBC Staff forecast and the lower Executive forecast), which was utilized when the budget was enacted in March; and b) the JLBC Staff's estimate of all other enacted revenue and expenditure bills.
- 2/ Includes \$28.2 million of appropriations in bills other than the General Appropriation Act.
- 3/ Authorized by Laws 1997, Chapter 1, 1st Special Session, Section 106.
- 4/ Includes \$9.5 million of appropriations in bills other than the Capital Outlay Act.
- 5/ Includes \$7 million for emergency authorizations, including \$4 million in general emergency authority and \$3 million in wild land fire emergency authority. Laws 1997, Chapter 249 increased the wild land fire emergency authority from \$2 million to \$3 million.

WHERE IT COMES FROM

FY 1998

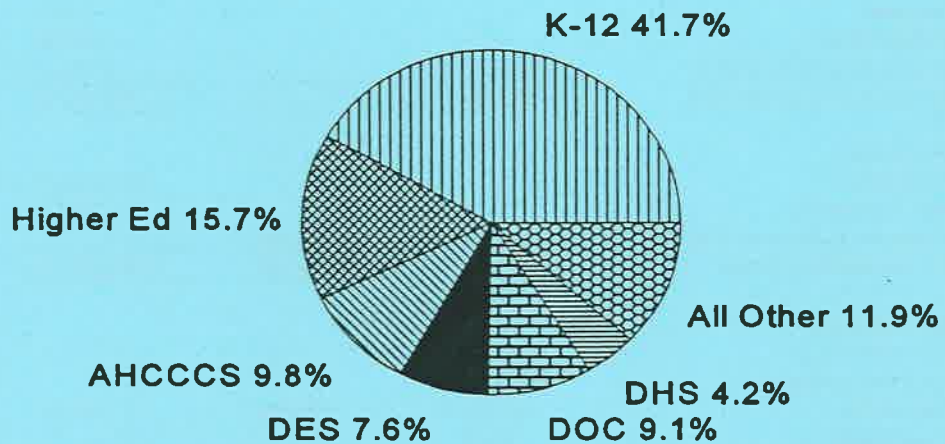


TOTAL GENERAL FUND REVENUES: \$4,869,508,700*

* Does not include Balance Forward

WHERE IT GOES

FY 1998



TOTAL GENERAL FUND OPERATING APPROPRIATIONS: \$5,091,721,300

SUMMARY OF APPROPRIATIONS By Individual Chapter For Fiscal Years 1997 and 1998 ^{1/}

Chap. No.	Bill Number	Reference Title	Fiscal Year 1997		Fiscal Year 1998	
			General Fund	Other Funds	General Fund	Other Funds
<u>Forty-Third Legislature - First Regular Session</u>						32,900,000 ^{2/}
4	H.B. 2119	Education Finance			\$878,374	
57	H.B. 2175	Nuclear Emergency Approp. and Assessment				
88	H.B. 2174	Appropriations; Named Claimants	300,858		60,810	
100	S.B. 1098	Managed Care; Health Care Appeals			200,000	
117	H.B. 2307	Oxygenated Fuels			185,000	
162	H.B. 2460	Respite Care; Elderly; Appropriation			253,600	
178	S.B. 1354	Used Oil Amendments				50,000
180	H.B. 2023	Private Fiduciary Funding				1,000,000
182	H.B. 2040	Transportation Between Arizona and Mexico			75,000	
189	H.B. 2537	Children and Family Services			3,000,000	
208	S.B. 1006	Bonds; Greater Arizona Development Authority			1,806,200 ^{3/}	2,673,200
212	H.B. 2106	Corrections Omnibus				3,922,800 ^{4/}
214	S.B. 1125	State Lottery			250,000	
216	S.B. 1328	Transfer; Appropriation; Wastewater Facility			816,357	
219	S.B. 1410	Child Support; Omnibus			20,346,800	
220	S.B. 1446	Juvenile Justice; Implement Proposition 102			800,000	
223	H.B. 2256	Family Builders Pilot Program			100,000	
225	H.B. 2359	Adoption; Church Programs			300,000	
230	H.B. 2161	Education Omnibus			250,000	
244	S.B. 1180	Obscenity Prosecution				^{5/}
249	S.B. 1224	State Land; Omnibus Code Revisions			1,578,000	
253	S.B. 1335	Underground Storage Tanks; Appropriation ^{6/}			300,000	
265	H.B. 2081	Postsecondary Ed. Pgm.; Administration; Approp.			1,710,000	5,747,300
269	H.B. 2237	Air Quality Omnibus			1,000,000	
273	S.B. 1074	Approp.; Building Improvements; Legislature				200,500
280	S.B. 1247	ASRS Omnibus				
281	S.B. 1271	Insurance Fraud Unit; Peace Officers			320,000 ^{7/}	
290	H.B. 2044	Auto Theft Prevention Authority			1,600,000 ^{6/}	
293	H.B. 2169	National Guard; Project Challenge			50,000	
294	H.B. 2321	Boxing Commission			110,000	
296	S.B. 1304	Greenfields Pilot Program			1,738,300 ^{8/}	
300	S.B. 1357	Welfare Reform; Arizona Works Program				\$46,493,800
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION ^{5/}			\$300,858	\$0	\$37,728,441	
<u>Forty-Third Legislature - First Special Session</u>					5,078,600,300 ^{3/6/}	1,225,683,800 ^{6/9/}
1	H.B. 2001	General Appropriations			25,879,800	295,931,200
2	H.B. 2002	Capital Outlay Appropriations				
7	H.B. 2007	1995-1996 Approp; Adjustments and Supp.	(10,738,100) ^{10/}	211,067,100		
SUBTOTAL APPROPRIATIONS - 1st SPECIAL SESSION			(\$10,738,100)	\$211,067,100	\$5,104,480,100	\$1,521,615,000
<u>Forty-Second Legislature - Seventh Special Session</u>						
1	H.B. 2001	School Facility Capital Equity	70,000,000			
2	H.B. 2005	Property Tax Reform and Reduction	48,293,100			
6	S.B. 1002	Arizona Clean Air Act	4,300,000	1,450,000	1,000,000	
7	S.B. 1003	Habeas Corpus; Appeals	150,000			
8	S.B. 1004	Supplemental Approp.; DOA; Veterans' Home	1,500,000			\$0
SUBTOTAL APPROPRIATIONS - 7th SPECIAL SESSION			\$124,243,100	\$1,450,000	\$1,000,000	
<u>Forty-Second Legislature - Second Regular Session</u>					5,400,000	
247	H.B. 2277	Supplemental Approp.; Family Programs			0 ^{10/}	
312	S.B. 1060	Appropriation; Clifton Flood Control				
337	H.B. 2354	Southwest Regional Corrections Facilities			1,400,000 ^{11/}	
346	H.B. 2516	Assistance Programs; Finger Imaging; Appropriation				850,000
365	S.B. 1071	Highway Fund; Distribution			\$6,800,000	\$850,000
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION			\$0	\$0	\$6,800,000	\$850,000

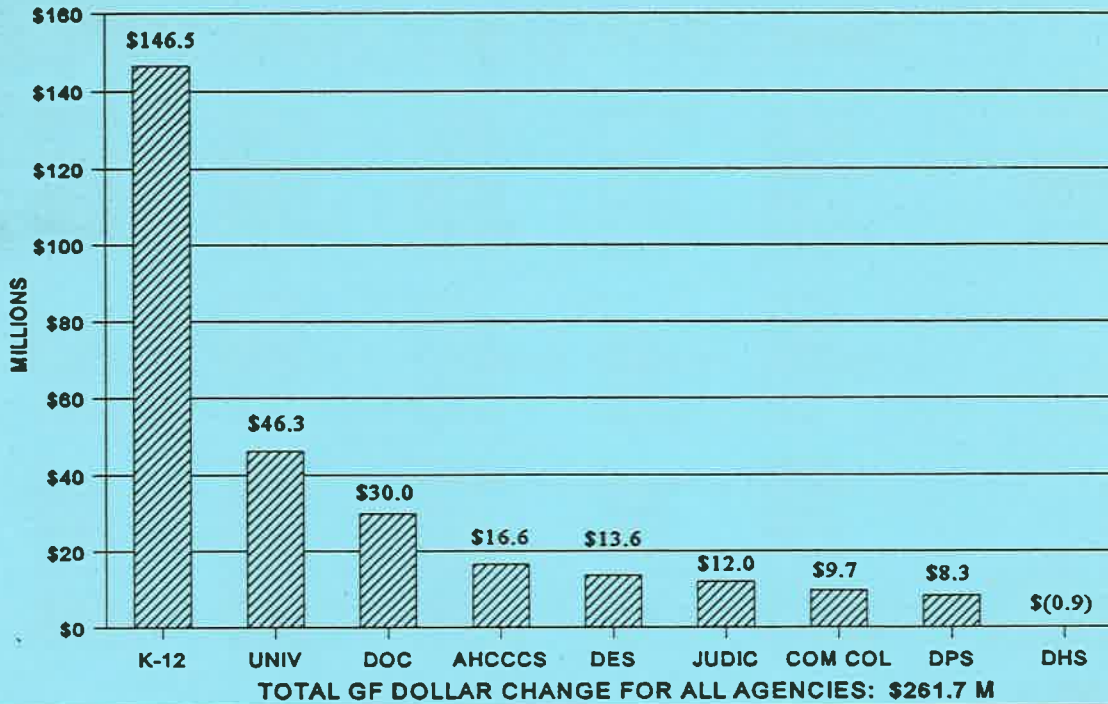
Chap. No.	Bill Number	Reference Title	Fiscal Year 1997		Fiscal Year 1998	
			General Fund	Other Funds	General Fund	Other Funds
<u>Forty-Second Legislature - Fifth Special Session</u>						
1	H.B. 2001	General Appropriations		3,591,600 12/		
2	H.B. 2002	Capital Outlay Appropriations			60,700,000 11/	56,593,800 11/
7	H.B. 2001	1995-1996 Approp; Adjustments and Supp.			7,100,000	800,000
SUBTOTAL APPROPRIATIONS - 5th SPECIAL SESSION			\$0	\$3,591,600	\$67,800,000	\$57,393,800
<u>Forty-Second Legislature - First Regular Session</u>						
62	S.B. 1062	Military Airports, Preservation; Noise Atten.			3,200,000	
TOTAL APPROPRIATIONS			\$113,805,858	\$216,108,700	\$5,221,008,541	\$1,626,352,600

SUMMARY OF APPROPRIATIONS By Individual Chapter ^{13/} For Fiscal Years 1999 and 2000

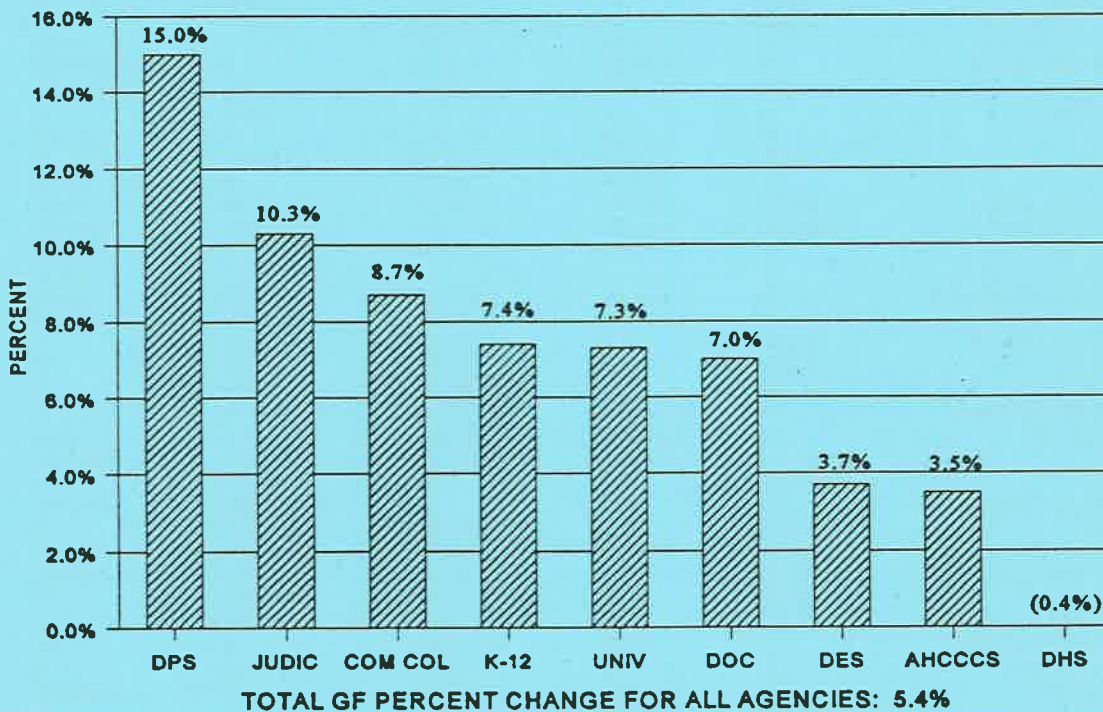
Chap. No.	Bill Number	Reference Title	Fiscal Year 1999		Fiscal Year 2000	
			General Fund	Other Funds	General Fund	Other Funds
<u>Forty-Third Legislature - First Regular Session</u>						
4	H.B. 2119	Education Finance		32,500,000 2/		32,500,000 2/
57	H.B. 2175	Nuclear Emergency Approp. and Assessment	880,824			
100	S.B. 1098	Managed Care; Health Care Appeals	234,668			
178	S.B. 1354	Used Oil Amendments	253,600			
208	S.B. 1006	Bonds; Greater Arizona Development Authority	8,000,000		9,000,000	
214	S.B. 1125	State Lottery		4,637,800 4/		
219	S.B. 1410	Child Support; Omnibus	164,288			
223	H.B. 2256	Family Builders Pilot Program	2,267,700			
224	H.B. 2258	Child Protective Services; Hearings; Appeals	1,400,000			
244	S.B. 1180	Obscenity Prosecution	250,000			
269	H.B. 2237	Air Quality Omnibus	500,000	5,000,000		
281	S.B. 1271	Insurance Fraud Unit; Peace Officers	320,000 4/			
288	S.B. 1464	State Personnel System		450,000		
291	H.B. 2331	Employees; Accumulated Sick Leave	200,000			
293	H.B. 2169	National Guard; Project Challenge	1,400,000			
294	H.B. 2321	Boxing Commission	50,000			
296	S.B. 1304	Greenfields Pilot Program	70,000			
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION			\$15,991,080	\$42,587,800	\$9,000,000	\$32,500,000
<u>Forty-Third Legislature - First Special Session</u>						
1	H.B. 2001	General Appropriations	480,357,000	302,312,500 6/9/		
<u>Forty-Second Legislature - 7th Special Session</u>						
6	S.B. 1002	Arizona Clean Air Act 14/	1,000,000		1,000,000	
<u>Forty-Second Legislature - Second Regular Session</u>						
337	H.B. 2354	Southwest Regional Corrections Facilities	0 11/	0 11/		
365	S.B. 1071	Highway Fund; Distribution		850,000		
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION			\$0	\$850,000	\$0	\$0
<u>Forty-Second Legislature - Fifth Special Session</u>						
2	H.B. 2002	Capital Outlay Appropriations	41,100,000 11/	41,620,000 11/		520,000
7	H.B. 2001	1995-1996 Approp; Adjustments and Supp.	4,000,000			
SUBTOTAL APPROPRIATIONS - 5th SPECIAL SESSION			\$45,100,000	\$41,620,000	\$0	\$520,000
TOTAL APPROPRIATIONS			\$542,448,080	\$387,370,300	\$10,000,000	\$33,020,000

- 1/ For FY 1997, this table summarizes all appropriations enacted since the conclusion of the 2nd Regular Session of the 42nd Legislature. For FY 1998, this table summarizes appropriations from the 1st Regular Session of the 43rd Legislature, and all previous sessions.
- 2/ Chapter 4 appropriates \$400,000 from the School Capital Equity Fund and continuously appropriates an estimated \$32,500,000 from the ABC Fund in FY 1998. Chapter 4 further continuously appropriates an estimated \$32,500,000 in FY 1999.
- 3/ Chapter 212 removes \$1,806,200 from the Department of Correction's FY 1998 General Appropriation Act appropriation and reappropriates these monies for a capital project.
- 4/ JLBC Staff estimate of additional appropriations to Lottery based on provisions in Chapter 214.
- 5/ Chapter 249 authorizes the Governor to allocate an additional \$1,000,000 per year to the Land Department in the event of a wildfire emergency. This dollar increase is reflected in the Administration Adjustments and Emergencies line of the balance sheet.
- 6/ Chapter 253 amends the General Appropriation Act by eliminating the UST Fund appropriation to DEQ of \$7,500,000 in FY 1998 and \$7,200,000 in FY 1999. Chapter 290 amends the General Appropriation Act by reducing the Defensive Driving Fund appropriation to Auto Theft Authority by \$1,500,000 in FY 1998.
- 7/ The Insurance Department is appropriated the lesser of \$320,000 or the actual fees collected.
- 8/ Chapter 300 also provides for the allocation of \$20,009,900 in Temporary Assistance for Needy Families Legislative Initiatives and \$13,653,500 in Child Care Legislative Initiatives, both of which were originally appropriated in the General Appropriation Act.
- 9/ The dollar amounts reflect a revision in the original estimate of the Lottery Commission appropriation. The Lottery Commission's appropriation estimate increased by \$6,066,700 in FY 1998 and \$9,395,600 in FY 1999 above the numbers appropriated in the General Appropriation Act due to a higher estimate of "revenue-driven" appropriations.
- 10/ Laws 1997, Chapter 7, 1st Special Session shifts a \$1,000,000 capital appropriation for Clifton Flood Control from FY 1998 to FY 1997.
- 11/ As amended by Chapter 337, the Capital Outlay Bill appropriates \$56,100,000 from the General Fund to the Corrections Fund in FY 1998, which is further appropriated from the Corrections Fund. Chapter 337 also appropriates \$41,100,000 from the General Fund to the Corrections Fund in FY 1999, which is further appropriated from the Corrections Fund. All of these amounts are listed under the Capital Outlay Bill.
- 12/ The appropriations estimates for the FY 1997 General Appropriation Act changed subsequent to the publication of the Appropriations Report. The changes include increases of \$479,400 in the Department of Agriculture and \$7,207,100 in the Universities, and decreases of \$2,547,400 in the Coliseum and Exposition Center Board and \$1,547,500 in the Lottery Commission.
- 13/ For FY 1999 and FY 2000, this table summarizes appropriations from all sessions.
- 14/ This legislation appropriates up to \$1,000,000 from the General Fund to the Arizona Clean Air Fund in each fiscal year during which Farm and Home Settlement deposits are made to the General Fund. The appropriation equals the level of the deposit.

**NINE LARGEST AGENCIES
GENERAL FUND DOLLAR CHANGE FOR FY 1997 - FY 1998**



**NINE LARGEST AGENCIES
GENERAL FUND PERCENT CHANGE FOR FY 1997 - FY 1998**



**SUMMARY OF APPROPRIATED OPERATING FUNDS 1/
By Agency For Fiscal Years 1997 and 1998**

	Fiscal Year 1997			Fiscal Year 1998		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
ANNUAL BUDGET UNITS						
Administration, AZ Department of	\$28,473,000	\$125,515,900	\$153,988,900	\$26,308,500	\$118,241,400	\$144,549,900
AHCCCS	482,312,300	0	482,312,300	498,934,200	0	498,934,200
Community Colleges, St Board of Directors for	111,080,000	145,300	111,225,300	120,757,700	246,500	121,004,200
Corrections, State Department of	431,236,600	18,541,100	449,777,700	461,220,000	26,775,400	487,995,400
Economic Security, Department of	373,679,200	213,312,200	586,991,400	387,302,800	302,060,800	689,363,600
Education, Department of	1,975,148,200	0	1,975,148,200	2,121,643,100	70,540,000	2,192,183,100
Health Services, Department of	216,247,400	17,420,200	233,667,600	215,319,700	19,337,700	234,657,400
Judiciary						
Court of Appeals	9,100,500	0	9,100,500	9,459,300	0	9,459,300
Superior Court	94,696,500	0	94,696,500	105,789,100	6,121,900	111,911,000
Supreme Court	12,987,200	1,468,900	14,456,100	13,562,600	8,243,400	21,806,000
SUBTOTAL - Judiciary	\$116,784,200	\$1,468,900	\$118,253,100	\$128,811,000	\$14,365,300	\$143,176,300
Juvenile Corrections, Department of	48,871,100	2,038,600	50,909,700	55,871,500	2,572,000	58,443,500
Transportation, Department of	300,000	188,770,700	189,070,700	578,000	223,386,500	223,964,500
Universities						
Board of Regents	6,207,300	0	6,207,300	10,560,400	0	10,560,400
ASU - Main Campus	216,693,100	78,873,900	295,567,000	234,628,700	80,026,400	314,655,100
ASU - East Campus	5,023,600	2,794,300	7,817,900	6,994,000	2,433,200	9,427,200
ASU - West Campus	34,354,000	5,745,000	40,099,000	35,741,100	5,829,000	41,570,100
Northern Arizona University	90,922,200	28,062,600	118,984,800	97,296,200	28,075,800	125,372,000
University of Arizona - Main Campus	232,910,100	64,359,300	297,269,400	244,587,900	61,116,200	305,704,100
U of A - Health Sciences Center	48,543,100	2,421,300	50,964,400	51,101,200	5,637,100	56,738,300
SUBTOTAL - Universities	\$634,653,400	\$182,256,400	\$816,909,800	\$680,909,500	\$183,117,700	\$864,027,200
TOTAL - ANNUAL BUDGET UNITS	\$4,418,785,400	\$749,469,300	\$5,168,254,700	\$4,697,656,000	\$960,643,300	\$5,658,299,300
BIENNIAL BUDGET UNITS						
Accountancy, State Board of	0	1,053,600	1,053,600	0	1,244,100	1,244,100
Administrative Hearings, Office of	926,700	419,200	1,345,900	597,900	732,700	1,330,600
Agriculture, AZ Department of	10,511,100	2,651,400	13,162,500	11,240,000	2,137,700	13,377,700
Appraisal, State Board of	0	251,700	251,700	0	288,800	288,800
Arts, Arizona Commission on the	1,526,100	0	1,526,100	3,950,200	0	3,950,200
Attorney General - Department of Law	23,320,300	2,743,300	26,063,600	23,755,200	12,907,500	36,662,700
Auto Theft Authority	225,000	0	225,000	0	1,173,500	1,173,500
Banking Department, State	2,458,100	0	2,458,100	2,501,100	0	2,501,100
Barbers, Board of	0	156,200	156,200	0	158,600	158,600
Behavioral Health Examiners, Board of	0	357,700	357,700	0	394,300	394,300
Boxing Commission, AZ State	68,300	0	68,300	70,100	0	70,100
Building & Fire Safety, Department of	2,873,000	0	2,873,000	3,010,200	0	3,010,200
Chiropractic Examiners, State Board of	0	245,700	245,700	0	255,200	255,200
Coliseum and Exposition Center Board	0	12,793,300	12,793,300	0	12,019,300	12,019,300
Commerce, Department of	9,665,900	3,471,900	13,137,800	14,917,400	2,569,300	17,486,700
Constitutional Defense Council	0	0	0	350,000	0	350,000
Contractors, Registrar of	0	4,787,100	4,787,100	0	5,918,700	5,918,700
Corporation Commission	5,226,700	6,620,800	11,847,500	5,730,100	10,075,000	15,805,100
Cosmetology, Board of	0	691,400	691,400	0	835,400	835,400
Criminal Justice Commission, Arizona	500,000	577,000	1,077,000	1,250,000	1,925,200	3,175,200
Deaf and Blind, AZ State Schools for the	16,827,100	5,864,600	22,691,700	17,566,900	6,449,300	24,016,200
Dental Examiners, State Board of	0	596,100	596,100	0	631,400	631,400
Drug & Gang Prevention Resource Ctr.	0	0	0	0	205,200	205,200
Emergency & Military Affairs, Department of	9,368,300	621,700	9,990,000	14,060,800	847,700	14,908,500
Environmental Quality, Department of	21,417,100	18,157,600	39,574,700	32,279,700	23,904,000	56,183,700
Equal Opportunity, Governor's Office of	237,900	0	237,900	248,400	0	248,400
Equalization, State Board of	803,900	0	803,900	806,600	0	806,600
Executive Clemency, Board of	1,691,200	0	1,691,200	1,676,300	0	1,676,300
Funeral Directors and Embalmers, Board of	0	180,300	180,300	0	186,100	186,100
Game and Fish Department, AZ	0	17,908,300	17,908,300	0	20,713,600	20,713,600
Gaming, Department of	0	3,901,200	3,901,200	0	4,297,400	4,297,400
Geological Survey, AZ	743,300	0	743,300	780,300	0	780,300
Govt. Information Technology Agency	0	0	0	10,100,000	9,308,100	19,408,100
Governor, Office of the	4,974,200	0	4,974,200	5,305,100	0	5,305,100
Gov's Ofc. of Management & Budget	3,323,800	500,000	3,823,800	3,423,400	500,000	3,923,400
Hearing Impaired, AZ Council for the	258,000	0	258,000	257,400	4,158,000	4,415,400
Historical Society, Arizona	4,158,900	0	4,158,900	4,287,000	0	4,287,000
Historical Society, Prescott	617,700	0	617,700	681,200	0	681,200
Homeopathic Medical Examiners, Board of	0	33,200	33,200	0	41,700	41,700
Indian Affairs, AZ Commission of	175,400	0	175,400	156,000	0	156,000
Industrial Commission of AZ	0	12,833,800	12,833,800	0	14,040,900	14,040,900
Insurance, Department of	4,396,200	0	4,396,200	4,780,500	0	4,780,500

	Fiscal Year 1997			Fiscal Year 1998		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Land Department, State	13,098,200	0	13,098,200	13,848,900	900,000	14,748,900
Law Enforcement Merit System Council	48,100	0	48,100	52,100	0	52,100
Legislature	0	0	0	0	0	0
Auditor General	9,540,500	0	9,540,500	9,883,900	0	9,883,900
House of Representatives	8,152,400	0	8,152,400	8,431,900	0	8,431,900
Joint Legislative Budget Committee	2,137,200	0	2,137,200	2,165,900	0	2,165,900
Legislative Council	3,517,500	0	3,517,500	4,798,200	0	4,798,200
Library, Archives and Public Records	5,646,400	0	5,646,400	6,194,200	0	6,194,200
Senate	6,070,300	0	6,070,300	6,263,700	0	6,263,700
SUBTOTAL - Legislature	\$35,064,300	\$0	\$35,064,300	\$37,737,800	\$0	\$37,737,800
Liquor Licenses & Control, Department of	2,530,000	49,200	2,579,200	2,725,500	0	2,725,500
Lottery Commission, AZ State	0	43,301,600	43,301,600	0	52,201,400	52,201,400
Medical Examiners, Board of	0	2,906,100	2,906,100	0	3,173,600	3,173,600
Medical Student Loans, Board of	236,600	0	236,600	286,200	19,400	305,600
Military Airport Preservation Committee, AZ	0	0	0	0	0	0
Mine Inspector, State	917,200	0	917,200	1,045,000	0	1,045,000
Mines and Mineral Resources, Department of	706,500	0	706,500	732,400	0	732,400
Naturopathic Physician Examiners Board	0	72,000	72,000	0	93,600	93,600
Navigable Stream Adjudication Commission	117,400	0	117,400	209,700	0	209,700
Nursing, State Board of	0	1,547,000	1,547,000	0	1,573,600	1,573,600
Nursing Care Institution Administrators Board	0	91,900	91,900	0	123,100	123,100
Occupational Safety & Health Review Board	9,000	0	9,000	9,000	0	9,000
Occupational Therapy Examiners, Board of	0	94,500	94,500	0	106,900	106,900
Opticians, State Board of Dispensing	0	67,200	67,200	0	74,200	74,200
Optometry, State Board of	0	109,900	109,900	0	114,100	114,100
Osteopathic Examiners, AZ Board of	0	340,600	340,600	0	364,600	364,600
Parks Board, Arizona State	6,121,600	3,624,700	9,746,300	6,793,400	3,645,000	10,438,400
Personnel Board	310,600	0	310,600	314,200	0	314,200
Pharmacy, AZ State Board of	0	729,300	729,300	0	725,100	725,100
Physical Therapy Examiners, Board of	0	93,000	93,000	0	132,100	132,100
Pioneers' Home, AZ	1,973,300	1,162,500	3,135,800	2,246,900	2,015,600	4,262,500
Podiatry Examiners, State Board of	0	58,200	58,200	0	69,700	69,700
Postsecondary Education, Commission for	1,334,000	2,929,100	4,263,100	1,734,900	2,341,000	4,075,900
Private Postsecondary Education, Board for	0	160,300	160,300	0	165,500	165,500
Psychologist Examiners, State Board of	0	255,700	255,700	0	270,500	270,500
Public Safety, Department of	55,521,400	44,072,700	99,594,100	63,852,500	48,255,500	112,108,000
Racing, Arizona Department of	2,579,300	293,400	2,872,700	2,640,500	300,600	2,941,100
Radiation Regulatory Agency	1,526,700	107,600	1,634,300	1,604,200	110,800	1,715,000
Rangers' Pension, Arizona	10,500	0	10,500	10,800	0	10,800
Real Estate Department, State	2,849,800	0	2,849,800	2,955,200	0	2,955,200
Residential Utility Consumer Office	0	1,021,500	1,021,500	0	946,400	946,400
Respiratory Care Examiners, Board of	0	165,700	165,700	0	186,100	186,100
Retirement System, Arizona State	0	3,799,600	3,799,600	0	9,442,300	9,442,300
Revenue, Department of	51,591,900	334,000	51,925,900	53,398,600	1,387,500	54,786,100
School Capital Facilities, State Board for	70,000,000	30,000,000	100,000,000	0	30,400,000	30,400,000
Secretary of State	4,138,900	0	4,138,900	2,805,300	0	2,805,300
Structural Pest Control Commission	0	1,377,100	1,377,100	0	1,411,500	1,411,500
Tax Appeals, State Board of	269,700	0	269,700	292,000	0	292,000
Technical Registration, State Board of	0	875,700	875,700	10,000	821,600	831,600
Tourism, Office of	7,687,200	0	7,687,200	8,295,500	0	8,295,500
Treasurer, State	3,910,100	0	3,910,100	5,239,000	0	5,239,000
Uniform State Laws, Commission on	29,200	0	29,200	30,600	0	30,600
Veterans' Service Commission, AZ	960,100	7,929,700	8,889,800	964,900	8,353,000	9,317,900
Veterinary Medical Examining Board	0	217,100	217,100	0	240,200	240,200
Water Resources, Department of	19,756,300	0	19,756,300	16,750,900	75,000	16,825,900
Weights and Measures, Department of	1,604,800	331,400	1,936,200	1,843,500	418,700	2,262,200
TOTAL - BIENNIAL BUDGET UNITS	\$411,196,900	\$245,535,400	\$656,732,300	\$392,211,300	\$308,376,900	\$700,588,200
Unallocated Salary Adjustment	0	281,000	281,000	0	520,800	520,800
Unallocated CMR	0	44,300	44,300	1,854,000	613,400 3/	2,467,400
GRAND TOTAL	\$4,829,982,300	\$995,330,000	\$5,825,312,300	\$5,091,721,300	\$1,270,154,400	\$6,361,875,700

1/ This table summarizes FY 1997 and FY 1998 operating appropriations from the 1st Regular Session of the 43rd Legislature and all prior sessions and excludes capital outlay appropriations.

2/ For display purposes only, the General Fund appropriation of \$47,300 and the Other Fund appropriation of \$1,600 for the Classification Maintenance Review has been added to the Supreme Court. This dollar amount will be allocated to each of the agencies in the Judiciary.

3/ Available for the ADOA personnel system.

SUMMARY OF APPROPRIATED OPERATING FUNDS ^{1/}
By Agency For Fiscal Year 1999

	Fiscal Year 1999		Total
	General Fund	Other Funds	
BIENNIAL BUDGET UNITS			
Accountancy, State Board of	0	1,254,800	1,254,800
Administrative Hearings, Office of	613,300	752,300	1,365,600
Agriculture, AZ Department of	11,502,700	2,175,300	13,678,000
Appraisal, State Board of	0	294,000	294,000
Arts, Arizona Commission on the	4,352,900	0	4,352,900
Attorney General - Department of Law	24,387,700	13,389,900	37,777,600
Auto Theft Authority	0	1,176,900	1,176,900
Banking Department, State	2,564,500	0	2,564,700
Barbers, Board of	0	162,700	162,700
Behavioral Health Examiners, Board of	0	394,300	394,300
Boxing Commission, AZ State	71,800	0	71,800
Building & Fire Safety, Department of	3,077,300	0	3,077,300
Chiropractic Examiners, State Board of	0	259,400	259,400
Coliseum and Exposition Center Board	0	12,266,500	12,266,500
Commerce, Department of	19,927,700	7,591,900	27,519,600
Constitutional Defense Council	0	0	0
Contractors, Registrar of	0	6,009,700	6,009,700
Corporation Commission	5,822,800	10,439,100	16,261,900
Cosmetology, Board of	0	831,200	831,200
Criminal Justice Commission, Arizona	750,000	1,908,100	2,658,100
Deaf and Blind, AZ State Schools for the	18,073,700	6,420,600	24,494,300
Dental Examiners, State Board of	0	649,900	649,900
Drug & Gang Prevention Resource Ctr.	0	207,400	207,400
Emergency & Military Affairs, Department of	10,833,500	47,700	10,881,200
Environmental Quality, Department of	29,140,200	18,219,500	47,359,700
Equal Opportunity, Governor's Office of	254,900	0	254,900
Equalization, State Board of	818,800	0	818,800
Executive Clemency, Board of	1,635,500	0	1,635,500
Funeral Directors and Embalmers, Board of	0	187,400	187,400
Game and Fish Department, AZ	0	20,858,900	20,858,900
Gaming, Department of	0	4,500,800	4,500,800
Geological Survey, AZ	795,600	0	795,600
Govt. Information Technology Agency	8,000,000	4,238,700	12,238,700
Governor, Office of the	5,331,800	0	5,331,800
Gov's Ofc. of Management & Budget	3,504,600	500,000	4,004,600
Hearing Impaired, AZ Council for the	254,300	4,160,700	4,415,000
Historical Society, Arizona	4,351,600	0	4,351,600
Historical Society, Prescott	698,700	0	698,700
Homeopathic Medical Examiners, Board of	0	42,600	42,600
Indian Affairs, AZ Commission of	160,100	0	160,100
Industrial Commission of AZ	0	13,647,700	13,647,700
Insurance, Department of	5,048,600	0	5,048,600
Land Department, State	14,040,400	901,500	14,941,900
Law Enforcement Merit System Council	52,200	0	52,200
Legislature			
Auditor General	10,094,100	0	10,094,100
House of Representatives	8,601,200	0	8,601,200
Joint Legislative Budget Committee	2,220,500	0	2,220,500
Legislative Council	3,952,700	0	3,952,700
Library, Archives and Public Records	6,298,600	0	6,298,600
Senate	6,392,800	0	6,392,800
SUBTOTAL - Legislature	\$37,559,900	\$0	\$37,559,900
Liquor Licenses & Control, Department of	2,773,600	0	2,773,600
Lottery Commission, AZ State	0	54,370,800	54,370,800
Medical Examiners, Board of	0	3,210,100	3,210,100
Medical Student Loans, Board of	295,800	20,600	316,400
Military Airport Preservation Committee, AZ	0	0	0
Mine Inspector, State	980,900	0	980,900
Mines and Mineral Resources, Department of	759,500	0	759,500
Naturopathic Physician Examiners Board	0	84,500	84,500
Navigable Stream Adjudication Commission	144,600	0	144,600
Nursing, State Board of	0	1,606,300	1,606,300
Nursing Care Institution Administrators Board	0	124,200	124,200
Occupational Safety & Health Review Board	9,000	0	9,000
Occupational Therapy Examiners, Board of	0	106,700	106,700
Opticians, State Board of Dispensing	0	70,900	70,900
Optometry, State Board of	0	116,900	116,900
Osteopathic Examiners, AZ Board of	0	360,400	360,400

	Fiscal Year 1999		Total
	General Fund	Other Funds	
Parks Board, Arizona State	7,679,100	3,307,400	10,986,500
Personnel Board	316,700	0	316,700
Pharmacy, AZ State Board of	0	736,100	736,100
Physical Therapy Examiners, Board of	0	133,500	133,500
Pioneers' Home, AZ	2,304,400	2,007,700	4,312,100
Podiatry Examiners, State Board of	0	70,500	70,500
Postsecondary Education, Commission for	0	0	0
Private Postsecondary Education, Board for	0	169,200	169,200
Psychologist Examiners, State Board of	0	275,200	275,200
Public Safety, Department of	73,520,800	44,001,300	117,522,100
Racing, Arizona Department of	2,646,000	304,800	2,950,800
Radiation Regulatory Agency	1,620,000	113,100	1,734,000
Rangers' Pension, Arizona	11,100	0	11,100
Real Estate Department, State	3,006,400	0	3,006,400
Residential Utility Consumer Office	0	941,400	941,400
Respiratory Care Examiners, Board of	0	183,400	183,400
Retirement System, Arizona State	0	8,766,300	8,766,300
Revenue, Department of	54,583,800	1,404,900	55,988,700
School Capital Facilities, State Board for	0	30,000,000	30,000,000
Secretary of State	4,369,700	0	4,369,700
Structural Pest Control Commission	0	1,464,700	1,464,700
Tax Appeals, State Board of	281,100	0	281,100
Technical Registration, State Board of	0	829,900	829,900
Tourism, Office of	8,825,100	0	8,825,100
Treasurer, State	4,431,100	0	4,431,100
Uniform State Laws, Commission on	31,600	0	31,600
Veterans' Service Commission, AZ	1,004,000	8,535,200	9,539,200
Veterinary Medical Examining Board	0	240,600	240,600
Water Resources, Department of	19,941,800	80,000	20,021,800
Weights and Measures, Department of	1,614,900	424,300	2,039,200
TOTAL - BIENNIAL BUDGET UNITS	\$404,777,200	\$297,550,400	\$702,327,600
Unallocated Salary Adjustment	71,092,700	10,669,900	81,762,600
Unallocated FY 1998 CMR Annualization	4,446,300 2/	820,000 3/	5,266,300
Unallocated FY 1999 CMR 4/	16,500,000	2,910,000	19,410,000
Annual Budget Unit Advance Appropriations	4,532,000 5/	33,800,000 6/	38,332,000
GRAND TOTAL	\$501,348,200	\$345,750,300	\$847,098,500

- 1/ This table summarizes all FY 1999 operating appropriations from the 1st Regular Session of the 43rd Legislature and all prior sessions and excludes capital outlay appropriations.
- 2/ Unallocated amount includes: ADOA, \$1,911,200; Judiciary, \$63,100; and the Universities, \$2,472,000. Since DPS is a biennial budget unit, the DPS total reflects the allocation of \$220,400 for the FY 1998 CMR annualization and this amount is not included in this line.
- 3/ Unallocated amount includes: ADOA, \$817,900 and Judiciary, \$2,100. DPS and the Universities do not receive Other Appropriated Funding for CMRs.
- 4/ The FY 1999 CMR amounts have not been allocated to any personnel system at this time.
- 5/ Includes ADOA, \$200,000 (Ch. 291); DES, \$3,832,000 (Ch. 219, 223 and 224); and ADOT, \$500,000 (Ch. 269).
- 6/ Includes ADOA, \$450,000 (Ch. 288); ADE, \$32,500,000 (Ch. 4); and ADOT, \$850,000 (Ch. 365).

**SUMMARY OF THE CAPITAL OUTLAY BILL (CHAPTER 2, 1st Special Session)
AND OTHER BILLS WITH CAPITAL OUTLAY APPROPRIATIONS 1/**

	FY 1997		FY 1998		FY 1999	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
ARIZONA DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM						
Administration, Arizona Department of						
Building Renewal 2/ 3/			\$4,210,700	\$2,000,000		
State Health Laboratory 4/				14,800,000		
Design Capitol Mall Office Building 5/			1,100,000			
Black Canyon School Education Building			300,000			
ASPC-Douglas Waste Water Improvements 6/			300,000			
Underground Storage Tank Upgrades			200,000			
ASP-Fort Grant Waste Water Improvements			463,000			
ASPC-Perryville Safety Improvements (Chapter 212)			1,806,200	2,673,200		
Subtotal - Arizona Department of Administration	\$0	\$0	\$8,379,900	\$19,473,200	\$0	\$0
Coliseum and Exposition Center Board						
Building Renewal 2/				902,900		
Community Colleges, State Board of Directors for						
Navajo Community College District - Show Low Campus 7/			200,000			
Graham Community College District - Payson Campus			1,000,000			
Subtotal - State Board of Directors for Community Colleges	\$0	\$0	\$1,200,000	\$0	\$0	\$0
Criminal Justice Commission, Arizona						
County Jail Expansion (Chapter 220)			1,000,000			
Emergency and Military Affairs, Department of						
Clifton Flood Control (Chapter 7, 1st S.S.)	1,000,000					
Kearny Wastewater Facility (Chapter 216)			250,000			
Subtotal - Department of Emergency and Military Affairs	\$1,000,000	\$0	\$250,000	\$0	\$0	\$0
Game and Fish Department						
Building Renewal 2/				212,600		
Shooting Range Development				50,000		
Migratory Waterfowl Habitat				100,000		
Facilities Improvements				138,500		
Tucson Office Expansion				355,000		
Lease-Purchase Payoff				1,100,000		
Subtotal - AZ Game and Fish Department	\$0	\$0	\$0	\$1,956,100	\$0	\$0
Health Services, Department of						
SAMHC Building Renewal (Chapter 7, 1st S. S.)		79,900				
SAMHC Building Renewal				80,600		
Subtotal - Department of Health Services	\$0	\$79,900	\$0	\$80,600	\$0	\$0
Legislative Council						
Legislative Renovations (Chapter 273)			1,000,000			
Lottery Commission, Arizona State						
Building Renewal 2/				21,600		
Prescott Historical Society						
Sharlott Hall Museum Land Acquisition			130,000			
Public Safety, Department of						
Statewide Officer Housing			200,000			
Supreme Court						
Juvenile Detention Center Construction (Chapter 220)			5,451,300			
SUBTOTAL - ADOA BUILDING SYSTEM	\$1,000,000	\$79,900	\$17,611,200	\$22,434,400	\$0	\$0
ARIZONA BOARD OF REGENTS BUILDING SYSTEM						
Building Renewal 2/			14,779,100			
Arizona State University						
ASU-East - Renovation of Technology Center			2,997,000		3,000,000	
SUBTOTAL - ABOR BUILDING SYSTEM	\$0	\$0	\$17,776,100	\$0	\$3,000,000	\$0
ARIZONA DEPARTMENT OF TRANSPORTATION BUILDING SYSTEM						
Design and Construction of 5 MVD Service Centers (Chapter 7, 1st S. S.)		1,600,000				
Northeast Regional Service Center Land Acquisition (Chapter 7, 1st S. S.)		1,200,000				
Building Renewal 2/				746,500		
Northeast Regional Service Center Design and Construction				2,100,000		
North Central Regional Service Center Land Acquisition				900,000		
Underground Storage Tank Upgrades				350,000		
Prescott Valley Maintenance Yard				2,500,000		
De-icer Building - Kearns Canyon				250,000		
Highway Construction 3/ 8/				248,202,000		
Airport Planning and Development 9/				21,121,500		
San Luis Commercial Port of Entry and Highway Access (Chapter 182)				200,000		
Arizona-Mexico Border Ports and Infrastructure (Chapter 182)				800,000		
SUBTOTAL - ADOT BUILDING SYSTEM 10/	\$0	\$2,800,000	\$0	\$277,170,000	\$0	\$0
TOTAL - ALL BUILDING SYSTEMS	\$1,000,000	\$2,879,900	\$35,387,300	\$299,604,400	\$3,000,000	\$0
ADVANCE APPROPRIATIONS 11/			63,900,000	56,593,800	41,100,000	41,620,000
GRAND TOTAL - ALL APPROPRIATIONS	\$1,000,000	\$2,879,900	\$99,287,300	\$356,198,200	\$44,100,000	\$41,620,000

- 1/ This table summarizes all Capital Appropriations for FY 1998 and FY 1999 from the 1st Regular Session of the 43rd Legislature and all prior legislative sessions. The FY 1997 appropriations reflect only changes since the publication of the previous Appropriations Report. Appropriations are listed by the state's three "building systems." Capital Outlays are budgeted on an annual basis except under special circumstances.
- 2/ For major maintenance and repair of state buildings pursuant to A.R.S. 41-790 and 41-793.01. The General Fund/Capital Outlay Stabilization Fund portion of the ADOA formula was funded at approximately 50% of full funding. The Regents' formula and the State Highway Fund portion of ADOT's formula were also funded at approximately 50% of full funding. All other agencies with Other Appropriated Funds were funded at 100% of their formula amounts. Up to 25% of building renewal monies may be spent on infrastructure or Americans with Disabilities Act building modifications.
- 3/ Any balances and collections in the Capital Outlay Stabilization Fund in excess of the specific amounts appropriated in the General Appropriation Act and the Capital Outlay Bill are appropriated to the department for building renewal. (Capital Outlay Bill footnote.)
- 4/ Includes appropriations for project-specific FTE Positions, Personal Services, and Employee Related Expenditures.
- 5/ Prior to the expenditure of monies for designing the building the department shall present siting options to the Joint Committee on Capital Review (Capital Outlay Bill footnote.) By November 1, 1997, the department shall also present recommendations to the Committee for selling or retaining the "distressed properties" acquired in 1992. (Capital Outlay Bill footnote.)
- 6/ Prior to the expenditure of monies to design the ASPC-Douglas waste water treatment plant improvements, the Department of Administration shall present the results of the preliminary study to the Joint Committee on Capital Review for its review. (Capital Outlay Bill footnote.)
- 7/ This sum represents the fifth and final portion of the state contribution for capital outlay pursuant to A.R.S. 15-1463, subsection B. (Capital Outlay Bill footnote.)
- 8/ Any balances and collections in the State Highway Fund in excess of the specific amounts appropriated in the General Appropriation Act and the Capital Outlay Bill are appropriated to the department for highway construction. (Capital Outlay Bill footnote.)
- 9/ Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriation Act and the Capital Outlay Bill are appropriated to the department for airport planning and development. (Capital Outlay Bill footnote.)
- 10/ Prior to the expenditure of any operating budget monies from this section, the Department of Transportation shall submit information on any operating budget expenses funded from this section to the Joint Legislative Budget Committee and the Joint Committee on Capital Review by July 1, 1997 for review. (Capital Outlay Bill footnote.)
- 11/ Appropriations for FY 1998 and FY 1999 from prior legislative sessions.

BONDING SUMMARY

The Arizona 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, 1996, the required debt service payments for FY 1998 and the sources of the payments are shown in the table below.

<u>Institution</u>	<u>Bonds Outstanding</u>	<u>FY 1998 Payment</u>	<u>Funding Source</u>
Arizona Board of Regents (ABOR)			
Arizona State University	\$ 267,866,000	\$ 22,482,000	Academic and Auxiliary Revenues
Northern Arizona University	126,630,000	10,096,000	Academic and Auxiliary Revenues
University of Arizona	284,295,000	24,296,700	Academic and Auxiliary Revenues
SUBTOTAL - ABOR ^{1/}	<u>\$ 678,791,000</u>	<u>\$ 56,874,700</u>	
Department of Transportation	\$ 652,500,000	\$ 76,672,900	State Highway Fund and Non-Appropriated Funds
Arizona Power Authority	79,105,000	5,416,300	Non-Appropriated Funds
TOTAL	<u>\$ 1,410,396,000</u>	<u>\$ 138,963,900</u>	

- 1/ Laws 1996, Chapter 334 authorizes the Board of Regents to issue up to \$245,400,000 of new revenue bonds on behalf of the universities. Prior to issuing bonds, the board shall submit a comprehensive, multi-year bonding plan to the Joint Committee on Capital Review for its review. No bonds shall be issued for a project unless it appears on the plan and receives prior approval from the Committee. At its May 1997 meeting, the Committee approved the issuance of \$30,900,000 in bonds for NAU from the Chapter 334 authority and \$9,282,000 in bonds for U of A from prior authorizing legislation.

LEASE-PURCHASE SUMMARY

The Arizona Department of Administration, the Arizona 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, 1996: 1) the facility constructed or acquired (and the year the lease-purchase agreement for the facility was signed); 2) the amount of the original issue, including pro rata costs associated with the issuance; 3) the budgeted FY 1998 lease-purchase payment, which is included in the operating budgets for the various tenants ^{1/}; and 4) the General Fund, Other Appropriated Fund, and Non-Appropriated amounts for the FY 1998 payment.

<u>AZ Dept. of Administration</u>	<u>Original Issue</u>	<u>FY 1998 Payment</u>	<u>General Fund</u>	<u>Other Appropriated</u>	<u>Non- Appropriated ^{1/}</u>
ENSCO (1991)	\$ 55,080,000	\$ 4,585,600	\$ 4,585,600	\$ 0	\$ 0
Revenue Building (1992)	26,919,000	2,121,400	2,121,400	0	0
DES Group Homes (1992)	3,420,500	271,200	177,700	0	93,500
16th Ave. Parking Garage (1992)	5,390,000	382,800	382,800	0	0
Courts Building (1992)	40,440,000	3,584,900	3,499,200	29,800	55,900
Historical Society Museum (1992)	13,665,000	1,260,000	1,260,000	0	0
ASDB Food Service (1992)	3,765,000	379,800	379,800	0	0
DES West (1992)	36,205,000	3,014,200	1,730,200	0	1,284,000
Tucson Office Building (1992)	22,365,000	2,174,300	1,590,900	184,300	399,100
Capital Center (1992)	20,845,000	1,717,000	1,165,200	494,500	57,300
Welcome Center (1992)	490,000	65,100	65,100	0	0
Distressed Properties (1992)	15,625,000	2,216,800	1,297,200	381,800	537,800
DOC 1,450 Beds (1993)	44,770,000	12,014,200	0	12,014,200	0
Game and Fish Offices (1993)	2,927,300	157,200	0	157,200	0
Records Management (1993)	2,441,900	186,600	186,600	0	0
Library for the Blind (1993)	1,405,100	108,300	108,300	0	0
ASDB H.S. & Auditorium (1993)	15,811,200	1,200,900	1,200,900	0	0
1616 West Adams (1993)	8,020,900	608,100	385,500	222,600	0
Tonto Natural Bridge (1993)	4,721,900	354,900	0	0	354,900
DOC 768 Beds (1994)	44,370,000	12,420,100	0	12,420,100	0
AHCCCS Buildings (1995)	12,000,000	1,674,000	1,665,700	0	8,300
SUBTOTAL - ADOA	\$ 380,677,800	\$ 50,497,400	\$ 21,802,100	\$ 25,904,500	\$ 2,790,800
Industrial Commission Building	\$ 17,000,000	\$ 1,250,000	\$ 0	\$ 0	\$ 1,250,000
Universities					
Arizona State University	67,120,000	5,892,000	5,446,000	0	446,000
Northern Arizona University	1,733,400	132,000	0	0	132,000
University of Arizona	75,153,300	7,141,000	0	0	7,141,000
SUBTOTAL - UNIVERSITIES	\$ 144,006,700	\$ 13,165,000	\$ 5,446,000	\$ 0	\$ 7,719,000
TOTAL	\$ 541,684,500	\$ 64,912,400	\$ 27,248,100	\$ 25,904,500	\$ 11,759,800

^{1/} Non-appropriated funding sources do not appear in agency budgets.

SUMMARY OF ADDITIONAL APPROPRIATIONS
(Other Than The General Appropriation Act and All Capital Outlay Appropriations)
Enacted by the 43rd Legislature - 1st Regular Session ^{1/}

	Fiscal Year 1997		Fiscal Year 1998		Fiscal Year 1999	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
ANNUAL BUDGET UNITS						
Administration, AZ Department of						
Ch. 88 (H.B. 2174) - Appropriations; Named Claimants	300,900					
Ch. 288 (S.B. 1464) - State Personnel System						450,000
Ch. 291 (H.B. 2331) - Employees; Accum. Sick Leave; Payment					200,000	
Ch. 300 (S.B. 1357) - Welfare Reform; Arizona Works Program			550,000			
Subtotal - AZ Department of Administration	300,900	\$0	550,000	\$0	200,000	450,000
AHCCCS						
Ch. 300 (S.B. 1357) - Welfare Reform; Arizona Works Program			1,179,900			
Economic Security, Department of						
Ch. 162 (H.B. 2460) - Respite Care; Elderly; Appropriation			185,000			
Ch. 219 (S.B. 1410) - Child Support; Omnibus			816,400		164,300	
Ch. 223 (H.B. 2256) - Family Builders Pilot Program			800,000		2,267,700	
Ch. 224 (H.B. 2258) - Child Protective Services; Hearings; Appeals					1,400,000	
Ch. 225 (H.B. 2359) - Adoption; Church Programs			100,000			
Ch. 300 (S.B. 1357) - Welfare Reform; Arizona Works Program			508,400			
Subtotal - Department of Economic Security	\$0	\$0	2,409,800	\$0	3,832,000	\$0
Education, Department of						
Ch. 4 (H.B. 2119) - Education Finance				32,500,000 ^{2/}		32,500,000
Ch. 220 (S.B. 1446) - Juvenile Justice; Implement Prop. 102			1,000,000			
Ch. 231 (H.B. 2162) - Education Omnibus			300,000			
Subtotal - Department of Education	\$0	\$0	1,300,000	32,500,000	\$0	32,500,000
Judiciary						
Superior Court						
Ch. 220 (S.B. 1446) - Juvenile Justice; Implement Prop. 102			6,015,300			
Supreme Court						
Ch. 180 (H.B. 2023) - Private Fiduciary Funding				50,000		
Subtotal - Judiciary	\$0	\$0	6,015,300	50,000	\$0	\$0
Juvenile Corrections, Department of						
Ch. 220 (S.B. 1446) - Juvenile Justice; Implement Prop. 102			4,000,000			
Transportation, Department of						
Ch. 269 (H.B. 2237) - Air Quality Omnibus			500,000		500,000	
TOTAL - ANNUAL BUDGET UNITS	300,900	\$0	15,455,000	32,550,000	4,532,000	32,950,000
BIENNIAL BUDGET UNITS						
Commerce, Department of						
Ch. 208 (S.B. 1006) - Bonds; Greater AZ Development Authority ^{3/}			3,000,000		8,000,000	
Ch. 269 (H.B. 2237) - Air Quality Omnibus						5,000,000
Ch. 294 (H.B. 2321) - Boxing Commission			50,000		50,000	
Subtotal - Department of Commerce	\$0	\$0	3,050,000	\$0	8,050,000	5,000,000
Criminal Justice Commission, Arizona						
Ch. 220 (S.B. 1446) - Juvenile Justice; Implement Prop. 102			500,000			
Ch. 244 (S.B. 1180) - Appropriation; Obscenity Prosecution			250,000		250,000	
Subtotal - Arizona Criminal Justice Commission	\$0	\$0	750,000	\$0	250,000	\$0
Emergency and Military Affairs, Department of						
Ch. 57 (H.B. 2175) - Nuclear Emergency Approp. and Assessment			465,000		467,500	
Ch. 293 (H.B. 2169) - National Guard; Project Challenge			1,600,000		1,400,000	
Subtotal - Dept. of Emergency and Military Affairs	\$0	\$0	2,065,000	\$0	1,867,500	\$0
Environmental Quality, Department of						
Ch. 78 (S.B. 1354) - Used Oil Amendments			253,600		253,600	
Ch. 117 (H.B. 2307) - Oxygenated Fuels			50,000			
Ch. 178 (S.B. 1304) - Greenfields Pilot Program			100,000		70,000	
Ch. 253 (S.B. 1335) - Underground Storage Tanks; Appropriation			1,578,000			
Ch. 269 (H.B. 2237) - Air Quality Omnibus			1,120,000	5,747,300		
Subtotal - Department of Environmental Quality	\$0	\$0	3,101,600	5,747,300	323,600	\$0

	Fiscal Year 1997		Fiscal Year 1998		Fiscal Year 1999	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Insurance, Department of						
Ch. 100 (S.B. 1098) - Managed Care; Health Care Appeals			60,800		234,700	
Ch. 281 (S.B. 1271) - Insurance Fraud Unit; Peace Officers			320,000		320,000	
Subtotal - Department of Insurance	\$0	\$0	\$380,800	\$0	\$554,700	\$0
Legislature						
Ch. 189 (H.B. 2537) - Children and Family Services			75,000			
Ch. 220 (S.B. 1446) - Juvenile Justice; Implement Prop. 102			750,000			
Subtotal - Legislature	\$0	\$0	\$825,000	\$0	\$0	\$0
Lottery Commission, Arizona State						
Ch. 214 (S.B. 1125) - State Lottery				3,922,800 4/		4,637,800 4/
Postsecondary Education, Commission for						
Ch. 265 (H.B. 2081) - Postsecondary Ed. Pgm.; Admn.; Approp.			300,000			
Public Safety, Department of						
Ch. 220 (S.B. 1446) - Juvenile Justice; Implement Prop. 102			630,200			
Radiation Regulatory Agency						
Ch. 57 (H.B. 2175) - Nuclear Emergency Approp. and Assessment			413,400		413,400	
Retirement System, Arizona State						
Ch. 280 (S.B. 1247) - ASRS; Omnibus				200,500		
School Capital Facilities, State Board for						
Ch. 4 (H.B. 2119) - Education Finance				400,000		
Technical Registration; Board of						
Ch. 296 (S.B. 1304) - Greenfields Pilot Program			10,000			
Treasurer, State						
Ch. 220 (S.B. 1446) - Juvenile Justice; Implement Prop. 102			1,000,000			
Weights and Measures, Department of						
Ch. 117 (H.B. 2307) - Oxygenated Fuels			150,000			
Ch. 269 (H.B. 2237) - Air Quality Omnibus			90,000			
Subtotal - Department of Weights and Measures	\$0	\$0	\$240,000	\$0	\$0	\$0
TOTAL - BIENNIAL BUDGET UNITS	\$0	\$0	\$12,766,000	\$10,270,600	\$11,459,200	\$9,637,800
GRAND TOTAL	\$300,900	\$0	\$28,221,000	\$42,820,600	\$15,991,200	\$42,587,800

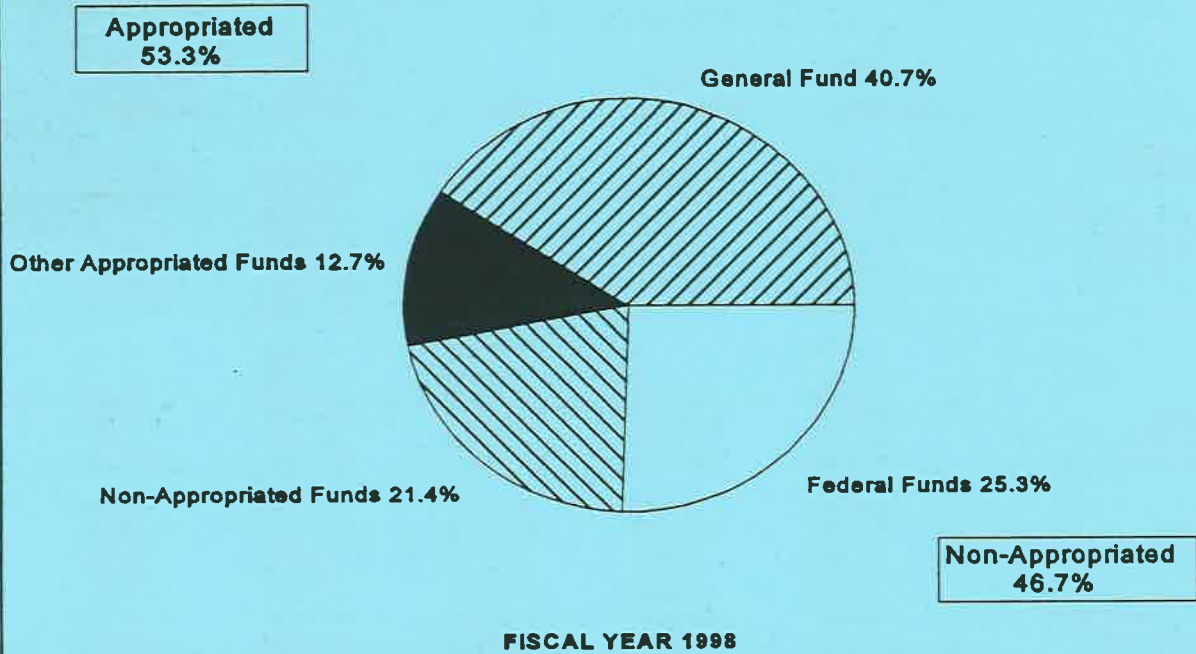
1/ All appropriations have been rounded to the nearest \$100.

2/ These represent continuously appropriated monies from the ABC Fund.

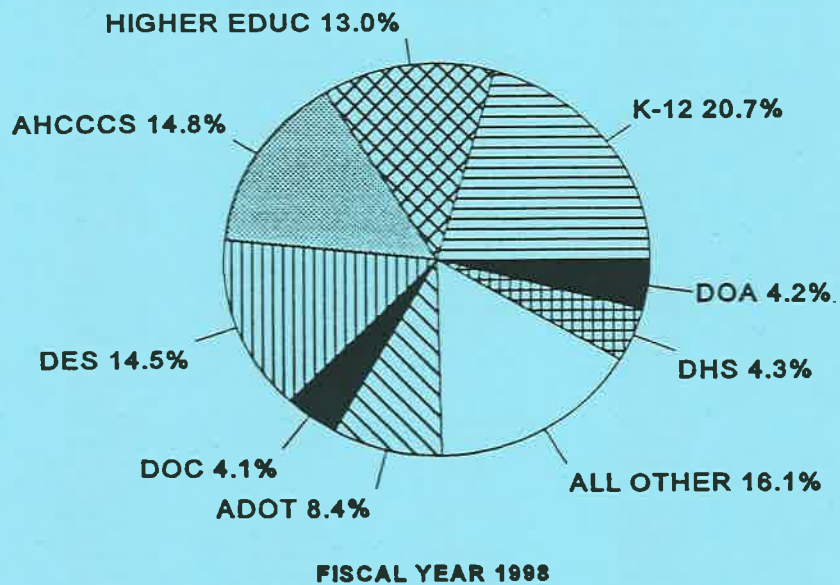
3/ Also appropriates \$9,000,000 in FY 2000 to the Department of Commerce's Greater Arizona Development Authority Revolving Fund.

4/ JLBC estimated increases to Lottery's budget based upon provisions in the bill.

**DISTRIBUTION OF TOTAL STATE SPENDING AUTHORITY
APPROPRIATED AND NON-APPROPRIATED FUNDS**



**DISTRIBUTION OF TOTAL STATE SPENDING AUTHORITY
BY AGENCY**



SUMMARY OF TOTAL SPENDING AUTHORITY 1/
(APPROPRIATED AND NON-APPROPRIATED FUNDS)
For Fiscal Years 1997 and 1998

	Fiscal Year 1997			Fiscal Year 1998		
	Appropriated	Non-	Total	Appropriated	Non-	Total
	General and Other Funds	Federal and Other Funds 2/		General and Other Funds	Federal and Other Funds 2/	
ANNUAL BUDGET UNITS						
Administration, AZ Department of	\$242,131,100	\$236,513,200	\$478,644,300	\$289,203,000	\$244,622,500	\$533,825,500
AHCCCS	482,312,300	1,282,665,200	1,764,977,500	498,934,200	1,396,459,300	1,895,393,500
Community Colleges, St Bd of Directors for	111,425,300	2,915,400	114,340,700	122,204,200	2,915,400	125,119,600
Corrections, State Department of	449,777,700	32,769,900	482,547,600	487,995,400	34,519,300	522,514,700
Economic Security, Department of	587,066,400	1,187,081,100	1,774,147,500	689,363,600	1,167,494,700	1,856,858,300
Education, Department of	1,975,148,200	536,825,600	2,511,973,800	2,192,183,100	471,043,300	2,663,226,400
Health Services, Department of	233,747,500	313,480,800	547,228,300	234,738,000	314,785,800	549,523,800
Judiciary						
Court of Appeals	9,100,500	0	9,100,500	9,459,300	0	9,459,300
Superior Court	94,696,500	0	94,696,500	111,911,000	0	111,911,000
Supreme Court	14,456,100	14,241,700	28,697,800	27,257,300	7,353,900	34,611,200
SUBTOTAL - Judiciary	\$118,253,100	\$14,241,700	\$132,494,800	\$148,627,600	\$7,353,900	\$155,981,500
Juvenile Corrections, Department of	50,909,700	1,792,000	52,701,700	58,443,500	1,309,000	59,752,500
Transportation, Department of	457,031,500	554,849,000	1,011,880,500	504,334,500	568,558,800	1,072,893,300
Universities						
Board of Regents	19,689,300	1,342,200	21,031,500	25,339,500	1,327,700	26,667,200
ASU - Main Campus	295,567,000	209,921,600	505,488,600	314,655,100	218,400,200	533,055,300
ASU - East Campus	7,817,900	2,462,600	10,280,500	12,424,200	2,626,000	15,050,200
ASU - West Campus	40,099,000	3,245,800	43,344,800	41,570,100	3,459,600	45,029,700
Northern Arizona University	118,984,800	92,498,800	211,483,600	125,372,000	95,785,200	221,157,200
University of Arizona - Main Campus	297,269,400	383,548,400	680,817,800	305,704,100	380,277,700	685,981,800
U of A - Health Sciences Center	50,964,400	89,236,900	140,201,300	56,738,300	91,393,300	148,131,600
SUBTOTAL - Universities	\$830,391,800	\$782,256,300	\$1,612,648,100	\$881,803,300	\$793,269,700	\$1,675,073,000
TOTAL - ANNUAL BUDGET UNITS	\$5,538,194,600	\$4,945,390,200	\$10,483,584,800	\$6,107,830,400	\$5,002,331,700	\$11,110,162,100
BIENNIAL BUDGET UNITS						
Accountancy, State Board of	1,053,600	0	1,053,600	1,244,100	0	1,244,100
Administrative Hearings, Office of	1,345,900	0	1,345,900	1,330,600	0	1,330,600
Agriculture, AZ Department of	13,162,500	6,602,400	19,764,900	13,377,700	6,243,900	19,621,600
Appraisal, State Board of	251,700	0	251,700	288,800	0	288,800
Arts, Arizona Commission on the	1,526,100	1,747,200	3,273,300	3,950,200	1,557,600	5,507,800
Attorney General - Department of Law	26,137,400	34,613,400	60,750,800	36,662,700	10,968,700	47,631,400
Auto Theft Authority	225,000	807,600	1,032,600	1,173,500	0	1,173,500
Banking Department, State	2,458,100	347,800	2,805,900	2,501,100	350,900	2,852,000
Barbers, Board of	156,200	0	156,200	158,600	0	158,600
Behavioral Health Examiners, Board of	357,700	0	357,700	394,300	0	394,300
Boxing Commission, AZ State	68,300	0	68,300	70,100	0	70,100
Building & Fire Safety, Department of	2,873,000	407,800	3,280,800	3,010,200	372,600	3,382,800
Chiropractic Examiners, State Board of	245,700	0	245,700	255,200	0	255,200
Coliseum and Exposition Center Board	13,514,800	400,000	13,914,800	12,922,200	400,000	13,322,200
Commerce, Department of	13,137,800	31,309,800	44,447,600	17,486,700	38,915,300	56,402,000
Compensation Fund, State	0	412,000,900	412,000,900	0	455,443,400	455,443,400
Constitutional Defense Council	0	0	0	350,000	0	350,000
Contractors, Registrar of	4,787,100	3,141,800	7,928,900	5,918,700	3,193,800	9,112,500
Corporation Commission	11,847,500	3,401,500	15,249,000	15,805,100	98,000	15,903,100
Cosmetology, Board of	691,400	0	691,400	835,400	0	835,400
Criminal Justice Commission, Arizona	1,077,000	14,621,000	15,698,000	4,175,200	12,499,000	16,674,200
Deaf and the Blind, AZ State Schools for the	23,131,700	3,193,600	26,325,300	24,046,200	3,292,700	27,308,900
Dental Examiners, State Board of	596,100	0	596,100	631,400	0	631,400
Drug & Gang Prevention Resource Center	0	2,218,800	2,218,800	205,200	2,218,100	2,423,300
Emergency & Military Affairs, Department of	11,990,000	37,824,000	49,814,000	15,158,500	58,142,400	73,300,900
Environmental Quality, Department of	39,574,700	91,661,700	131,236,400	56,183,700	55,916,000	112,099,700
Equal Opportunity, Governor's Office of	237,900	58,100	296,000	248,400	58,100	306,500
Equalization, State Board of	803,900	0	803,900	806,600	0	806,600
Executive Clemency, Board of	1,691,200	0	1,691,200	1,676,300	0	1,676,300
Funeral Directors and Embalmers, Board of	180,300	0	180,300	186,100	0	186,100
Game and Fish Department, AZ	19,801,400	28,006,300	47,807,700	22,669,700	28,048,900	50,718,600
Gaming, Department of	3,901,200	0	3,901,200	4,297,400	0	4,297,400
Geological Survey, AZ	743,300	205,300	948,600	780,300	240,800	1,021,100
Govt. Information Technology Agency	0	0	0	19,408,100	0	19,408,100
Governor, Office of the	4,974,200	19,405,700	24,379,900	5,305,100	9,803,200	15,108,300
Gov's Ofc of Management & Budget	3,823,800	0	3,823,800	3,923,400	0	3,923,400
Hearing Impaired, AZ Council for the	258,000	4,190,000	4,448,000	4,415,400	57,500	4,472,900
Historical Society, Arizona	4,158,900	1,621,400	5,780,300	4,287,000	1,652,500	5,939,500
Historical Society, Prescott	877,700	796,800	1,674,500	811,200	898,500	1,709,700
Homeopathic Medical Examiners, Board of	33,200	0	33,200	41,700	0	41,700
Indian Affairs, AZ Commission of	175,400	12,000	187,400	156,000	12,500	168,500
Industrial Commission of AZ	12,833,800	18,519,200	31,353,000	14,040,900	19,101,600	33,142,500
Insurance, Department of	4,396,200	32,424,100	36,820,300	4,780,500	31,185,300	35,965,800
Land Department, State	13,098,200	9,409,100	22,507,300	14,748,900	3,641,800	18,390,700
Law Enforcement Merit System Council	48,100	0	48,100	52,100	0	52,100

	Fiscal Year 1997			Fiscal Year 1998		
	Appropriated General and Other Funds	Non- Appropriated	Total	Appropriated General and Other Funds	Non- Appropriated	Total
		Federal and Other Funds 2/			Federal and Other Funds 2/	
Legislature				0		
Auditor General	9,540,500	1,053,400	10,593,900	9,883,900	1,145,300	11,029,200
House of Representatives	8,152,400	0	8,152,400	8,431,900	0	8,431,900
Joint Legislative Budget Committee	2,137,200	0	2,137,200	2,165,900	0	2,165,900
Legislative Council	5,202,300	0	5,202,300	6,292,000	0	6,292,000
Library, Archives and Public Records	5,646,400	2,053,500	7,699,900	6,194,200	2,003,000	8,197,200
Senate	6,070,300	0	6,070,300	6,263,700	0	6,263,700
SUBTOTAL - Legislature	\$36,749,100	\$3,106,900	\$39,856,000	\$39,231,600	\$3,148,300	\$42,379,900
Liquor Licenses & Control, Department of	2,579,200	337,400	2,916,600	2,725,500	346,500	3,072,000
Lottery Commission, AZ State	43,344,400	136,708,000	180,052,400	52,223,000	135,928,000	188,151,000
Medical Examiners, Board of	2,906,100	356,000	3,262,100	3,173,600	0	3,173,600
Medical Student Loans, Board of	236,600	58,300	294,900	305,600	0	305,600
Military Airport Preservation Committee, AZ	0	0	0	0	0	0
Mine Inspector, State	917,200	332,600	1,249,800	1,045,000	265,000	1,310,000
Mines and Mineral Resources, Department of	706,500	90,700	797,200	732,400	81,200	813,600
Naturopathic Physician Examiners Board	72,000	0	72,000	93,600	0	93,600
Navigable Stream Adjudication Commission	117,400	0	117,400	209,700	0	209,700
Nursing, State Board of	1,547,000	436,700	1,983,700	1,573,600	436,700	2,010,300
Nursing Care Institution Administrators Board	91,900	0	91,900	123,100	0	123,100
Occupational Safety & Health Review Board	9,000	0	9,000	9,000	0	9,000
Occupational Therapy Examiners, Board of	94,500	0	94,500	106,900	0	106,900
Opticians, State Board of Dispensing	67,200	0	67,200	74,200	0	74,200
Optometry, State Board of	109,900	0	109,900	114,100	0	114,100
Osteopathic Examiners, AZ Board of	340,600	0	340,600	364,600	0	364,600
Parks Board, Arizona State	9,746,300	28,901,100	38,647,400	10,438,400	25,727,600	36,166,000
Personnel Board	310,600	0	310,600	314,200	0	314,200
Pharmacy, AZ State Board of	729,300	0	729,300	725,100	0	725,100
Physical Therapy Examiners, Board of	93,000	0	93,000	132,100	0	132,100
Pioneers' Home, AZ	3,135,800	1,373,100	4,508,900	4,262,500	551,400	4,813,900
Podiatry Examiners, State Board of	58,200	0	58,200	69,700	0	69,700
Postsecondary Education, Commission for	4,263,100	0	4,263,100	4,075,900	0	4,075,900
Power Authority, AZ	0	22,216,100	22,216,100	0	22,216,100	22,216,100
Private Postsecondary Education, Board for	160,300	53,000	213,300	165,500	53,000	218,500
Psychologist Examiners, State Board of	255,700	0	255,700	270,500	0	270,500
Public Safety, Department of	103,394,100	31,487,800	134,881,900	112,308,000	19,503,100	131,811,100
Public Safety Personnel Retirement System	0	1,480,100	1,480,100	0	1,564,000	1,564,000
Racing, Arizona Department of	2,872,700	1,302,800	4,175,500	2,941,100	1,754,800	4,695,900
Radiation Regulatory Agency	1,634,300	124,600	1,758,900	1,715,000	124,600	1,839,600
Rangers' Pension, Arizona	10,500	0	10,500	10,800	0	10,800
Real Estate Department, State	2,849,800	244,200	3,094,000	2,955,200	250,200	3,205,400
Residential Utility Consumer Office	1,021,500	0	1,021,500	946,400	0	946,400
Respiratory Care Examiners, Board of	165,700	0	165,700	186,100	0	186,100
Retirement System, Arizona State	3,799,600	20,273,100	24,072,700	9,442,300	15,586,500	25,028,800
Revenue, Department of	51,925,900	6,551,400	58,477,300	54,786,100	2,777,900	57,564,000
School Capital Facilities, State Board for	100,000,000	0	100,000,000	30,400,000	0	30,400,000
Secretary of State	4,138,900	135,000	4,273,900	2,805,300	123,000	2,928,300
Structural Pest Control Commission	1,377,100	102,900	1,480,000	1,411,500	97,000	1,508,500
Tax Appeals, State Board of	269,700	0	269,700	292,000	0	292,000
Technical Registration, State Board of	875,700	0	875,700	831,600	0	831,600
Tourism, Office of	7,687,200	295,000	7,982,200	8,295,500	295,000	8,590,500
Treasurer, State	3,910,100	0	3,910,100	5,239,000	0	5,239,000
Uniform State Laws, Commission on	29,200	0	29,200	30,600	0	30,600
Veterans' Service Commission, AZ	8,889,800	687,300	9,577,100	9,317,900	165,700	9,483,600
Veterinary Medical Examining Board	217,100	0	217,100	240,200	0	240,200
Water Resources, Department of	19,756,300	29,716,800	49,473,100	16,825,900	15,551,200	32,377,100
Weights and Measures, Department of	1,936,200	0	1,936,200	2,262,200	0	2,262,200
TOTAL - BIENNIAL BUDGET UNITS	\$667,648,300	\$1,045,318,200	\$1,712,966,500	\$706,542,600	\$990,859,900	\$1,697,402,500
Unallocated Salary Adjustment	281,000	0	281,000	520,800	0	520,800
Unallocated CMR	44,300	0	44,300	2,467,400	0	2,467,400
SUBTOTAL - BUDGETS UNITS	\$6,206,168,200	\$5,990,708,400	\$12,196,876,600	\$6,817,361,200	\$5,993,191,600	\$12,810,552,800
Corrections Fund Deposit	18,000,000	0	18,000,000	0	0	0
Budget Stabilization Fund	0	0	0	30,000,000	0	30,000,000
GRAND TOTAL	\$6,224,168,200	\$5,990,708,400	\$12,214,876,600	\$6,847,361,200	\$5,993,191,600	\$12,840,552,800

1/ The amounts shown include all operating and capital appropriations from past sessions and current year supplementals.

2/ The amounts shown are generally based on estimates published in the JLBC Staff's Non-Appropriated Funds Report (January 1997). The following updated information has been included: AHCCCS, FY 1997 and FY 1998 respectively: County Contributions - \$201,105,100 and \$215,697,300; Federal Funds - \$1,014,769,300 and \$1,094,820,000; Health Care Group - \$27,471,800 and \$30,346,800; Tobacco Tax & Health Care Fund - Medically Needy Account - \$34,244,000 and \$30,195,200; Tobacco Tax & Health Care Fund - Premium Sharing Demonstration Project Fund - \$75,000 and \$20,400,000; Department of Economic Security, Long Term Care - \$134,842,900 and \$133,022,000; Department of Education, Permanent State School - \$63,450,000 and \$37,425,000; Department of Transportation, County Auto License Fund, FY 1997, \$25,683,300; Arizona Commission on the Environment, Special Revolving Fund, FY 1997, \$0. Laws 1996, Chapter 8, 5th Special Session also required that the first \$30,000,000 of monies which were previously deposited into the Permanent State School Fund be appropriated to the State Board for School Capital Facilities. Of this amount, \$29,700,000 is continually appropriated.

STATE PERSONNEL SUMMARY
By Full-Time Equivalent Positions for Fiscal Years 1997 and 1998

	Fiscal Year 1997			Fiscal Year 1998		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
MAJOR BUDGET UNITS						
Administration, AZ Department of	420.7	593.3	1,014.0	400.7	580.3	981.0
Capital Outlay	3.0	33.0	36.0	2.0	22.0	24.0
AHCCCS	1,074.8	0.0	1,074.8	1,074.8	0.0	1,074.8
Community Colleges, State Board of Directors for	10.0	3.0	13.0	10.0	3.0	13.0
Corrections, Department of	8,624.4	0.0	8,624.4	9,020.4	0.0	9,020.4
Economic Security, Department of 2/	2,628.5	882.7	3,511.2	2,541.2	1,147.0	3,688.2
Education, Department of	200.2	0.0	200.2	201.7	0.0	201.7
Health Services, Department of 3/	1,131.1	36.0	1,167.1	1,037.1	36.0	1,073.1
Judiciary						
Court of Appeals	137.0	0.0	137.0	137.5	0.0	137.5
Superior Court	178.0	0.0	178.0	181.0	8.0	189.0
Supreme Court 4/	162.8	13.5	176.3	164.8	17.5	182.3
SUBTOTAL - Judiciary	477.8	13.5	491.3	483.3	25.5	508.8
Juvenile Corrections, Department of 5/	859.5	31.0	890.5	876.5	41.5	918.0
Transportation, Department of	2.0	3,019.0	3,021.0	2.0	3,681.0	3,683.0
Capital Outlay	0.0	665.0	665.0	0.0	665.0	665.0
Universities						
Board of Regents	28.1	0.0	28.1	28.1	0.0	28.1
ASU - Main Campus	5,231.6	0.0	5,231.6	5,519.4	0.0	5,519.4
ASU - East Campus	112.0	0.0	112.0	148.0	0.0	148.0
ASU - West Campus	634.4	0.0	634.4	640.9	0.0	640.9
Northern Arizona University	2,194.3	0.0	2,194.3	2,229.7	0.0	2,229.7
University of Arizona	5,374.3	0.0	5,374.3	5,431.0	0.0	5,431.0
U of A - Health Sciences Center	709.5	0.0	709.5	674.0	0.0	674.0
SUBTOTAL - Universities	14,284.2	0.0	14,284.2	14,671.1	0.0	14,671.1
TOTAL - MAJOR BUDGET UNITS	29,716.2	5,276.5	34,992.7	30,320.8	6,201.3	36,522.1
BIENNIAL BUDGET UNITS						
Accountancy, State Board of	0.0	10.0	10.0	0.0	10.0	10.0
Administrative Hearings, Office of	13.5	8.5	22.0	9.9	12.1	22.0
Agriculture, AZ Department of	238.8	39.0	277.8	241.3	43.0	284.3
Appraisal, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Arts, Arizona Commission on the	12.5	0.0	12.5	12.5	0.0	12.5
Attorney General - Department of Law	366.0	17.0	383.0	370.5	170.6	541.1
Auto Theft Authority	0.0	0.0	0.0	0.0	2.0	2.0
Banking Department, State	52.0	0.0	52.0	52.0	0.0	52.0
Barbers, Board of	0.0	3.0	3.0	0.0	3.0	3.0
Behavioral Health Examiners, Board of	0.0	7.0	7.0	0.0	7.0	7.0
Boxing Commission, AZ State	1.5	0.0	1.5	1.5	0.0	1.5
Building & Fire Safety, Department of	67.5	0.0	67.5	68.5	0.0	68.5
Chiropractic Examiners, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Coliseum and Exposition Center Board 6/	0.0	193.0	193.0	0.0	175.0	175.0
Commerce, Department of	64.5	21.0	85.5	70.5	19.0	89.5
Constitutional Defense Council	0.0	0.0	0.0	0.0	0.0	0.0
Contractors, Registrar of	0.0	111.8	111.8	0.0	112.8	112.8
Corporation Commission	112.0	124.0	236.0	118.0	165.0	283.0
Cosmetology, Board of	0.0	15.5	15.5	0.0	17.5	17.5
Criminal Justice Commission, Arizona	0.0	6.0	6.0	0.0	6.0	6.0
Deaf and the Blind, AZ State Schools for the	363.1	161.3	524.4	362.8	174.1	536.9
Dental Examiners, State Board of	0.0	9.0	9.0	0.0	9.0	9.0
Drug & Gang Prevention Resource Ctr.	0.0	0.0	0.0	0.0	1.8	1.8
Emergency and Military Affairs, Department of 7/	67.0	0.0	67.0	68.0	0.0	68.0
Environmental Quality, Department of	249.4	164.0	413.4	247.4	230.2	477.6
Equal Opportunity, Governor's Office of	5.0	0.0	5.0	5.0	0.0	5.0
Equalization, State Board of	10.0	0.0	10.0	10.0	0.0	10.0
Executive Clemency, Board of	37.0	0.0	37.0	36.0	0.0	36.0
Funeral Directors and Embalmers, Board of	0.0	3.0	3.0	0.0	3.0	3.0
Game and Fish Department, AZ	0.0	271.5	271.5	0.0	271.5	271.5
Gaming, Department of	0.0	68.0	68.0	0.0	67.0	67.0
Geological Survey, AZ	13.3	0.0	13.3	13.3	0.0	13.3
Government Information Technology Agency	0.0	0.0	0.0	0.0	17.0	17.0
Governor's Office of Management and Budget 8/	43.0	0.0	43.0	43.0	0.0	43.0
Hearing Impaired, AZ Council for the	5.0	0.0	5.0	5.0	4.0	9.0
Historical Society, Arizona	64.5	0.0	64.5	64.5	0.0	64.5
Historical Society, Prescott	16.0	0.0	16.0	17.0	0.0	17.0
Homeopathic Medical Examiners, Board of	0.0	0.5	0.5	0.0	0.5	0.5
Indian Affairs, AZ Commission of	4.0	0.0	4.0	3.0	0.0	3.0
Industrial Commission of AZ	0.0	272.0	272.0	0.0	277.0	277.0
Insurance, Department of	102.9	0.0	102.9	99.0	0.0	99.0
Land Department, State 9/	174.0	0.0	174.0	174.0	2.0	176.0
Law Enforcement Merit System Council	1.0	0.0	1.0	1.0	0.0	1.0
Legislature						
Auditor General	170.0	0.0	170.0	175.0	0.0	175.0
Joint Legislative Budget Committee	34.0	0.0	34.0	34.0	0.0	34.0

	Fiscal Year 1997			Fiscal Year 1998		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Legislative Council 10/	51.0	0.0	51.0	53.0	0.0	53.0
Library, Archives and Public Records	119.1	0.0	119.1	120.1	0.0	120.1
SUBTOTAL - Legislature	374.1	0.0	374.1	382.1	0.0	382.1
Liquor Licenses & Control, Department of	48.0	0.0	48.0	44.0	0.0	44.0
Lottery Commission, AZ State	0.0	121.0	121.0	0.0	121.0	121.0
Medical Examiners, Board of	0.0	43.5	43.5	0.0	44.5	44.5
Medical Student Loans, Board of	0.0	0.0	0.0	0.0	0.0	0.0
Military Airport Preservation Committee, AZ	0.0	0.0	0.0	0.0	0.0	0.0
Mine Inspector, State 11/	19.0	0.0	19.0	19.0	0.0	19.0
Mines and Mineral Resources, Department of	8.0	0.0	8.0	8.0	0.0	8.0
Naturopathic Physician Examiners Board	0.0	1.0	1.0	0.0	1.0	1.0
Navigable Stream Adjudication Commission	2.0	0.0	2.0	2.0	0.0	2.0
Nursing, State Board of	0.0	26.7	26.7	0.0	26.7	26.7
Nursing Care Institution Administrators Board	0.0	1.2	1.2	0.0	1.7	1.7
Occupational Safety & Health Review Board	0.0	0.0	0.0	0.0	0.0	0.0
Occupational Therapy Examiners, Board of	0.0	2.0	2.0	0.0	2.0	2.0
Opticians, Board of Dispensing	0.0	0.8	0.8	0.0	0.8	0.8
Optometry, Board of	0.0	1.8	1.8	0.0	1.8	1.8
Osteopathic Examiners, AZ Board of	0.0	5.5	5.5	0.0	5.5	5.5
Parks Board, Arizona State	144.0	36.5	180.5	155.0	39.5	194.5
Personnel Board	3.0	0.0	3.0	3.0	0.0	3.0
Pharmacy, AZ State Board of	0.0	12.0	12.0	0.0	12.0	12.0
Physical Therapy Examiners, Board of	0.0	1.0	1.0	0.0	2.0	2.0
Pioneers' Home, AZ	68.4	39.0	107.4	68.4	39.0	107.4
Podiatry Examiners, State Board of	0.0	1.0	1.0	0.0	1.0	1.0
Postsecondary Education, Commission for	0.0	7.8	7.8	1.0	3.0	4.0
Private Postsecondary Education, Board for	0.0	3.0	3.0	0.0	3.0	3.0
Psychologist Examiners, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Public Safety, Department of	847.2	744.8	1,592.0	921.4	768.1	1,689.5
Racing, Arizona Department of	49.4	6.0	55.4	48.8	6.0	54.8
Radiation Regulatory Agency 7/	26.0	2.0	28.0	27.0	2.0	29.0
Rangers' Pension, Arizona	0.0	0.0	0.0	0.0	0.0	0.0
Real Estate Department, State	67.0	0.0	67.0	67.0	0.0	67.0
Residential Utility Consumer Office	0.0	11.0	11.0	0.0	11.0	11.0
Respiratory Care Examiners, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Retirement System, Arizona State	0.0	90.0	90.0	0.0	122.0	122.0
Revenue, Department of	1,237.0	7.0	1,244.0	1,237.0	18.0	1,255.0
Secretary of State	36.0	0.0	36.0	38.0	0.0	38.0
School Capital Facilities, State Board for 12/	0.0	5.0	5.0	0.0	7.0	7.0
Structural Pest Control Commission	0.0	30.0	30.0	0.0	31.0	31.0
Tax Appeals, State Board of	4.5	0.0	4.5	4.5	0.0	4.5
Technical Registration, State Board of	0.0	15.0	15.0	0.0	15.0	15.0
Tourism, Office of	21.0	0.0	21.0	22.0	0.0	22.0
Treasurer, State	34.0	0.0	34.0	36.0	0.0	36.0
Uniform State Laws, Commission on	0.0	0.0	0.0	0.0	0.0	0.0
Veterans' Service Commission, AZ	25.0	218.5	243.5	25.0	218.5	243.5
Veterinary Medical Examining Board	0.0	3.5	3.5	0.0	3.5	3.5
Water Resources, Department of	217.2	0.0	217.2	214.7	0.0	214.7
Weights and Measures, Department of	34.0	6.0	40.0	34.0	6.0	40.0
TOTAL - BIENNIAL BUDGET UNITS	5,348.3	2,963.7	8,312.0	5,451.6	3,328.7	8,780.3
TOTAL APPROPRIATED FUNDS	35,064.5	8,240.2	43,304.7	35,772.4	9,530.0	45,302.4
TOTAL NON-APPROPRIATED FUNDS	0.0	16,811.9	16,811.9	0.0	17,082.5	17,082.5
GRAND TOTAL	35,064.5	25,052.1	60,116.6	35,772.4	26,612.5	62,384.9

- 1/ Positions shown for individual agencies include only those positions supported by appropriated funds. Positions supported by non-appropriated funds are shown on a separate line item.
- 2/ 791.5 FTE Positions funded by the federal Temporary Assistance for Needy Families Block Grant and 84.8 FTE Positions funded by the federal Child Care Block Grant were made appropriated in FY 1997 by Laws 1997, Chapter 7, 1st Special Session. Also includes a reduction of (8.7) FTE Positions associated with the FY 1997 General Fund lump sum reduction.
- 3/ 14 Day Care Licensure FTE Positions were added by Laws 1996, Chapter 325.
- 4/ Includes 4 FTE Positions for the Commission on Judicial Conduct.
- 5/ Includes 43 FTE Positions added in FY 1997 by Laws 1997, Chapter 7, 1st Special Session.
- 6/ The Coliseum and Exposition Center Board has been reduced by (85) FTE Positions to reflect actual staffing in FY 1997.
- 7/ Nuclear Emergency Management Fund monies for the Department of Emergency and Military Affairs (DEMA) and the Arizona Radiation Regulatory Agency (ARRA) are determined by special assessment. 4.5 FTE Positions in DEMA and 4 FTE Positions in ARRA have been included in FY 1997 through FY 1999.
- 8/ Includes 19 FTE Positions for the Office for Excellence in Government in FY 1997.
- 9/ Includes 2 FTE Positions added by Laws 1996, Chapter 347.
- 10/ Includes 3 FTE Positions added for the Office of the Ombudsman - Citizens Aide.
- 11/ 2 FTE Positions funded by the Mined Land Reclamation Program were made appropriated by A.R.S. 27-902 for FY 1997.
- 12/ 5 FTE Positions were added by Laws 1996, Chapter 8, 5th Special Session.

STATE PERSONNEL SUMMARY
Changes in Full-Time Equivalent Positions for Fiscal Year 1999

	Fiscal Year 1999			Change FY 1998 - FY 1999		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Attorney General - Department of Law	370.5	174.1	544.6	0.0	3.5	3.5
Deaf and the Blind, AZ State Schools for the	365.8	174.1	539.9	3.0	0.0	3.0
Executive Clemency, Board of	33.0	0.0	33.0	(3.0)	0.0	(3.0)
Gaming, Department of	0.0	71.0	71.0	0.0	4.0	4.0
Industrial Commission of AZ	0.0	278.0	278.0	0.0	1.0	1.0
Auditor General	179.0	0.0	179.0	4.0	0.0	4.0
Legislative Council	54.0	0.0	54.0	1.0	0.0	1.0
Mine Inspector, State	18.0	0.0	18.0	(1.0)	0.0	(1.0)
Parks Board, Arizona State	175.0	39.5	214.5	20.0	0.0	20.0
Postsecondary Education, Commission for	0.0	0.0	0.0	(1.0)	(3.0)	(4.0)
Public Safety, Department of	1,048.8	684.7	1,733.5	127.4	(83.4)	44.0
Retirement System, Arizona State	0.0	123.0	123.0	0.0	1.0	1.0

NOTE: Only includes those agencies with increases (decreases) in FTE Positions for FY 1999.

**GENERAL PROVISIONS OF THE
GENERAL APPROPRIATION ACT,
OTHER OVERALL ISSUES, AND
GENERAL LEGISLATION**

GENERAL PROVISIONS OF THE GENERAL APPROPRIATION ACT AND OTHER OVERALL ISSUES

In addition to the specific appropriations to agencies, departments and institutions, the General Appropriation Act (Laws 1997, Chapter 1, 1st Special Session) provides direction with regard to several general provisions.

General Provisions

Salary Adjustments — Section 107 appropriates salary adjustments for state employees in FY 1998 and FY 1999. The Joint Legislative Budget Committee (JLBC) Staff shall determine and the Arizona Department of Administration (ADOA) shall allocate, to each agency or department, an amount sufficient to increase the annual salary level of each employee by the following amounts:

FY 1998		General Fund	Other Funds
10/1/97	2.5% up to \$1,000		
1/1/98	2.5% Merit (0% to 5%)	\$40,500,000	\$7,145,000
10/1/97	Classification Salary Adjustments	<u>3,500,000</u>	<u>615,000</u>
Total		\$44,000,000	\$7,760,000
FY 1999			
	Fully Fund FY 1998 Salary Increases	\$66,033,300	\$11,650,000
	Fully Fund FY 1998 CMR Increases	<u>4,666,700</u>	<u>820,000</u>
	Subtotal	\$70,700,000	\$12,470,000
1/1/99	2.5% Merit (0% to 5%)	19,000,000	3,355,000
10/1/98	Classification Salary Adjustments	<u>16,500,000</u>	<u>2,910,000</u>
Total		<u>\$106,200,000</u>	<u>\$18,735,000</u>

(See page GP-5 for a listing of the general salary adjustment allocations by agency.) In addition, ADOA shall increase the salary schedule for clerical pool employees by 2.5% effective October 1, 1997, 2.5% effective January 1, 1998, and 2.5% effective January 1, 1999.

Of the amounts determined for merit pay adjustments, \$4,000,000 is deposited into the Faculty Incentive Program Fund of the Arizona Board of Regents. (Please refer to the Arizona Board of Regents section of this report for additional information on this appropriation.)

The amounts shown above include classification salary adjustments for certain state employees effective October 1, 1997 and October 1, 1998. Classification salary adjustments are a review of the competitiveness and "fairness" of state employee pay for similar classes of employees. The JLBC Staff shall determine and the ADOA shall allocate, to each agency or department, the appropriate classification salary adjustment amounts. The FY 1998 allocation by personnel

systems is shown in the table below. The FY 1999 allocation will be determined after appropriation of the FY 1999 budgets for "Major Budget Units" during the next legislative session.

Classification	FY 1998 General Fund	FY 1998 Other Fund	FY 1999 General Fund	FY 1999 Other Fund
Salary Adjustments				
October 1, 1998	1,854		2,472.0	
ADOA	\$1,433,400	\$613,400	\$1,911,200	\$817,900
Judiciary	47,300	1,600	63,100	2,100
DPS	1,433,400	165,300	0	220,400
Universities/ABOR	<u>1,854,000</u>	<u>0</u>	<u>2,472,000</u>	<u>191,200</u>
Sub-Total	\$3,500,000	615,000	4,666,700	820,000
October 1, 1999				
Unallocated	<u>0</u>	<u>0</u>	16,500,000	2,910,000
TOTAL	<u>\$3,500,000</u>	<u>\$615,000</u>	<u>\$21,166,700</u>	<u>\$3,730,000</u>

On or before July 1, 1997 and February 1, 1998, respectively, these 4 personnel systems shall each report to the JLBC its FY 1998 and FY 1999 recommendations for the job classifications to receive adjustments. The recommendations shall include the rationale for these selections; the estimated dollar amount associated with each adjustment; and information concerning the job classes selected, including turnover in the classification, salaries for comparable positions outside state service, vacancy rates and duration in the classification, and the availability of applicants for vacant positions in the classification.

It is the intent of the Legislature that the adjustments be made to job classes that are critical to the orderly conduct of state operations and that are experiencing substantially above average turnover or have salaries that are substantially below comparable positions outside state service. It is the intent of the Legislature that an adjustment be applied to all positions within a single job classification. If the recommendation includes an adjustment that will not be applied to all positions within a single job classification, these agencies shall separately list all of the positions within the job classification, by agency or department, and the rationale for excluding some positions from the adjustment.

On or before November 1, 1997 and November 1, 1998, respectively, these agencies shall also report to the Director of the JLBC the suballocation of the adjustment amounts, by program and/or cost center, line item and fund name. Any unallocated balance shall revert to the fund from which it was appropriated on February 1, 1998 and February 1, 1999, respectively, unless the JLBC determines that additional classification salary adjustments are necessary.

Expenditure Reporting — Section 110 states that it is the intent of the Legislature that all budget units receiving Lump

Sum appropriations continue to report actual, estimated and requested expenditures by budget programs and classes in a format similar to the one used for budgetary purposes in prior years. The purpose of this section is to ensure stability and consistency in expenditure reporting regardless of yearly changes in appropriation formats. A different format may be utilized to implement budget reform legislation (Laws 1993, Chapter 252, as amended by Laws 1995, Chapter 283, Laws 1996, Chapter 339, and Laws 1997, Chapter 210) if agreed to by the Director of the JLBC and incorporated into the budget instructions issued by the Governor's Office of Strategic Planning and Budgeting (OSPB).

FTE Position Reporting — Section 111 states that the Full Time Equivalent (FTE) Positions contained in the General Appropriation Act are subject to appropriation. The section directs the Director of ADOA to account for the utilization of all appropriated FTE Positions excluding FTE Positions in the Department of Economic Security, Universities, and Department of Environmental Quality. The Director shall submit reports by February 1, 1998 for the first half of the fiscal year and by August 1, 1998 for the entire fiscal year to the Director of the JLBC, comparing the level of FTE Position usage in FY 1998 to the appropriated level. The ADOA Director shall notify the director of each budget unit if the budget unit has exceeded its number of appropriated FTE Positions. The Department of Economic Security, Universities, and Department of Environmental Quality shall report to the Director of the JLBC in a manner comparable to the ADOA report.

OTHER OVERALL ISSUES

In addition to the adjustments to agency budgets and general provisions outlined previously, the FY 1998 and FY 1999 budgets also reflect the adoption of other technical assumptions. In most circumstances, the individual agency descriptions do not include a discussion of these technical issues. Any dollar adjustments to agency budgets are delineated in the tables following this section.

Budget Format — The format governs how an agency's appropriation appears in the General Appropriation Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds. Among the choices are:

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 or Executive Branch review. Within this format, any Special Line Items may be listed separately.

Modified Lump Sum — The appropriation consists of at least 3 lines, Personal Services, Employee Related Expenditures (ERE), and All Other Operating

Expenditures. Any Special Line Items would be listed separately. Under this format, pursuant to A.R.S. § 35-173, 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. Any other transfers would require ADOA approval, but not the Committee's.

Detailed Line Item — The appropriation consists of each line item listed in the Appropriations Report, including Professional and Outside Services, Travel, Other Operating Expenditures, Equipment, Food and any Special Line Items. Once again, the same rules govern Personal Services and ERE transfers as noted in the Modified Lump Sum description and the appropriation requires the agency to seek ADOA approval before transferring monies between all other line items.

Employer Contribution Rates — The FY 1998 and FY 1999 appropriations include the employer contribution rates. The rates are the same for both years, except as indicated below. All are expressed as a percent of Personal Services funding except for the life insurance employer contribution.

	FY 1998 Rate	FY 1999 Rate
Life Insurance (per FTE)	\$24.75	\$24.84
Unemployment Insurance	0.25%	0.25%
Personnel Division Services	0.90	0.90
Disability (Non-State Retirement)	0.47	0.55
Information Technology Planning	0.15	0.15
Federal Insurance Contributions Act (FICA)		
Social Security (salary ≤ \$62,700)	6.20%	6.20%
Medicare (no salary cap)	1.45	1.45
State Retirement Systems		
State Retirement (Includes Long Term Disability)		3.54%
Department of Corrections		6.52
Department of Juvenile Corrections		7.36
Elected Officials		0.00
Liquor License		9.12
Department of Public Safety		6.91*
Northern Arizona University Police		3.24
University of Arizona Police		2.83
Arizona State University Police		4.83
University Optional		7.00
Game and Fish Department		16.94
DEMA Firefighters		5.29
Attorney General Investigators		8.79
ADOA Capitol Police		7.14
* Plus 5% member contributions paid by employer		

Health Insurance Adjustments — Health insurance monies are incorporated into individual agency appropriations. These appropriations represent the average medical and dental insurance cost for each particular agency, based on actual

FY 1997 participation. Health insurance amounts shall be transferred to the Special Employee Health Insurance Trust Fund. The FY 1998 appropriated medical and dental insurance amounts are as follows: General Fund \$97,446,400; Other Funds \$23,019,700; Total \$120,466,100. *(The agency detail of the General Fund amounts can be found starting on page GP-5, and Other Fund amounts starting on page GP-10.)*

Inflation — In general, no inflation increases were added.

Lease-Purchase — The appropriations include lease-purchase payments for certain buildings. In addition, agencies occupying space in the Sun State Building, Doubletree Building, Agriculture Lab, Department of Public Safety District 19 Office Building, Corpstein Building, Centre Pointe Building, Kingman State Office Building, and Black Canyon Building will be charged \$4.75 per gross square foot for Operations and Maintenance expenses. These amounts are included in agency appropriations and will be transferred to the ADOA, which will be responsible for providing the service, either directly or under contract. *(Please refer to page GP-20 and GP-22.)*

Rent — The appropriations include rent for agencies and divisions housed in state-owned buildings. All appropriations to agencies for rent in state-owned space are to be paid into the Capital Outlay Stabilization Fund (COSF). *(For a listing of individual agency charges, see page GP-23. For a discussion of COSF balances, see page 8 in the Arizona Department of Administration.)* For FY 1998, the rates applied per square foot for state-owned space are Office, \$12.50; Storage, \$4.50. For FY 1999, the rates are Office, \$13.00; Storage, \$4.50.

These rates are expected to generate the deposit of \$10,261,100 in FY 1998 from appropriated funds into COSF, which is used to fund building renewal, utility charges in the Capitol Mall and Tucson Mall, staff in ADOA, and specific building projects. The rental rate is determined by the Joint Committee on Capital Review.

Risk Management — The Other Operating Expenditures line of individual agency budgets includes the Risk Management rates billed by the ADOA Risk Management section. *(For a listing of individual agency billings, see page GP-25. For a discussion of Risk Management fund balances, see page 13 in the Arizona Department of Administration.)*

Biennial Appropriations — The General Appropriation Act appropriated both a FY 1998 and FY 1999 amount to all agencies, except those defined by A.R.S. § 35-101 as "Major Budget Units." The Major Budget Units for FY 1998 are as follows: ADOA, AHCCCS, State Board of Directors for Community Colleges, Department of Corrections, Department of Economic Security, Department of Education, Department of Health Services, Judiciary, Department of

Juvenile Corrections, Department of Transportation, and the Universities. *(Refer to the General Legislation section for a description of budget reform legislation, which moves the Major Budget Units to a biennial budget cycle starting in FY 2000.)*

1 Program Authorization Review — Laws 1996, Chapter 339 required 34 programs and subprograms in 14 state agencies to undergo a Program Authorization Review (PAR). The PAR's began with an initial agency self-assessment. Subsequently, the JLBC Staff and OSPB jointly reviewed the agencies' programs. The 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 a summary of the joint JLBC Staff and OSPB findings on each program. This composite document has been distributed to each legislator, the Governor, and the affected agencies. The JLBC Staff and OSPB recommend either to "Retain, Eliminate, or Modify" the program. *(Please refer to page GP-39 for a summary of the Legislature's decisions in this regard.)* The individual agency narrative also includes a discussion of the PAR if it substantially affected the agency's budget.

**SALARY ADJUSTMENT IN SECTION 107 OF THE
FY 1998 GENERAL APPROPRIATION ACT AND HEALTH INSURANCE ALLOCATIONS**

GENERAL FUND

	Salary Adjustments 1/			Health Insurance 2/	
	Personal Services	Employee Rel Expenditures	Total Salary Adjustment	Medical Insurance	Dental Insurance
ANNUAL BUDGET UNITS					
Administration, Arizona Department of					
Administration	\$36,600	\$4,700	\$41,300	\$99,600	\$5,500
Governor's Regulatory Review Committee*	8,400	1,100	9,500	19,400	1,100
Capitol Police*	35,800	5,300	41,100	135,600	7,400
Capital Projects	0	0	0	5,500	300
Finance	110,700	14,700	125,400	310,000	17,000
General Services	123,000	16,500	139,500	527,300	29,000
Total - AZ Dept of Administration	\$314,500	\$42,300	\$356,800	\$1,097,400	\$60,300
AHCCCS					
Administration	399,900	51,300	451,200	1,400,900	75,800
Indian Advisory Council*	1,700	200	1,900	5,500	300
DES - Eligibility*	365,500	47,000	412,500	1,428,200	77,300
DES - DDSA*	1,100	100	1,200	3,300	200
DES - PASARR*	700	100	800	1,900	100
DHS - Licensure*	9,400	1,200	10,600	33,100	1,800
DHS - PASARR*	200	0	200	800	0
Total - AHCCCS	\$778,500	\$99,900	\$878,400	\$2,873,700	\$155,500
Community Colleges, State Board of Directors for					
Corrections, State Department of	7,400	800	8,200	22,500	1,800
Adult Institutions					
Administration	5,890,500	1,003,700	6,894,200	21,654,600	1,055,200
Administration	215,300	31,800	247,100	644,600	31,400
Human Resources/Development	90,600	13,000	103,600	291,300	14,200
Health Services	751,200	111,900	863,100	2,084,900	101,600
Community Corrections	195,500	32,900	228,400	619,100	30,200
Total - Dept of Corrections	\$7,143,100	\$1,193,300	\$8,336,400	\$25,294,500	\$1,232,600
Economic Security, Department of					
Administration	272,700	35,900	308,600	651,100	36,100
Child Welfare Information System*	20,000	2,600	22,600	73,900	4,100
Finger Imaging*	3,200	400	3,600	8,100	400
Aging and Community Services	83,700	11,000	94,700	228,500	12,700
LTC Ombudsman*	400	100	500	1,300	100
Children Youth and Families	593,300	70,500	663,800	1,652,100	91,500
Videotaping*	1,900	300	2,200	5,400	300
Employment and Rehabilitative Services 3/	146,000	19,200	165,200	325,400	18,000
Benefits and Medical Eligibility 4/	610,000	72,600	682,600	2,091,200	115,800
Full Employment Project*	1,800	200	2,000	10,700	600
Long Term Care	47,900	6,300	54,200	100,800	5,600
Case Management*	54,000	7,100	61,100	151,800	8,400
Home and Community Based Services*	22,100	2,900	25,000	75,800	4,200
Institutional Services*	14,600	1,900	16,500	52,700	2,900
Medical Services*	11,400	1,500	12,900	35,500	2,000
AZ Training Program at Coolidge*	55,700	7,300	63,000	260,700	14,400
AZ Training Program at Tucson*	3,100	400	3,500	21,800	1,200
Developmental Disabilities	75,000	9,800	84,800	233,800	13,000
Case Management*	34,500	4,500	39,000	133,600	7,400
Home and Community Based Services*	49,100	6,400	55,500	139,500	7,700
AZ Training Program at Coolidge*	117,000	15,200	132,200	424,000	23,500
Total - Dept of Economic Security	\$2,217,400	\$276,100	\$2,493,500	\$6,677,700	\$369,900
Education, Department of					
General Services Administration	131,200	17,000	148,200	341,700	22,100
Charter Schools Administration*	4,200	500	4,700	10,500	700
State Board for Charter Schools*	3,400	400	3,800	7,900	500
Special Education Audit*	2,300	300	2,600	6,600	400
State Board of Education*	1,800	200	2,000	5,300	300
Assistance to Schools					
Adult Education Assistance*	5,800	800	6,600	15,300	1,000
Arizona Teacher Evaluation*	1,900	200	2,100	5,300	300
Career Ladder Administration*	1,400	200	1,600	2,600	200
Chemical Abuse*	2,700	400	3,100	7,900	500
Gifted Support*	2,100	300	2,400	5,300	300
School Report Cards*	3,000	400	3,400	7,900	500
Special Education & Residential Voucher Fund*	1,300	200	1,500	2,600	200

	Salary Adjustments 1/			Health Insurance 2/	
	Personal Services	Employee Rel Expenditures	Total Salary Adjustment	Medical Insurance	Dental Insurance
State Block Grant—Early Childhood*	5,200	700	5,900	15,000	1,000
State Block Grant—Vocational Education*	34,900	4,500	39,400	90,300	5,800
Total - Department of Education	\$201,200	\$26,100	\$227,300	\$524,200	\$33,800
Health Services, Department of					
Administration	208,200	27,400	235,600	577,700	32,800
Assurance & Licensure*	96,200	12,700	108,900	284,600	16,100
Behavioral Health Services	55,600	7,200	62,800	171,000	9,700
Psychiatric Review Board*	1,500	200	1,700	5,100	300
Arizona State Hospital	299,800	39,200	339,000	936,300	53,100
Public Health	102,300	13,400	115,700	314,800	17,900
Laboratory Services*	48,300	6,400	54,700	143,200	8,100
Family Health	55,100	7,100	62,200	168,800	9,600
Total - Dept of Health Services	\$867,000	\$113,600	\$980,600	\$2,601,500	\$147,600
Judiciary					
Court of Appeals					
Division I.	99,900	8,600	108,500	275,200	20,700
Division II	36,900	3,200	40,100	92,300	7,000
Subtotal - Court of Appeals	\$136,800	\$11,800	\$148,600	\$367,500	\$27,700
Superior Court					
Operating	0	0	0	296,900	23,100
Adult Intensive Probation*	392,600	41,000	433,600	17,800	1,400
Adult Probation Enhancement*	457,300	47,700	505,000	15,600	1,200
Child Support Enforcement*	9,900	1,000	10,900	17,800	1,400
Community Punishment*	56,500	5,900	62,400	6,700	500
Interstate Compact*	24,300	2,500	26,800	0	0
Juvenile Intensive Probation*	170,400	17,800	188,200	15,600	1,200
Juvenile Probation State Aid*	114,100	11,900	126,000	2,200	200
Juvenile Treatment Services*	26,400	2,800	29,200	0	0
Progressively Increasing Consequences*	87,400	9,100	96,500	0	0
Subtotal - Superior Court	\$1,338,900	\$139,700	\$1,478,600	\$372,600	\$29,000
Supreme Court					
Judicial and Administrative	127,600	13,300	140,900	265,800	20,700
Commission on Judicial Conduct*	5,900	600	6,500	11,100	900
Judicial Performance Review*	3,500	400	3,900	6,700	500
Foster Care Review Board	35,800	4,200	40,000	77,900	6,100
Subtotal - Supreme Court	\$172,800	\$18,500	\$191,300	\$361,500	\$28,200
Total - Judiciary	\$1,648,500	\$170,000	\$1,818,500	\$1,101,600	\$84,900
Juvenile Corrections, Department of					
Administration	68,200	10,200	78,400	171,200	8,500
Community Care*	66,600	11,900	78,500	178,900	8,800
Community Work*	3,900	700	4,600	12,800	600
Due Process*	7,200	1,000	8,200	15,300	800
Education	94,600	15,600	110,200	127,600	6,300
Family Transition*	2,800	500	3,300	10,200	500
Secure Care	515,100	94,500	609,600	1,710,800	84,500
Youth Rights*	5,300	800	6,100	12,800	600
Total - Dept of Juvenile Corrections	\$763,700	\$135,200	\$898,900	\$2,239,600	\$110,600
Transportation, Department of					
Highways	1,400	200	1,600	5,900	300
Universities					
Board of Regents	36,100	5,000	41,100	76,400	4,200
Faculty Teaching Incentive Fund*	3,524,200	475,800	4,000,000	0	0
ASU - Main Campus	4,646,400	551,500	5,197,900	11,655,100	720,000
ASU - East Campus	138,600	18,300	156,900	324,200	20,000
ASU - West Campus	533,400	69,400	602,800	1,519,100	93,800
Northern Arizona University	1,686,700	203,800	1,890,500	5,557,200	406,200
NAU - Yuma *	31,000	4,100	35,100	123,700	9,000
University of Arizona - Main Campus	3,767,400	436,800	4,204,200	9,099,800	545,000
Agriculture*	625,600	79,400	705,000	2,048,000	122,600
Sierra Vista Campus*	37,800	4,800	42,600	100,300	6,000
Pima County Campus*	27,500	3,500	31,000	61,900	3,700
U of A - Health Sciences Center	577,700	69,800	647,500	1,190,600	71,300
AHSC Telemedicine Network *	5,500	800	6,300	11,100	700
Clinical Rural Rotations*	7,700	1,600	9,300	18,100	1,100
Clinical Teaching Support *	169,300	13,900	183,200	420,500	25,200
Total - Universities	\$15,814,900	\$1,938,500	\$17,753,400	\$32,206,000	\$2,028,800
TOTAL - ANNUAL BUDGET UNITS	\$29,757,600	\$3,996,000	\$33,753,600	\$74,644,600	\$4,226,100

	Salary Adjustments 1/			Health Insurance 2/	
	Personal Services	Employee Rel Expenditures	Total Salary Adjustment	Medical Insurance	Dental Insurance
BIENNIAL BUDGET UNITS					
Administrative Hearings, Office of	\$10,800	\$1,400	\$12,200	\$27,900	\$2,100
Agriculture, AZ Department of					
Administration	26,000	3,400	29,400	73,900	4,200
Consultation & Training*	900	100	1,000	2,600	200
Animal Services	72,800	9,700	82,500	235,000	13,500
Agricultural Lab	17,500	2,300	19,800	50,100	2,900
Chemical/Environmental	9,800	1,300	11,100	31,700	1,800
Plant Industries	75,100	10,100	85,200	243,200	14,000
Total - AZ Dept of Agriculture	\$202,100	\$26,900	\$229,000	\$636,500	\$36,600
Arts, Arizona Commission on the	11,100	1,500	12,600	33,000	1,900
Attorney General - Department of Law					
Administration	60,300	7,800	68,100	149,000	9,400
Civil	146,600	18,900	165,500	307,200	19,400
Civil Rights	36,100	4,700	40,800	104,700	6,600
Criminal	180,100	25,000	205,100	352,600	22,300
State Grand Jury*	2,500	300	2,800	0	0
Total - Attorney General - Dept of Law	\$425,600	\$56,700	\$482,300	\$913,500	\$57,700
Banking Department, State	51,400	6,500	57,900	138,900	8,300
Boxing Commission, AZ State	1,200	100	1,300	6,100	600
Building & Fire Safety, Department of	57,800	8,100	65,900	188,700	9,400
Commerce, Department of					
Operating	67,800	8,600	76,400	144,700	8,900
Motion Picture Development*	7,600	900	8,500	13,900	900
Rural Tourism Development*	1,500	200	1,700	2,300	100
Special Needs Housing*	1,100	100	1,200	2,300	100
Total - Dept of Commerce	\$78,000	\$9,800	\$87,800	\$163,200	\$10,000
Corporation Commission					
Administration	26,600	3,200	29,800	63,700	3,800
Corporations	31,500	4,000	35,500	133,000	7,900
Securities	38,100	4,800	42,900	95,300	5,700
Railroad Safety	8,400	1,100	9,500	21,200	1,300
Total - Corporation Commission	\$104,600	\$13,100	\$117,700	\$313,200	\$18,700
Deaf and the Blind, AZ State Schools for the					
Phoenix Day School	0	0	0	170,100	9,200
Tucson Campus	0	0	0	514,200	27,900
Administration/Statewide Programs	0	0	0	190,400	10,300
Total - Schools for the Deaf and the Blind	\$0	\$0	\$0	\$874,700	\$47,400
Emergency & Military Affairs, Department of					
Emergency Management	12,400	1,800	14,200	29,100	1,900
Nuclear Emergency Management*	0	0	0	8,700	600
Military Affairs	38,000	5,500	43,500	94,000	6,200
Total - Dept of Emergency & Military Affairs	\$50,400	\$7,300	\$57,700	\$131,800	\$8,700
Environmental Quality, Department of	223,400	29,200	252,600	594,000	32,400
Aquifer Protection Permit Program*	16,000	2,100	18,100	44,200	2,400
Total - Dept of Environmental Quality	\$239,400	\$31,300	\$270,700	\$638,200	\$34,800
Equal Opportunity, Governor's Office of	4,800	600	5,400	7,700	600
Equalization, State Board of	9,700	1,000	10,700	19,900	1,600
Executive Clemency, Board of	23,400	3,100	26,500	95,600	5,800
Geological Survey, AZ	13,200	1,800	15,000	25,000	2,000
Governor, Office of the	77,800	8,600	86,400	155,300	10,700
Gov's Ofc. of Management and Budget					
Office for Excellence in Government*	25,600	3,000	28,600	45,400	3,100
Gov's Ofc. of Strategic Planning & Budgeting*	32,100	3,600	35,700	57,400	4,000
Total - Office of Management and Budget	\$57,700	\$6,600	\$64,300	\$102,800	\$7,100
Hearing Impaired, AZ Council for the	4,700	600	5,300	14,100	700
Historical Society, Arizona	37,900	4,900	42,800	89,700	5,200
Papago Park Museum *	18,800	2,400	21,200	51,400	3,000
Total - Arizona Historical Society	\$56,700	\$7,300	\$64,000	\$141,100	\$8,200
Historical Society, Prescott	13,900	1,900	15,800	58,200	3,300
Indian Affairs, AZ Commission of	2,700	400	3,100	6,100	100
Insurance, Department of	69,400	8,700	78,100	202,700	10,100
Fraud Unit*	13,700	1,700	15,400	38,600	1,900
Total - Department of Insurance	\$83,100	\$10,400	\$93,500	\$241,300	\$12,000

	Salary Adjustments 1/			Health Insurance 2/	
	Personal Services	Employee Rel Expenditures	Total Salary Adjustment	Medical Insurance	Dental Insurance
Land Department, State	166,500	21,600	188,100	469,100	30,300
Streambed Ownership*	1,100	100	1,200	0	0
Total - State Land Department	\$167,600	\$21,700	\$189,300	\$469,100	\$30,300
Law Enforcement Merit System Council	1,000	100	1,100	4,000	400
Legislature					
Auditor General	195,900	22,600	218,500	432,600	27,800
House of Representatives	141,500	15,900	157,400	489,200	37,600
Joint Legislative Budget Committee	42,600	4,900	47,500	88,500	4,200
Legislative Council	56,700	6,500	63,200	133,800	8,800
Ombudsman*	5,100	600	5,700	10,900	700
Library, Archives and Public Records	92,500	11,800	104,300	287,400	16,200
Senate	106,800	12,100	118,900	322,400	24,000
Total - Legislature	\$641,100	\$74,400	\$715,500	\$1,764,800	\$119,300
Liquor Licenses & Control, Department of	39,600	6,300	45,900	119,400	7,200
Mine Inspector, State	15,100	2,000	17,100	35,200	1,700
Mined Land Reclamation*	1,900	300	2,200	4,100	200
Total - State Mine Inspector	\$17,000	\$2,300	\$19,300	\$39,300	\$1,900
Mines and Mineral Resources, Department of	8,100	1,100	9,200	21,900	2,200
Navigable Stream Adjudication Commission	2,000	300	2,300	6,000	200
Parks Board, Arizona State	106,000	15,100	121,100	360,300	17,100
Karchner Caverns Operating*	3,500	500	4,000	0	0
Total - Arizona State Parks Board	\$109,500	\$15,600	\$125,100	\$360,300	\$17,100
Personnel Board	2,600	300	2,900	6,000	100
Pioneers' Home, AZ	43,300	6,600	49,900	230,800	16,500
Postsecondary Education, Commission for 5/	800	100	900	2,400	100
Public Safety, Department of					
Agency Support	305,300	38,100	343,400	961,200	59,700
Criminal Investigations Bureau	309,400	30,200	339,600	725,700	45,100
GITEM*	84,200	8,500	92,700	206,600	12,800
Criminal Justice Support	243,600	27,900	271,500	670,500	41,700
Sex Offender Notification*	0	0	0	3,200	200
Director's Office	128,100	13,600	141,700	317,800	19,800
Licensing	16,600	1,900	18,500	0	0
AFIN	3,700	500	4,200	0	0
Highway Patrol Bureau	891,600	86,700	978,300	2,285,700	142,100
Total - Dept of Public Safety	\$1,982,500	\$207,400	\$2,189,900	\$5,170,700	\$321,400
Racing, Arizona Department of	45,200	5,900	51,100	135,200	7,200
Radiation Regulatory Agency	23,200	3,100	26,300	63,900	3,600
Nuclear Emergency Management Fund*	0	0	0	11,100	600
Total - Radiation Regulatory Agency	\$23,200	\$3,100	\$26,300	\$75,000	\$4,200
Real Estate Department, State	55,700	7,200	62,900	155,800	7,700
Revenue, Department of					
Director's Office	17,000	2,000	19,000	35,400	1,900
Administrative Services	61,900	8,000	69,900	224,900	12,100
Property Valuation & Equalization	64,500	8,200	72,700	192,000	10,300
Building Permits Database*	5,000	600	5,600	17,700	1,000
Special Support	45,700	5,800	51,500	116,200	6,300
Compliance	463,700	59,200	522,900	1,472,900	79,400
Taxpayer Support	92,300	11,800	104,100	356,500	19,200
Data Management	199,600	25,500	225,100	637,200	34,300
Total - Dept of Revenue	\$949,700	\$121,100	\$1,070,800	\$3,052,800	\$164,500
Secretary of State	24,400	3,100	27,500	73,700	2,900
Elections*	6,100	800	6,900	17,200	700
Total - Secretary of State	\$30,500	\$3,900	\$34,400	\$90,900	\$3,600
Tax Appeals, State Board of	5,000	600	5,600	7,900	700
Tourism, Office of	18,500	2,200	20,700	39,700	2,200
Welcome Center Operations *	2,900	300	3,200	8,800	500
Total - Office of Tourism	\$21,400	\$2,500	\$23,900	\$48,500	\$2,700
Treasurer, State	33,900	4,200	38,100	116,800	7,900
Veterans' Service Commission, AZ					
Veterans' Services and Administration	17,800	2,500	20,300	58,000	3,400
Water Resources, Department of					
Administrative Support	57,400	7,400	64,800	150,600	9,200
Indian Water Rights*	1,400	200	1,600	2,600	200
Hydrology	39,300	5,100	44,400	100,600	6,100
Groundwater Management	58,200	7,600	65,800	166,200	10,100
Surface Water Management	59,500	7,700	67,200	145,500	8,900

	Salary Adjustments 1/			Health Insurance 2/	
	Personal Services	Employee Rel Expenditures	Total Salary Adjustment	Medical Insurance	Dental Insurance
USGS*	800	100	900	2,600	200
Total - Dept of Water Resources	\$216,600	\$28,100	\$244,700	\$568,100	\$34,700
Weights and Measures, Department of					
General Services	23,900	3,100	27,000	76,600	3,800
Vapor Recovery	4,300	600	4,900	16,400	800
Total - Department of Weights and Measures	\$28,200	\$3,700	\$31,900	\$93,000	\$4,600
TOTAL - BIENNIAL BUDGET UNITS	\$6,022,400	\$724,000	\$6,746,400	\$17,529,500	\$1,046,200
UNALLOCATED AMOUNTS	\$0	\$0	\$0	-	-
TOTAL ADJUSTMENTS	\$35,780,000	\$4,720,000	\$40,500,000	\$92,174,100	\$5,272,300

* Denotes Special Line Item.

- 1/ Section 107 of the General Appropriation Act provides up to \$40,500,000 in FY 1998 from the General Fund for pay adjustments. In accordance with Section 107, the Joint Legislative Budget Committee has determined an amount projected to equal 2.5% of total eligible Personal Services, up to \$1,000 per FTE Position, effective October 1, 1997 and 2.5% of total eligible Personal Services, effective January 1, 1998, for merit pay adjustments 0 to 5%. These amounts will be allocated to the individual agencies by the Arizona Department of Administration.
- 2/ Pursuant to A.R.S. 38-654, the Joint Legislative Budget Committee Staff annually identifies amounts in state agency appropriations for the payment of employee health and dental insurance. These amounts are transferred from agency appropriations to the Special Employee Health Insurance Trust Fund.
- 3/ In addition, \$113,500 PS and \$15,000 ERE are appropriated from Section 6 for FY 1998 adjustments for FTE positions funded with TANF Block Grant monies.
- 4/ In addition, \$376,200 PS and \$49,500 ERE are appropriated from Section 6 for FY 1998 adjustments for FTE positions funded with TANF Block Grant monies.
- 5/ Funding for the commission in FY 1999 and beyond shall be contingent upon a favorable Sunset Review recommendation and legislative appropriation. (See General Appropriation Act footnote.)

SALARY ADJUSTMENTS FOR STATE EMPLOYEES SINCE FY 1989 1/ (Shown in Nominal Dollars)

Fiscal Year	Dollars Appropriated	Effective Date	Annual Cost	% Salary Adjustment	% Performance Adjustment
FY 1989	\$30,556,600	July 1	\$30,556,600	3.50%	-0-
FY 1990	\$12,600,000	July 1	\$12,600,000	-0-	1.25%
FY 1991	\$45,550,000	July 1	\$45,550,000	4.50%	-0-
FY 1992	\$0	NA	\$0	-0-	-0-
FY 1993	\$9,100,000	April 1	\$36,400,000	\$1,000/FTE 2/	-0-
FY 1994	\$0	NA	\$0	-0-	-0-
FY 1995	\$40,700,000	July 1	\$57,900,000	3.00%	-0-
		April 1		2.00%	-0-
FY 1996	\$12,700,000	January 1	\$25,400,000	-0-	2.00%
FY 1997	\$8,430,000	April 1	\$33,720,000	1% and \$500/FTE 3/	-0-
FY 1998	\$22,500,000	October 1	\$30,000,000	2.5% up to \$1,000 4/	-0-
	\$18,000,000	January 1	\$36,000,000	-0-	2.50% 5/
FY 1999	\$19,000,000	January 1	\$38,000,000	-0-	2.50% 5/

1/ Represents original General Fund appropriations.

2/ Equates to approximately 4.2%.

3/ Equates to approximately 2.9%.

4/ Equates to approximately 2.44%.

5/ Funds merit increases up to 5%.

**SALARY ADJUSTMENT IN SECTION 107 OF THE
FY 1998 GENERAL APPROPRIATIONS ACT AND HEALTH INSURANCE ALLOCATIONS**

OTHER FUNDS

	Salary Adjustments 1/			Health Insurance 2/	
	Personal Services	Employee Rel Expenditures	Total Salary Adjustment	Medical Insurance	Dental Insurance
ANNUAL BUDGET UNITS					
Administration, AZ Department of					
Administration - COSF	\$2,100	\$300	2,400	\$12,500	\$700
Administration - Corrections Fund	2,100	300	2,400	0	0
Capital Projects	0	0	0	60,900	3,300
General Services - COSF	28,500	3,800	32,300	76,800	4,200
General Services - Corrections Fund	8,000	1,100	9,100	20,100	1,100
Motor Pool*	16,300	2,200	18,500	59,500	3,300
Information Services	222,100	29,100	251,200	571,200	31,400
Risk Management	58,800	7,800	66,600	174,400	9,600
Attorney General Defense - Risk Management*	107,300	14,000	121,300	276,800	15,200
Workers' Compensation	15,500	2,100	17,600	49,800	2,700
Attorney General Defense - Workers' Comp*	4,300	600	4,900	11,100	600
Human Resources	116,300	15,500	131,800	333,800	18,300
Total - AZ Department of Administration	\$581,300	\$76,800	\$658,100	\$1,646,900	\$90,400
Community Colleges, State Board of Directors for					
Economic Security, Department of	2,200	300	2,500	6,800	500
Administration					
Finger Imaging*	5,200	700	5,900	256,700	14,200
Public Assistance Collections Fund*	0	0	0	4,000	300
Aging and Community Services	5,400	700	6,100	22,600	1,300
Child Support Enforcement	0	0	0	11,000	600
Children Youth and Families	183,300	24,200	207,500	641,300	35,500
Employment and Rehabilitative Services	0	0	0	319,300	17,700
Benefits and Medical Eligibility	0	0	0	566,500	31,400
Total - Department of Economic Security	\$193,900	\$25,600	\$219,500	\$920,600	\$51,000
Health Services, Department of					
Family Health					
Child Fatality Review Team*	0	0	0	5,100	300
Public Health					
Emergency Medical Services Operations*	27,800	3,700	31,500	86,200	4,900
Total - Department of Health Services	\$27,800	\$3,700	\$31,500	\$91,300	\$5,200
Judiciary					
Superior Court					
Juvenile Crime Reduction Fund*	4,100	400	4,500	11,100	900
Case Processing Assistance Fund*	2,500	300	2,800	6,700	500
Subtotal - Superior Court	\$6,600	\$700	\$7,300	\$17,800	\$1,400
Supreme Court					
Judicial Collection Enhancement Fund*	6,600	700	7,300	13,400	1,000
FCRB: Court Appointed Special Advocate*	27,700	3,300	31,000	17,800	1,400
FCRB: Confidential Intermediary*	3,400	400	3,800	7,800	600
Subtotal - Supreme Court	\$37,700	\$4,400	\$42,100	\$39,000	\$3,000
Total - Judiciary	\$44,300	\$5,100	\$49,400	\$56,800	\$4,400
Juvenile Corrections, Department of					
Education	0	0	0	106,200	5,200
Transportation, Department of					
Administration					
State Highway Fund	483,500	67,400	550,900	1,436,500	78,300
Air Quality Fund*	900	100	1,000	0	0
Capital	0	0	0	1,915,200	104,400
Highways	837,000	117,400	954,400	2,410,600	131,400
Highway Maintenance	705,800	99,200	805,000	2,823,600	154,000
Aeronautics Division	26,600	3,700	30,300	98,000	5,300
Motor Vehicle Division					
State Highway Fund	1,018,100	143,100	1,161,200	3,898,700	212,600
Dealer Enforcement Fund	5,000	700	5,700	0	0
Abandoned Vehicle	7,900	1,100	9,000	44,500	2,400
Safety Enforcement and Infrastructure	7,900	1,100	9,000	38,600	2,100
Total - Department of Transportation	\$3,092,700	\$433,800	\$3,526,500	\$12,665,700	\$690,500
TOTAL - ANNUAL BUDGET UNITS	\$3,942,200	\$545,300	\$4,487,500	\$15,494,300	\$847,200

	Salary Adjustments 1/			Health Insurance 2/	
	Personal Services	Employee Rel Expenditures	Total Salary Adjustment	Medical Insurance	Dental Insurance
BIENNIAL BUDGET UNITS					
Accountancy, State Board of	\$7,700	\$1,000	\$8,700	\$22,100	\$1,400
Administrative Hearings, Office of	15,000	1,900	16,900	34,100	2,600
Agriculture, AZ Department of					
Administration					
Consulting & Training*	1,200	200	1,400	2,600	200
Egg Inspection*	5,200	700	5,900	15,800	900
Plant Industries					
Fruit and Vegetable Standardization*	15,300	2,100	17,400	55,400	3,200
Chemicals/Environmental					
Commercial Feed Program*	2,600	400	3,000	7,900	500
Fertilizer Materials Program*	2,700	400	3,100	7,900	500
Native Plant Program*	3,700	500	4,200	13,200	800
Pesticide Program*	3,800	500	4,300	10,600	600
Total - AZ Dept of Agriculture	\$34,500	\$4,800	\$39,300	\$113,400	\$6,700
Appraisal, State Board of	3,600	400	4,000	7,600	200
Attorney General - Department of Law					
Civil ISA's	61,700	7,900	69,600	200,400	12,700
Civil Collection Enforcement Revolving Fund	23,800	3,200	27,000	0	0
Civil Antitrust	8,300	1,100	9,400	0	0
Civil Rights ISA's	11,900	1,600	13,500	30,400	1,900
Criminal ISA's	36,700	4,700	41,400	72,700	4,600
Criminal Victims' Rights Implementation*	6,400	900	7,300	13,000	800
Economic Security ISA's	38,000	4,800	42,800	82,700	5,200
Total - Attorney General	\$186,800	\$24,200	\$211,000	\$399,200	\$25,200
Auto Theft Authority	2,700	400	3,100	5,500	300
Barbers, Board of	3,000	400	3,400	6,000	500
Behavioral Health Examiners, Board of	5,500	600	6,100	18,300	1,200
Chiropractic Examiners, State Board of	3,400	400	3,800	11,900	300
Coliseum and Exposition Center Board	0	0	0	125,600	8,400
Commerce, Department of					
CEDC Commission*	2,800	400	3,200	8,100	500
Oil Overcharge Administration*	2,400	300	2,700	4,600	300
Bond Fund Operating	1,600	200	1,800	3,500	200
CEDC Fund Operating	2,300	300	2,600	2,300	100
Border Infrastructure*	1,100	100	1,200	2,300	100
Indian Economic Development*	1,100	100	1,200	2,300	100
Minority/Women-owned Business*	1,800	200	2,000	4,600	300
Senior Living Office*	1,500	200	1,700	2,300	100
Small Business Advocate*	2,100	300	2,400	4,600	300
Housing Trust Fund	4,200	500	4,700	9,300	600
Total - Dept of Commerce	\$20,900	\$2,600	\$23,500	\$43,900	\$2,600
Contractors, Registrar of	91,200	13,000	104,200	308,700	20,600
Corporation Commission					
Administration- Utility Regulation Fund	3,100	400	3,500	13,100	800
Corporations	11,200	1,400	12,600	31,200	1,900
Arizona Arts Trust Fund*	600	100	700	2,600	200
Securities					
Investment Management Account*	11,900	1,500	13,400	37,100	2,200
Securities Revolving Fund*	42,900	5,500	48,400	76,800	4,600
Utilities	88,300	11,200	99,500	231,700	13,800
Legal	20,300	2,500	22,800	43,700	2,600
Total - Corporation Commission	\$178,300	\$22,600	\$200,900	\$436,200	\$26,100
Cosmetology, Board of	12,100	1,600	13,700	46,200	2,300
Criminal Justice Commission, Arizona	4,100	500	4,600	15,000	700
Deaf and the Blind, AZ State Schools for the					
Phoenix Day School	0	0	0	189,600	10,300
Tucson Campus	0	0	0	227,200	12,300
Administration/Statewide Programs	0	0	0	8,100	400
Total - Schools for the Deaf and the Blind	\$0	\$0	\$0	\$424,900	\$23,000
Dental Examiners, State Board of	6,700	800	7,500	21,400	2,400
Drug & Gang Prevention Resource Center, Arizona	1,900	300	2,200	0	0
Environmental Quality, Department of					
Hazardous Waste Program*	5,200	700	5,900	16,000	900
Air Permit Administration Program*	62,600	8,200	70,800	158,800	8,700
Solid Waste Program*	11,800	1,500	13,300	37,600	2,100
Water Quality Program*	28,800	3,800	32,600	77,800	4,200

	Salary Adjustments 1/			Health Insurance 2/	
	Personal Services	Employee Rel Expenditures	Total Salary Adjustment	Medical Insurance	Dental Insurance
Emissions Control Program*	39,800	5,200	45,000	136,700	7,500
WQARF Priority Site Remediation*	0	0	0	178,300	9,700
Total - Dept of Environmental Quality	\$148,200	\$19,400	\$167,600	\$605,200	\$33,100
Funeral Directors and Embalmers, Board of 3/	3,200	500	3,700	8,000	800
Game and Fish Department, AZ					
Administrative and Field Services	195,000	40,000	235,000	692,100	40,500
Watercraft	16,100	2,500	18,600	72,000	4,200
Nongame Wildlife	3,000	400	3,400	11,800	700
Total - AZ Game and Fish Department	\$214,100	\$42,900	\$257,000	\$775,900	\$45,400
Gaming, Department of	63,200	8,000	71,200	187,100	11,100
Govt. Information Technology Agency	26,700	3,400	30,100	46,400	2,700
Hearing Impaired, AZ Council for the	2,700	300	3,000	11,300	600
Homeopathic Medical Examiners, Board of 3/	500	100	600	1,900	100
Industrial Commission of AZ					
Administration	36,900	4,700	41,600	114,200	6,100
Claims	50,500	6,600	57,100	213,100	11,400
Administrative Law Judge	55,900	7,300	63,200	139,500	7,500
Labor	10,000	1,300	11,300	38,100	2,000
Special Fund	13,800	1,800	15,600	45,700	2,400
Occupational Safety/Health	35,000	4,600	39,600	96,400	5,200
Legal Counsel	20,000	2,600	22,600	55,800	3,000
Total - Industrial Commission of AZ	\$222,100	\$28,900	\$251,000	\$702,800	\$37,600
Land Department, State	1,300	200	1,500	5,500	400
Lottery Commission, AZ State	112,900	14,600	127,500	279,200	16,600
Medical Examiners, Board of	40,300	5,000	45,300	127,700	9,500
Attorney General - Legal Fees*	4,600	600	5,200	0	0
Total - Board of Medical Examiners	\$44,900	\$5,600	\$50,500	\$127,700	\$9,500
Naturopathic Physician Examiners Board 3/	1,300	200	1,500	1,900	100
Nursing, State Board of	26,300	3,500	29,800	58,700	3,200
Nursing Care Institution Administrators Board 3/	1,800	300	2,100	6,900	700
Occupational Therapy Examiners, Board of	1,700	200	1,900	6,000	200
Opticians, State Board of Dispensing 3/	1,200	100	1,300	1,700	100
Optometry, State Board of 3/	2,100	200	2,300	1,900	300
Osteopathic Examiners, AZ Board of	2,300	300	2,600	11,200	600
Parks Board, Arizona State	29,700	4,300	34,000	116,300	4,900
Pharmacy, AZ State Board of	12,400	1,600	14,000	39,700	3,700
Physical Therapy Examiners, Board of 3/	2,000	300	2,300	3,800	300
Pioneers' Home, AZ	27,200	4,100	31,300	131,600	9,400
Podiatry Examiners, State Board of 3/	1,300	100	1,400	1,900	100
Postsecondary Education, Commission for	1,800	200	2,000	7,300	300
Private Postsecondary Education, State Board of	2,500	300	2,800	10,000	900
Psychologist Examiners, State Board of	3,500	400	3,900	7,900	300
Racing, Arizona Department of					
County Fair	4,300	600	4,900	15,000	800
Radiation Regulatory Agency					
Medical Radiologic Technology Bd. of Examiners*	1,900	200	2,100	5,600	300
Residential Utility Consumer Office	14,600	1,900	16,500	29,400	1,600
Respiratory Care Examiners, Board of	3,500	500	4,000	4,000	800
Retirement System, Arizona State	113,300	14,200	127,500	340,900	18,400
Revenue, Department of					
Administrative Services - Tobacco Tax	700	100	800	2,500	100
Administrative Services - Estate and Unclaimed	5,400	700	6,100	20,200	1,100
Compliance - Tobacco Tax	700	100	800	2,500	2,200
Compliance - Estate and Unclaimed	3,000	400	3,400	7,600	400
Special Support	4,200	500	4,700	12,600	700
Total - Dept of Revenue	\$14,000	\$1,800	\$15,800	\$45,400	\$4,500
School Capital Facilities, State Board for	0	0	0	16,400	900
State Boards' Office 3/	0	0	0	0	0
Structural Pest Control Commission	23,900	3,100	27,000	90,800	3,900
Technical Registration, State Board of	10,900	1,400	12,300	36,100	1,100
Veterans' Service Commission, AZ					
Veterans' Services and Administration	10,900	1,500	12,400	37,100	2,200
Veterans' Home	136,300	19,200	155,500	460,800	26,900
Total - AZ Veterans' Service Commission	\$147,200	\$20,700	\$167,900	\$497,900	\$29,100
Veterinary Medical Examining Board 3/	3,500	500	4,000	12,300	500

	Salary Adjustments 1/			Health Insurance 2/	
	Personal Services	Employee Rel Expenditures	Total Salary Adjustment	Medical Insurance	Dental Insurance
Weights and Measures, Department of Oxygenated Fuel	4,300	600	4,900	16,400	800
TOTAL - BIENNIAL BUDGET UNITS	\$1,875,700	\$261,000	\$2,136,700	\$6,308,000	\$370,200
ADJUSTMENTS-SUBTOTAL	\$5,817,900	\$806,300	\$6,624,200	\$21,802,300	\$1,217,400
UNALLOCATED AMOUNTS	\$448,600	\$72,200	\$520,800	-	-
TOTAL ADJUSTMENTS	\$6,266,500	\$878,500	\$7,145,000	\$21,802,300	\$1,217,400

* Denotes Special Line Item.

1/ Section 107 of the General Appropriation Act provides up to \$7,145,000 in FY 1998 from Other Funds for pay adjustments. In accordance with Section 107, the Joint Legislative Budget Committee has determined an amount projected to equal 2.5% of total eligible Personal Services, up to \$1,000 per FTE Position, effective October 1, 1997 and 2.5% of total eligible Personal Services, effective January 1, 1998, for merit pay adjustments of 0 to 5%.

These amounts will be allocated to the individual agencies by the Arizona Department of Administration.

2/ Pursuant to A.R.S. 38-654, the Joint Legislative Budget Committee Staff annually identify amounts in state agency appropriations for the payment of employee health and dental insurance. These amounts are transferred from agency appropriations to the Special Employee Health Insurance Trust Fund.

3/ For each board, the following portion of the salary adjustment is for the State Boards' Office: Dispensing Opticians - \$200; Funeral Directors and Embalmers - \$400; Homeopathic Medical Examiners - \$100; Naturopathic Physician Examiners - \$200; Nursing Care Institution Administrators - \$400; Optometry - \$200; Physical Therapy Examiners - \$400; Podiatry Examiners - \$200; and Veterinary Medical Examining - \$500. For more details see the State Boards' Office narrative.

State of Arizona Elected Officials' Salaries

	Jan. 1, 1995	Jan. 1, 1996	Jan. 1, 1997	Jan. 1, 1998	Jan. 1, 1999
Governor	\$75,000	\$75,000	\$75,000	\$75,000	\$95,000
Secretary of State	\$54,600	\$54,600	\$54,600	\$54,600	\$65,000
Treasurer	\$54,600	\$54,600	\$54,600	\$54,600	\$65,000
Attorney General	\$76,400	\$76,400	\$76,400	\$76,400	\$90,000
Superintendent of Public Instruction	\$54,600	\$54,600	\$54,600	\$54,600	\$75,000
Corporation Commissioners	\$54,600	\$54,600	\$65,000	\$65,000	\$65,000
Mine Inspector	\$38,200	\$38,200	\$38,200	\$38,200	\$50,000
Supreme Court Chief Justice	\$98,600	\$103,500	\$111,400	\$117,000	\$117,000
Other Supreme Court Justices	\$96,300	\$101,100	\$108,800	\$114,300	\$114,300
Appellate Judges	\$94,000	\$98,700	\$106,200	\$111,500	\$111,500
Superior Court Judges	\$91,700	\$96,300	\$103,600	\$108,800	\$108,800
Legislators	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000

**SALARY ADJUSTMENT IN SECTION 107 OF THE
FY 1999 GENERAL APPROPRIATION ACT AND HEALTH INSURANCE ALLOCATIONS**

GENERAL FUND

	Salary Adjustments 1/			Health Insurance 2/	
	Personal Services	Employee Rel Expenditures	Total Salary Adjustment	Medical Insurance	Dental Insurance
BIENNIAL BUDGET UNITS					
Administrative Hearings, Office of	\$22,900	\$2,900	\$25,800	\$28,400	\$2,200
Agriculture, AZ Department of					
Administration	54,200	7,100	61,300	75,300	4,300
Consultation & Training*	1,800	200	2,000	2,700	200
Animal Services	147,600	19,800	167,400	239,700	13,800
Agricultural Lab	35,300	4,700	40,000	51,100	2,900
Chemical/Environmental	19,800	2,700	22,500	32,300	1,900
Plant Industries	152,300	20,400	172,700	248,000	14,300
Total - AZ Dept of Agriculture	\$411,000	\$54,900	\$465,900	\$649,100	\$37,400
Arts, Arizona Commission on the	22,700	3,000	25,700	33,700	1,900
Attorney General - Department of Law					
Administration	125,500	16,200	141,700	152,000	9,600
Civil	312,200	40,300	352,500	313,400	19,800
Civil Rights	74,700	9,800	84,500	106,400	6,700
Criminal	385,300	53,400	438,700	359,600	22,800
State Grand Jury*	5,100	700	5,800	0	0
Total - Attorney General - Dept of Law	\$902,800	\$120,400	\$1,023,200	\$931,400	\$58,900
Banking Department, State	105,300	13,200	118,500	141,600	8,500
Boxing Commission, AZ State	2,400	300	2,700	6,200	600
Building & Fire Safety, Department of	117,600	16,600	134,200	192,500	9,600
Commerce, Department of					
Operating	140,900	17,900	158,800	144,700	8,900
Motion Picture Development*	16,000	2,000	18,000	13,900	900
Rural Tourism Development*	3,100	400	3,500	2,300	100
Special Needs Housing*	2,300	300	2,600	2,300	100
Total - Dept of Commerce	\$162,300	\$20,600	\$182,900	\$163,200	\$10,000
Corporation Commission					
Administration	54,800	6,600	61,400	65,000	3,900
Corporations	63,900	8,100	72,000	135,600	31,800
Securities	79,900	10,100	90,000	97,200	5,800
Railroad Safety	17,100	2,200	19,300	21,600	1,300
Total - Corporation Commission	\$215,700	\$27,000	\$242,700	\$319,400	\$42,800
Deaf and the Blind, AZ State Schools for the					
Phoenix Day School	0	0	0	173,500	9,400
Tucson Campus	0	0	0	524,200	28,500
Administration/Statewide Programs	0	0	0	201,600	11,000
Total - Schools for the Deaf and the Blind	\$0	\$0	\$0	\$899,300	\$48,900
Emergency & Military Affairs, Department of					
Emergency Management	25,400	3,700	29,100	29,600	1,900
Nuclear Emergency Management*	0	0	0	8,900	600
Military Affairs	78,300	11,300	89,600	95,900	6,300
Total - Dept of Emergency & Military Affairs	\$103,700	\$15,000	\$118,700	\$134,400	\$8,800
Environmental Quality, Department of	459,200	60,000	519,200	606,000	33,100
Aquifer Protection Permit Program*	32,300	4,200	36,500	45,100	2,500
Total - Dept of Environmental Quality	\$491,500	\$64,200	\$555,700	\$651,100	\$35,600
Equal Opportunity, Governor's Office of	9,800	1,200	11,000	7,800	600
Equalization, State Board of	20,300	2,200	22,500	20,300	1,700
Executive Clemency, Board of	46,900	6,100	53,000	89,400	5,400
Geological Survey, AZ	27,100	3,600	30,700	25,500	2,000
Governor, Office of the	168,100	18,500	186,600	158,400	10,900
Gov's Ofc. of Management and Budget					
Office for Excellence in Government*	54,000	6,400	60,400	46,300	3,200
Gov's Ofc. of Strategic Planning & Budgeting*	68,700	7,800	76,500	58,500	4,000
Total - Office of Management and Budget	\$122,700	\$14,200	\$136,900	\$104,800	\$7,200
Hearing Impaired, AZ Council for the	9,500	1,200	10,700	14,400	700
Historical Society, Arizona	77,300	10,000	87,300	91,500	5,300
Papago Park Museum *	38,200	5,000	43,200	52,500	3,000
Total - Arizona Historical Society	\$115,500	\$15,000	\$130,500	\$144,000	\$8,300
Historical Society, Prescott	28,200	3,800	32,000	59,400	3,400
Indian Affairs, AZ Commission of	5,500	700	6,200	6,200	100
Insurance, Department of	142,600	17,900	160,500	219,100	10,900
Fraud Unit*	27,700	3,500	31,200	39,400	2,000
Total - Department of Insurance	\$170,300	\$21,400	\$191,700	\$258,500	\$12,900

	Salary Adjustments 1/			Health Insurance 2/	
	Personal Services	Employee Rel Expenditures	Total Salary Adjustment	Medical Insurance	Dental Insurance
Land Department, State	342,600	44,500	387,100	478,300	30,900
Law Enforcement Merit System Council	2,000	200	2,200	4,100	400
Legislature					
Auditor General	407,000	47,100	454,100	451,300	29,000
House of Representatives	293,600	33,100	326,700	498,900	38,400
Joint Legislative Budget Committee	90,400	10,300	100,700	90,300	4,300
Legislative Council	121,300	13,900	135,200	139,300	9,200
Ombudsman*	10,700	1,200	11,900	11,100	700
Library, Archives and Public Records	188,000	24,100	212,100	293,000	16,500
Senate	222,800	25,200	248,000	328,900	24,500
Total - Legislature	\$1,333,800	\$154,900	\$1,488,700	\$1,812,800	\$122,600
Liquor Licenses & Control, Department of	80,900	12,800	93,700	121,800	7,400
Mine Inspector, State	29,900	3,900	33,800	35,900	1,700
Mined Land Reclamation*	3,500	500	4,000	2,100	100
Total - State Mine Inspector	\$33,400	\$4,400	\$37,800	\$38,000	\$1,800
Mines and Mineral Resources, Department of	16,600	2,200	18,800	22,300	2,300
Navigable Stream Adjudication Commission	4,000	500	4,500	6,100	200
Parks Board, Arizona State	218,100	31,300	249,400	376,300	17,900
Kartchner Caverns Operating*	9,300	1,300	10,600	0	0
Total - Arizona State Parks Board	\$227,400	\$32,600	\$260,000	\$376,300	\$17,900
Personnel Board	5,300	700	6,000	6,100	100
Pioneers' Home, AZ	89,000	13,500	102,500	235,400	16,900
Postsecondary Education, Commission for	0	0	0	0	0
Public Safety, Department of					
Agency Support	630,000	83,000	713,000	992,000	58,300
Criminal Investigations Bureau	638,800	66,600	705,400	737,400	43,300
GITEM*	138,100	15,000	153,100	209,900	12,300
Criminal Justice Support	517,300	63,000	580,300	719,200	42,200
Sex Offender Notification*	0	0	0	3,200	200
Director's Office	271,200	30,800	302,000	322,800	19,000
Licensing	34,900	4,300	39,200	0	0
AFIN	7,800	1,000	8,800	0	0
Highway Patrol Bureau	1,848,200	193,200	2,041,400	2,392,400	140,500
Total - Dept of Public Safety	\$4,086,300	\$456,900	\$4,543,200	\$5,376,900	\$315,800
Racing, Arizona Department of	92,000	12,000	104,000	137,900	7,300
Radiation Regulatory Agency	47,400	6,300	53,700	65,200	3,600
Nuclear Emergency Management Fund*	0	0	0	11,300	600
Total - Radiation Regulatory Agency	\$47,400	\$6,300	\$53,700	\$76,500	\$4,200
Real Estate Department, State	113,900	14,800	128,700	158,900	7,800
Revenue, Department of					
Director's Office	36,900	4,400	41,300	36,100	1,900
Administrative Services	126,100	16,300	142,400	229,400	12,400
Property Valuation & Equalization	132,300	16,800	149,100	195,900	10,600
Building Permits Database*	10,000	1,300	11,300	18,000	1,000
Special Support	93,300	11,900	105,200	118,500	6,400
Compliance	939,700	119,900	1,059,600	1,502,300	81,000
Taxpayer Support	187,300	23,900	211,200	363,700	19,600
Data Management	406,300	51,800	458,100	649,900	35,000
Total - Dept of Revenue	\$1,931,900	\$246,300	\$2,178,200	\$3,113,800	\$167,900
Secretary of State	50,300	6,400	56,700	75,100	2,900
Elections*	12,700	1,700	14,400	17,500	700
Total - Secretary of State	\$63,000	\$8,100	\$71,100	\$92,600	\$3,600
Tax Appeals, State Board of	10,400	1,200	11,600	8,100	700
Tourism, Office of	38,600	4,500	43,100	40,500	2,300
Welcome Center Operations *	5,900	700	6,600	9,000	500
Total - Office of Tourism	\$44,500	\$5,200	\$49,700	\$49,500	\$2,800
Treasurer, State	71,200	8,900	80,100	119,100	8,100
Veterans' Service Commission, AZ					
Veterans' Services and Administration	36,000	5,100	41,100	59,200	3,500
Water Resources, Department of					
Administrative Support	119,600	15,400	135,000	153,600	9,300
Indian Water Rights*	2,800	400	3,200	2,700	200
Hydrology	80,000	10,400	90,400	102,600	6,200
Groundwater Management	119,900	15,600	135,500	169,500	10,300
Surface Water Management	122,200	15,900	138,100	148,400	9,000
USGS*	1,700	200	1,900	2,700	200
Total - Dept of Water Resources	\$446,200	\$57,900	\$504,100	\$579,500	\$35,200

	Salary Adjustments 1/			Health Insurance 2/	
	Personal Services	Employee Rel Expenditures	Total Salary Adjustment	Medical Insurance	Dental Insurance
Weights and Measures, Department of					
General Services	49,500	6,500	56,000	78,200	3,800
Vapor Recovery	8,800	1,200	10,000	16,700	800
Total - Department of Weights and Measures	\$58,300	\$7,700	\$66,000	\$94,900	\$4,600
TOTAL - BIENNIAL BUDGET UNITS	\$12,417,900	\$1,522,700	\$13,940,600	\$18,007,100	\$1,080,400
UNALLOCATED ANNUAL BUDGET UNITS	\$62,376,700	\$8,716,000	\$71,092,700	-	-
TOTAL ADJUSTMENTS	\$74,794,600	\$10,238,700	\$85,033,300	\$18,007,100	\$1,080,400

* Denotes Special Line Item.

- 1/ Section 107 of the General Appropriation Act provides \$85,033,300 for FY 1999 increases from the General Fund for pay adjustments. In accordance with Section 107, the Joint Legislative Budget Committee has determined for biennial budget units an amount projected to annualize the pay adjustment of 2.5% of total eligible Personal Services, up to \$1,000 per FTE Position, effective October 1, 1997 and to annualize the pay adjustment of 2.5% of total eligible Personal Services, effective January 1, 1998, and 2.5% of total eligible Personal Services, effective January 1, 1999, for merit pay adjustments. These amounts will be allocated to the individual agencies by the Arizona Department of Administration. The FY 1999 annual budget unit pay adjustments will be allocated at a later date.
- 2/ Pursuant to A.R.S. 38-654, the Joint Legislative Budget Committee Staff annually identify amounts in state agency appropriations for the payment of employee health and dental insurance. These amounts are transferred from agency appropriations to the Special Employee Health Insurance Trust Fund.

**SALARY ADJUSTMENT IN SECTION 107 OF THE
FY 1999 GENERAL APPROPRIATIONS ACT AND HEALTH INSURANCE ALLOCATIONS**

OTHER FUNDS

	Salary Adjustments 1/			Health Insurance 2/	
	Personal Services	Employee Rel Expenditures	Total Salary Adjustment	Medical Insurance	Dental Insurance
BIENNIAL BUDGET UNITS					
Accountancy, State Board of	\$15,900	\$2,000	\$17,900	\$22,500	\$1,500
Administrative Hearings, Office of	30,400	3,900	34,300	34,800	2,600
Agriculture, AZ Department of					
Administration					
Consulting & Training*	2,400	300	2,700	2,700	200
Egg Inspection*	10,600	1,400	12,000	16,100	900
Plant Industries					
Fruit and Vegetable Standardization*	31,100	4,200	35,300	56,500	3,200
Chemicals/Environmental					
Commercial Feed Program*	5,400	700	6,100	8,100	500
Fertilizer Materials Program*	5,500	700	6,200	8,100	500
Native Plant Program*	7,600	1,000	8,600	13,500	800
Pesticide Program*	7,800	1,000	8,800	10,800	600
Total - AZ Dept of Agriculture	\$70,400	\$9,300	\$79,700	\$115,800	\$6,700
Appraisal, State Board of	7,400	900	8,300	7,800	300
Attorney General - Department of Law					
Civil ISA's	131,900	17,000	148,900	213,400	13,600
Civil Collection Enforcement Revolving Fund	52,100	6,900	59,000	0	0
Civil Antitrust	16,800	2,200	19,000	0	0
Civil Rights ISA's	24,100	3,100	27,200	31,400	2,000
Criminal ISA's	77,600	10,100	87,700	74,100	4,700
Criminal Victims' Rights Implementation*	13,100	1,800	14,900	13,300	800
Economic Security ISA's	79,000	10,100	89,100	82,700	5,200
Total - Attorney General	\$394,600	\$51,200	\$445,800	\$414,900	\$26,300
Auto Theft Authority	5,700	800	6,500	5,600	300
Barbers, Board of	6,000	800	6,800	6,100	500
Behavioral Health Examiners, Board of	11,000	1,300	12,300	18,700	1,200
Chiropractic Examiners, State Board of	7,000	800	7,800	12,100	300
Coliseum and Exposition Center Board	0	0	0	128,100	8,600
Commerce, Department of					
CEDC Commission*	5,900	800	6,700	8,100	500
Oil Overcharge Administration*	5,000	600	5,600	4,600	300
Bond Fund Operating	3,300	400	3,700	3,500	200
CEDC Fund Operating	3,900	500	4,400	2,300	100
Border Infrastructure*	2,100	300	2,400	2,300	100
Indian Economic Development*	2,300	300	2,600	2,300	100
Minority/Women-owned Business*	3,700	500	4,200	4,600	300
Senior Living Office*	3,200	400	3,600	2,300	100
Small Business Advocate*	4,600	600	5,200	4,600	300
Housing Trust Fund	8,700	1,100	9,800	9,300	600
Total - Dept of Commerce	\$42,700	\$5,500	\$48,200	\$43,900	\$2,600
Contractors, Registrar of	186,000	26,600	212,600	314,900	21,000
Corporation Commission					
Administration - Utility Regulation Fund	6,400	800	7,200	13,300	800
Corporations	23,000	2,900	25,900	31,800	1,900
Arizona Arts Trust Fund*	1,300	200	1,500	2,700	200
Securities					
Investment Management Account*	24,400	3,100	27,500	37,800	2,300
Securities Revolving Fund*	83,700	10,700	94,400	78,300	4,700
Utilities	182,000	23,100	205,100	36,300	14,100
Legal	43,300	5,300	48,600	44,600	2,700
Total - Corporation Commission	\$364,100	\$46,100	\$410,200	\$244,800	\$26,700
Cosmetology, Board of	24,500	3,200	27,700	47,200	2,400
Criminal Justice Commission, Arizona	10,300	1,300	11,600	15,300	700
Deaf and the Blind, AZ State Schools for the					
Phoenix Day School	0	0	0	193,400	10,500
Tucson Campus	0	0	0	231,700	12,600
Administration/Statewide Programs	0	0	0	8,200	400
Total - Schools for the Deaf and the Blind	\$0	\$0	\$0	\$433,300	\$23,500
Dental Examiners, State Board of	13,800	1,700	15,500	21,900	2,400
Drug & Gang Prevention Resource Center, Arizona	3,900	500	4,400	0	0

	Salary Adjustments 1/			Health Insurance 2/	
	Personal Services	Employee Rel Expenditures	Total Salary Adjustment	Medical Insurance	Dental Insurance
Environmental Quality, Department of					
Hazardous Waste Program*	10,500	1,400	11,900	16,400	900
Air Permit Administration Program*	126,800	16,700	143,500	162,000	8,800
Solid Waste Program*	23,900	3,100	27,000	38,300	2,100
Water Quality Program*	58,500	7,700	66,200	79,400	4,300
Emissions Control Program*	81,400	10,700	92,100	139,400	7,600
WQARF Priority Site Remediation*	0	0	0	181,800	9,900
Total - Dept of Environmental Quality	\$301,100	\$39,600	\$340,700	\$617,300	\$33,600
Funeral Directors and Embalmers, Board of 3/	6,600	800	7,400	8,200	800
Game and Fish Department, AZ					
Administrative and Field Services	400,400	82,400	482,800	709,500	41,600
Watercraft	16,400	2,600	19,000	73,400	4,300
Nongame Wildlife	3,100	400	3,500	12,000	700
Total - AZ Game and Fish Department	\$419,900	\$85,400	\$505,300	\$794,900	\$46,600
Gaming, Department of	130,600	16,600	147,200	202,200	12,000
Govt. Information Technology Agency	60,500	7,500	68,000	47,300	2,700
Hearing Impaired, AZ Council for the	5,500	700	6,200	11,500	600
Homeopathic Medical Examiners, Board of 3/	1,200	100	1,300	1,900	100
Industrial Commission of AZ					
Administration	75,500	9,700	85,200	114,200	6,100
Claims	102,300	13,500	115,800	213,100	11,400
Administrative Law Judge	118,400	15,500	133,900	139,500	7,500
Labor	20,300	2,700	23,000	38,100	2,000
Special Fund	27,900	3,700	31,600	45,700	2,400
Occupational Safety/Health	71,000	9,300	80,300	96,400	5,200
Legal Counsel	42,000	5,500	47,500	58,400	3,100
Total - Industrial Commission of AZ	\$457,400	\$59,900	\$517,300	\$705,400	\$37,700
Land Department, State	2,700	300	3,000	5,600	400
Lottery Commission, AZ State	231,800	30,100	261,900	284,800	17,000
Medical Examiners, Board of	82,200	10,200	92,400	130,200	9,700
Attorney General - Legal Fees*	9,900	1,200	11,100	0	0
Total - Board of Medical Examiners	\$92,100	\$11,400	\$103,500	\$130,200	\$9,700
Naturopathic Physician Examiners Board 3/	2,700	400	3,100	2,000	100
Nursing, State Board of	54,600	7,200	61,800	59,900	3,300
Nursing Care Institution Administrators Board 3/	3,700	500	4,200	7,000	700
Occupational Therapy Examiners, Board of	3,400	400	3,800	6,100	200
Opticians, State Board of Dispensing	2,400	400	2,800	1,700	100
Optometry, State Board of 3/	4,200	600	4,800	1,900	300
Osteopathic Examiners, AZ Board of	4,900	600	5,500	11,400	700
Parks Board, Arizona State	30,600	4,400	35,000	118,600	5,000
Pharmacy, AZ State Board of	26,000	3,400	29,400	40,500	3,800
Physical Therapy Examiners, Board of 3/	4,000	500	4,500	3,900	300
Pioneers' Home, AZ	54,900	8,000	62,900	134,200	9,600
Podiatry Examiners, State Board of 3/	2,500	400	2,900	1,900	100
Postsecondary Education, Commission for	0	0	0	0	0
Private Postsecondary Education, Board for	5,100	600	5,700	10,200	900
Psychologist Examiners, State Board of	7,000	800	7,800	8,000	400
Racing, Arizona Department of					
County Fair	8,700	1,100	9,800	15,300	800
Radiation Regulatory Agency					
Medical Radiologic Technology Board of Examiners	3,800	500	4,300	5,700	300
Residential Utility Consumer Office	30,400	4,000	34,400	29,900	1,700
Respiratory Care Examiners, Board of	7,200	900	8,100	4,100	900
Retirement System, Arizona State	233,700	29,300	263,000	350,600	19,000
Revenue, Department of					
Administrative Services - Tobacco Tax	1,400	200	1,600	2,600	100
Administrative Services - Estate and Unclaimed	11,000	1,400	12,400	20,600	1,100
Compliance - Tobacco Tax	1,500	200	1,700	2,600	100
Compliance - Estate and Unclaimed	6,100	800	6,900	7,700	400
Special Support	8,400	1,100	9,500	12,900	700
Total - Dept of Revenue	\$28,400	\$3,700	\$32,100	\$46,400	\$2,400
School Capital Facilities, State Board for	0	0	0	16,700	1,000
State Boards' Office 3/	0	0	0	0	0
Structural Pest Control Commission	48,700	6,300	55,000	92,700	4,000
Technical Registration, State Board of	22,400	2,900	25,300	36,900	1,200

	Salary Adjustments 1/			Health Insurance 2/	
	Personal Services	Employee Rel Expenditures	Total Salary Adjustment	Medical Insurance	Dental Insurance
Veterans' Service Commission, AZ					
Veterans' Services and Administration	21,900	3,100	25,000	37,900	2,200
Veterans' Home	275,700	38,800	314,500	470,000	27,500
Total - AZ Veterans' Service Commission	\$297,600	\$41,900	\$339,500	\$507,900	\$29,700
Veterinary Medical Examining Board 3/	7,200	800	8,000	12,500	600
Weights and Measures, Department of					
Oxygenated Fuel	8,800	1,200	10,000	16,700	800
TOTAL - BIENNIAL BUDGET UNITS	\$3,806,000	\$529,100	\$4,335,100	\$6,239,700	\$376,700
UNALLOCATED ANNUAL BUDGET UNITS	\$9,186,800	\$1,483,100	\$10,669,900	-	-
TOTAL ADJUSTMENTS	\$12,992,800	\$2,012,200	\$15,005,000	\$6,239,700	\$376,700

* Denotes Special Line Item.

- 1/ Section 107 of the General Appropriation Act provides up to \$15,005,000 for FY 1999 increases from Other Appropriated Funds for pay adjustments. In accordance with Section 107, the Joint Legislative Budget Committee has determined an amount projected to annualize the pay adjustment of 2.5% of total eligible Personal Services, up to \$1,000 per FTE Position, effective October 1, 1997 and to annualize the pay adjustment of 2.5% of total eligible Personal Services, effective January 1, 1998, and 2.5% of total eligible Personal Services, effective January 1, 1999, for merit pay adjustments. These amounts will be allocated to the individual agencies by the Arizona Department of Administration. The FY 1999 annual budget unit pay adjustments will be allocated at a later date.
- 2/ Pursuant to A.R.S. 38-654, the Joint Legislative Budget Committee Staff annually identify amounts in state agency appropriations for the payment of employee health and dental insurance. These amounts are transferred from agency appropriations to the Special Employee Health Insurance Trust Fund.
- 3/ For each board, the following portion of the salary adjustment is for the State Boards' Office: Dispensing Opticians - \$400; Funeral Directors and Embalmers - \$800; Homeopathic Medical Examiners - \$300; Naturopathic Physician Examiners - \$500; Nursing Care Institution Administrators - \$800; Optometry - \$600; Physical Therapy Examiners - \$800; Podiatry Examiners - \$400; and Veterinary Medical Examining - \$900. For more details see the State Boards' Office narrative.

**LEASE-PURCHASE APPROPRIATIONS I/
Department of Administration Building System**

	Fiscal Year 1998				Fiscal Year 1999 2/			
	GF	OF	Non-Approp	Total	GF	OF	Non-Approp	Total
ANNUAL BUDGET UNITS								
Administration, AZ Department of								
16th Ave Parking Garage	\$382,800			\$382,800				
Capital Center	193,600	494,500	3/	688,100				
ENSCO	4,585,600			4,585,600				
1616 West Adams	32,800	185,700		218,500				
Tucson Office	103,600	46,500		150,100				
Sun States Building	2,400			2,400				
DES-West	28,600			28,600				
Unused COP Principal			25,800	4/ 25,800				
Doubletree Building			44,400	5/ 44,400				
Unoccupied Space		55,900	6/	55,900				
Subtotal - AZ Dept of Administration	\$5,329,400	\$782,600	\$70,200	\$6,182,200				
AHCCCS								
Kingman State Office	13,400		13,300	26,700				
East Jefferson Buildings	1,665,700		8,300	1,674,000				
Subtotal - AHCCCS	\$1,679,100	\$0	\$21,600	\$1,700,700				
Corrections, Department of								
DOC Series 1993A		12,014,200		12,014,200				
DOC Series 1994		12,420,100		12,420,100				
Tucson Office	4,400			4,400				
Subtotal - Department of Corrections	\$4,400	\$24,434,300	\$0	\$24,438,700				
Economic Security, Department of								
DES Group Homes	177,700		93,500	271,200				
DES-West	1,701,600		1,284,000	2,985,600				
Kingman State Office	96,000		26,200	122,200				
Tucson Office	364,000		255,000	619,000				
Capital Center	358,300	7/		358,300				
Subtotal - Dept of Economic Security	\$2,697,600	\$0	\$1,658,700	\$4,356,300				
Education, Department of								
Tucson Office	36,500		8,800	45,300				
Health Services, Department of								
Black Canyon Building	61,800		119,200	181,000				
Centre Pointe Building	156,600	76,800	115,800	349,200				
Tucson Office	56,500	30,400	46,600	133,500				
Subtotal - Dept of Health Services	\$274,900	\$107,200	\$281,600	\$663,700				
Judiciary - Court of Appeals								
Tucson Office	484,500			484,500				
Supreme Court								
Courts Building	3,013,200			3,013,200				
Tucson Office	107,700			107,700				
Subtotal - Judiciary	\$3,605,400	\$0	\$0	\$3,605,400				
TOTAL - ANNUAL BUDGET UNITS	\$13,627,300	\$25,324,100	\$2,040,900	\$40,992,300				
BIENNIAL BUDGET UNITS								
Administrative Hearings, Office of								
Tucson Office	6,000	7,400		13,400	6,000	7,400		13,400
Agriculture, Department of								
Laboratory	180,500			180,500	178,600			178,600
Tucson Office	32,900	7,700		40,600	32,900	7,700		40,600
Subtotal - Department of Agriculture	\$213,400	\$7,700	\$0	\$221,100	\$211,500	\$7,700	\$0	\$219,200
Arts, Arizona Commission on the								
Corpstein Building	51,600			51,600	49,700			49,700
Attorney General - Department of Law								
Capital Center	613,300		57,300	670,600	617,300		57,500	674,800
Tucson Office	22,300			22,300	22,300			22,300
Subtotal- Attorney General	635,600	0	57,300	692,900	639,600	0	57,500	697,100
Banking Department, State								
Sun States Building	112,100		12,500	124,600	112,300		12,500	124,800
Building and Fire Safety, Department of								
Tucson Office	40,700			40,700	40,600			40,600
Corporation Commission								
Tucson Office	38,400	30,100		68,500	38,400	30,100		68,500
Criminal Justice Commission, AZ								
Courts Building		29,800	55,900	85,700		29,800	55,900	85,700
Deaf and the Blind, AZ State Schools for the								
Food Service Building	379,800			379,800	380,400			380,400
High School and Auditorium	1,200,900			1,200,900	1,198,400			1,198,400
Subtotal - Deaf & the Blind Schools	\$1,580,700	\$0	\$0	\$1,580,700	\$1,578,800	\$0	\$0	\$1,578,800
Environmental Quality, Department of								
Tucson Office	32,100		82,500	114,600	32,100		82,400	114,500

	Fiscal Year 1998				Fiscal Year 1999			
	GF	OF	Non-Approp	Total	GF	OF	Non-Approp	Total
Game and Fish Department, AZ								
Game and Fish Offices		157,200		157,200		164,100		164,100
Gaming, Department of								
Tucson Office		5,700		5,700		5,700		5,700
Governor, Office of the								
Tucson Office	37,400			37,400	37,400			37,400
Historical Society, Arizona								
Papago Museum	1,260,000			1,260,000	1,255,200			1,255,200
Insurance, Department of								
Sun States Building	204,700		70,400	275,100	205,000		70,600	275,600
Tucson Office	17,900		6,200	24,100	17,900		24,000	41,900
Subtotal - Department of Insurance	\$222,600	\$0	\$76,600	\$299,200	\$222,900	\$0	\$94,600	\$317,500
Land Department, State								
1616 W Adams	348,800			348,800	349,800			349,800
Legislature - Auditor General								
Sun States Building	206,000			206,000	206,400			206,400
Tucson Office	32,100			32,100	32,000			32,000
Legislature - Library & Archives, Dept of								
Courts Building	486,000			486,000	486,000			486,000
Library for the Blind	108,300			108,300	106,000			106,000
Records Management Addition	186,600			186,600	182,900			182,900
Subtotal - Legislature	\$1,019,000	\$0	\$0	\$1,019,000	\$1,013,300	\$0	\$0	\$981,300
Liquor Licenses and Control, Department of								
Tucson Office	28,100			28,100	28,100			28,100
Medical Examiners, Board of								
Centre Pointe Building		86,700		86,700		87,000		87,000
Tucson Office		7,600		7,600		7,600		7,600
Subtotal - Board of Medical Examiners	\$0	\$94,300	\$0	\$94,300	\$0	\$94,600	\$0	\$94,600
Mine Inspector, State								
1616 West Adams	3,900			3,900	\$3,900			
Nursing, State Board of								
Centre Pointe Building		49,200		49,200				0
Osteopathic Examiners, Arizona Board of								
Doubletree Building		18,900		18,900		18,900		18,900
Parks Board, Arizona State								
Tonto Natural Bridge			354,900	354,900			353,400	353,400
Pharmacy, AZ State Board of								
Tucson Office		4,500		4,500		4,500		4,500
Public Safety, Department of								
DPS District 19 Building		39,300		39,300		42,800		42,800
ALEOAC Building			110,200	110,200			111,000	111,000
Subtotal - Department of Public Safety	\$0	\$39,300	\$110,200	\$149,500	\$0	\$42,800	\$111,000	\$153,800
Real Estate Department, State								
Sun States Building	148,100			148,100	148,300			148,300
Tucson Office	39,700			39,700	39,700			39,700
Subtotal - Real Estate Department	\$187,800	\$0	\$0	\$187,800	\$188,000	\$0	\$0	\$188,000
Registrar of Contractors								
Tucson Office		44,400		44,400		44,400		44,400
Kingman State Office		6,100		6,100		6,100		6,100
Subtotal - Registrar of Contractors	\$0	\$50,500	\$0	\$50,500	\$0	\$50,500	\$0	\$50,500
Revenue, Department of								
Revenue Building	2,121,400			2,121,400	2,126,300			2,126,300
Structural Pest Control Commission								
Doubletree Building		72,600		72,600		72,800		72,800
Tourism, Office of								
Welcome Center	65,100			65,100	67,700			67,700
Veterans' Service Commission, AZ								
Tucson Office	14,600			14,600				
Water Resources, Department of								
Tucson Office	91,500			91,500	91,400			91,400
Weights and Measures, Department of								
Doubletree Building	64,000	13,200		77,200	64,300	13,300		77,600
TOTAL - BIENNIAL BUDGET UNITS	\$8,174,800	\$580,400	\$749,900	\$9,505,100	\$8,157,300	\$542,200	\$767,300	\$9,430,900
GRAND TOTAL	\$21,802,100	\$25,904,500	\$2,790,800	\$50,497,400	\$8,157,300	\$542,200	\$767,300	\$9,430,900

- 1/ Pursuant to A.R.S. 41-792.01, state agencies occupying buildings being lease-purchased by the Arizona Department of Administration shall pay the higher of the amount reported [herein] by the Joint Legislative Budget Committee Staff or the pro rata share of the lease-purchase based on actual occupancy.
- 2/ Annual budget units received appropriations for the first year of the biennium only; appropriations for FY 1999 will be addressed during the next legislative session, at which time adjustments may also be made for biennial budget units.
- 3/ Of this amount, \$341,500 represents payment for space occupied by the Attorney General which provides legal services to the Risk Management Division.
- 4/ The amount shall be generated from the un-used portion of the related lease-purchase issuance.
- 5/ The amount shall come from a third-party lease at the Doubletree Building.
- 6/ Of this amount, \$36,900 is for unoccupied space at 1616 West Adams and \$19,000 is for unoccupied space at the Doubletree Building. If an occupant is found for either or both locations, the occupant shall pay the pro rata share of the lease-purchase.
- 7/ This amount represents payment for space occupied by the Attorney General which provides legal services to the department.

**OPERATION & MAINTENANCE PAYMENTS I/
Department of Administration Building System**

	Fiscal Year 1998				Fiscal Year 1999 2/			
	GF	OF	Non-Approp	Total	GF	OF	Non-Approp	Total
ANNUAL BUDGET UNITS								
Administration, AZ Department of								
Sun States Building	1,500	0	0	1,500				
AHCCCS								
Kingman State Office	8,400	0	8,500	16,900				
Economic Security, Department of								
Kingman State Office	44,700	0	34,300	79,000				
Health Services, Department of								
Black Canyon Building	65,400	0	67,700	133,100				
Centre Pointe/Morton Building	115,200	45,600	85,500	246,300				
Subtotal - Dept of Health Services	<u>\$180,600</u>	<u>\$45,600</u>	<u>\$153,200</u>	<u>\$379,400</u>				
TOTAL - ANNUAL BUDGET UNITS 2/	<u>\$235,200</u>	<u>\$45,600</u>	<u>\$196,000</u>	<u>\$476,800</u>				
BIENNIAL BUDGET UNITS								
Agriculture, Department of								
Laboratory	106,400	0	0	106,400	106,400	0	0	106,400
Arts, Arizona Commission on the								
Corpstein Building	20,000	0	0	20,000	20,000	0	0	20,000
Banking Department, State								
Sun States Building	71,200	0	7,800	79,000	71,200	0	7,800	79,000
Contractors, Registrar of								
Kingman State Office	0	4,000	0	4,000	0	4,000	0	4,000
Insurance, Department of								
Sun States Building	174,500	0	0	174,500	174,500	0	0	174,500
Legislature - Auditor General								
Sun States Building	130,600	0	0	130,600	130,600	0	0	130,600
Medical Examiners, Board of								
Centre Pointe Building	0	61,200	0	61,200	0	61,200	0	61,200
Nursing, State Board of								
Centre Pointe Building	0	34,700	0	34,700	0	34,700	0	34,700
Osteopathic Examiners, Arizona Board of								
Doubletree Building	0	11,100	0	11,100	0	11,100	0	11,100
Public Safety, Department of								
DPS District 19 Building	20,000	0	0	20,000	20,000	0	0	20,000
Real Estate Department, State								
Sun States Building	95,800	0	0	95,800	95,800	0	0	95,800
Structural Pest Control Commission								
Doubletree Building	0	46,900	0	46,900	0	46,900	0	46,900
Weights and Measures, Department of								
Doubletree Building	40,400	7,100	0	47,500	40,400	7,100 6/	0	47,500
TOTAL - BIENNIAL BUDGET UNITS	<u>\$658,900</u>	<u>\$165,000</u>	<u>\$7,800</u>	<u>\$831,700</u>	<u>\$658,900</u>	<u>\$165,000</u>	<u>\$7,800</u>	<u>\$831,700</u>
GRAND TOTAL	<u>\$894,100</u>	<u>\$210,600</u>	<u>\$203,800</u>	<u>\$1,308,500</u>	<u>\$658,900</u>	<u>\$165,000</u>	<u>\$7,800</u>	<u>\$831,700</u>

- 1/ Pursuant to A.R.S. 41-792.01, the above state agencies occupying the above lease-purchase buildings have been budgeted operations and maintenance monies. The monies shall be transferred to a special account by the Arizona Department of Administration which will fund utility, janitorial, groundskeeping, and minor repair costs. The budgeted amount is based on \$4.25 per gross square foot.
- 2/ Annual budget units received appropriations for the first year of the biennium only; appropriations for FY 1999 will be addressed during the next legislative session, at which time adjustments may also be made for biennial budget units.

**SUMMARY OF RENT CHARGES I/
Phoenix and Tucson Governmental Malls**

	Fiscal Year 1998				Fiscal Year 1999 2/			
	GF	OF	Non-Approp	Total	GF	OF	Non-Approp	Total
ANNUAL BUDGET UNITS								
Administration, AZ Department of								
1300 W Washington	\$4,500			\$4,500				
1400 W Washington	42,900		57,400	100,300				
1510 W Adams		254,500		254,500				
1522 W Jackson			10,000	10,000				
1537 W Jackson			57,800	57,800				
1624 W Adams			91,300	91,300				
1700 W Washington	627,500	48,900	33,800	710,200				
1802 W Jackson			58,300	58,300				
1805 W Madison	16,400		6,400	22,800				
1818 W Adams		183,400		183,400				
1831 W Jefferson		249,500		249,500				
1840 W Madison	22,500			22,500				
1937 W Jefferson/CDC		94,300		94,300				
1937 W Jefferson/Wayland	38,100		12,000	50,100				
402 W Congress, Tucson	18,300	18,400		36,700				
Subtotal - AZ Dept of Administration	\$770,200	\$849,000	\$327,000	\$1,946,200				
Corrections, State Department of								
1601 W Jefferson	626,300			626,300				
1645 W Jefferson	405,000			405,000				
Subtotal - Dept of Corrections	\$1,031,300	\$0	\$0	\$1,031,300				
Economic Security, Department of 3/								
1400 W Washington	35,700		31,000	66,700				
Education, Department of 4/								
1535 W Jefferson	473,600		300,500	774,100				
Health Services, Department of								
1400 W Washington	95,900		78,800	174,700				
1520 W Adams	170,600		118,900	289,500				
1624 W Adams - DCRC			7,500	7,500				
1740 W Adams	613,300		294,000	907,300				
416 W Congress, Tucson	14,700		4,900	19,600				
Subtotal - Department of Health Services	\$894,500	\$0	\$504,100	\$1,398,600				
Juvenile Corrections, Department of								
1624 W Adams	279,100			279,100				
Transportation, Department of								
1275 W Washington 5/		84,000		84,000				
TOTAL - ANNUAL BUDGET UNITS 2/	\$3,484,400	\$933,000	\$1,162,600	\$5,580,000				
BIENNIAL BUDGET UNITS								
Administrative Hearings, Office of								
1700 W Washington	29,000	35,400	64,400	64,400	30,200	36,800	67,000	67,000
Agriculture, AZ Department of								
1624 W Adams	6,300			6,300	6,300			6,300
1688 W Adams	317,400	56,100	8,000	381,500	330,100	58,200	8,400	396,700
Subtotal - AZ Dept of Agriculture	\$323,700	\$56,100	\$8,000	\$387,800	\$336,400	\$58,200	\$8,400	\$403,000
Appraisal, State Board of								
1400 W Washington		16,800	16,800	16,800		17,500		17,500
Attorney General - Department of Law								
1275 W Washington	757,000	243,400	1,000,400	1,000,400	787,300	253,000		1,040,300
402 W Congress, Tucson	220,000		220,000	220,000	228,800			228,800
Subtotal - Attorney General - Dept of Law	\$977,000	\$243,400	\$0	\$1,220,400	\$1,016,100	\$253,000	\$0	\$1,269,100
Barbers, Board of								
1400 W Washington		9,100	9,100	9,100		9,500		9,500
Behavioral Health Examiners, Board of								
1400 W Washington		18,700	18,700	18,700		19,400		19,400
Boxing Commission, AZ State								
1400 W Washington	4,500		4,500	4,500	4,700			4,700
Corporation Commission								
1200 W Washington	100,200	331,300	431,500	431,500	104,200	344,500		448,700
1300 W Washington	177,600	103,800	281,400	281,400	184,600	107,900		292,500
1400 W Washington		64,200	64,200	64,200		66,700		66,700
Subtotal - Corporation Commission	\$277,800	\$499,300	\$0	\$777,100	\$288,800	\$519,100	\$0	\$807,900
Equal Opportunity, Governor's Office of								
1700 W Washington	20,300		20,300	20,300	21,100			21,100
Equalization, State Board of								
1645 W Jefferson	500		500	500	500			500
Executive Clemency, Board of								
1645 W Jefferson	121,600		121,600	121,600	126,500			126,500
Geological Survey, AZ								
402 W Congress, Tucson	4,500		4,500	4,500	4,500			4,500
416 W Congress, Tucson	134,300		134,300	134,300	139,300			139,300
Subtotal - AZ Geological Survey	\$138,800	\$0	\$0	\$138,800	\$143,800	\$0	\$0	\$143,800
Governor, Office of the 6/								
1700 W Washington	370,600		14,000	384,600	386,000		14,000	400,000
Gov's Ofc. of Management & Budget								
1700 W Washington - OEG	75,700			75,700	78,700			78,700

	Fiscal Year 1998				Fiscal Year 1999 2/			
	GF	OF	Non-Approp	Total	GF	OF	Non-Approp	Total
1700 W Washington - OSPB	85,100			85,100	88,500			88,500
Subtotal - Gov's Ofc. of Mgmt & Budget	\$160,800	\$0	\$0	\$160,800	\$167,200	\$0	\$0	\$167,200
Hearing Impaired, AZ Council for the								
1400 West Washington	16,500	13,200		29,700	17,200	13,700		30,900
Indian Affairs, AZ Commission of								
1400 W Washington	21,000			21,000	21,800			21,800
Library, Archives, and Public Records, Dept of								
1108 W. Washington	50,600			50,600	52,700			52,700
Mine Inspector, State								
1700 W Washington	53,900			53,900	56,100			56,100
416 W Congress, Tucson	9,300			9,300	9,700			9,700
Subtotal - State Mine Inspector	\$63,200	\$0	\$0	\$63,200	\$65,800	\$0	\$0	\$65,800
Mines & Mineral Resources, Department of								
1502 W Washington	361,400			361,400	375,800			375,800
Navigable Stream Adjudication Comm.								
1700 W Washington	7,000			7,000	7,300			7,300
Occupational Therapy Examiners, Board of								
1400 W Washington		5,200		5,200		5,400		5,400
Parks Board, AZ State								
1300 W Washington	77,200	20,000	146,000	243,200	80,300	20,800	151,800	252,900
1645 W Jefferson	200		300	500	200		300	500
Subtotal - AZ State Parks Board	\$77,400	\$20,000	\$146,300	\$243,700	\$80,500	\$20,800	\$152,100	\$253,400
Personnel Board								
1400 W Washington	18,600			18,600	19,400			19,400
Private Postsecondary Education, Board for								
1400 W Washington		12,000		12,000		12,700		12,700
Psychologist Examiners, State Board of								
1400 W. Washington		12,300		12,300		12,800		12,800
Respiratory Care Examiners, Board of								
1400 W Washington		9,500		9,500		9,900		9,900
Revenue, Department of								
1700 W Washington	3,100			3,100	3,300			3,300
402 W Congress, Tucson	121,600			121,600	126,200			126,200
416 W Congress, Tucson	85,000			85,000	88,400			88,400
Subtotal - Department of Revenue	\$209,700	\$0	\$0	\$209,700	\$217,900	\$0	\$0	\$217,900
Secretary of State								
1645 W Jefferson	400			400	400			400
1700 W Washington	152,800			152,800	158,900			158,900
Subtotal - Secretary of State	\$153,200	\$0	\$0	\$153,200	\$159,300	\$0	\$0	\$159,300
State Boards' Office								
1400 W Washington		57,500		57,500		59,700		59,700
Tax Appeals, State Board of								
1645 W Jefferson	500			500	500			500
Treasurer, State								
1700 W Washington	100,600			100,600	104,600			104,600
TOTAL - BIENNIAL BUDGET UNITS 2/	\$3,504,300	\$1,008,500	\$168,300	\$4,681,100	\$3,644,100	\$1,048,500	\$174,500	\$4,867,100
GRAND TOTAL	\$6,988,700	\$1,941,500	\$1,330,900	\$10,261,100	\$3,644,100	\$1,048,500	\$174,500	\$4,867,100

1/ Pursuant to A.R.S. 41-792.01, state agencies occupying state-owned buildings on the Phoenix and Tucson Governmental Malls shall pay rent for the space. Collections are deposited to the Capital Outlay Stabilization Fund for appropriation for the operations and maintenance of the buildings. Rates for FY 1998 are \$12.50 per square foot for office space and \$4.50 per square foot for storage space. Rates for FY 1999 are \$13.00 per square foot for office space and \$4.50 per square foot for storage space.

2/ Annual agencies are budgeted rent for one-year periods (FY 1998 only). Biennial agencies are budgeted rent for two-year periods (FY 1998 and FY 1999).

3/ Federal share calculated at State-Wide Cost Allocation Plan rent amount of \$9.62 per square foot of office space.

4/ Federal share calculated at State-Wide Cost Allocation Plan rent amount of \$7.61 per square foot of office space and \$1.23 per square foot of storage space.

5/ Represents funding for space occupied by the Attorney General - Department of Law for provision of legal services to the Department of Transportation.

6/ Federal share calculated at State-Wide Cost Allocation Plan rent amount of \$8.69 per square foot of office space, with remaining cost allocated to the General Fund.

SUMMARY OF RISK MANAGEMENT CHARGES

	Fiscal Year 1998			Total
	General Fund	Other Appropriated Funds	Non-Appropriated Funds	
ANNUAL BUDGET UNITS				
Administration, AZ Department of	446,900	1,255,100	69,200	1,771,200
AHCCCS	182,500	0	214,300	396,800
Community Colleges, State Bd of Directors for	1,800	1,200	1,200	4,200
Corrections, State Department of	7,488,900	0	0	7,488,900
Economic Security, Department of	2,144,900	0	1,852,300	3,997,200
Education, Department of	59,700	0	50,800	110,500
Health Services, Department of	1,718,400	18,000	260,600	1,997,000
Health Services, Disease Control	0	0	1,000	1,000
Judiciary				
Court of Appeals, Division I	28,900	0	0	28,900
Court of Appeals, Division II	9,600	0	0	9,600
Superior Court	1,295,300	0	0	1,295,300
Supreme Court 1/	85,000	0	0	85,000
SUBTOTAL - Judiciary	<u>\$1,418,800</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,418,800</u>
Juvenile Corrections, Department of	376,700	0	0	376,700
Transportation, Department of	400	8,286,800	799,800	9,087,000
Universities				
Regents, Arizona Board of	9,400	0	0	9,400
Arizona State University	2,829,800	0	989,200	3,819,000
Northern Arizona University	1,085,900	0	341,100	1,427,000
University of Arizona	6,298,200	0	2,616,100	8,914,300
SUBTOTAL - Universities	<u>\$10,223,300</u>	<u>\$0</u>	<u>\$3,946,400</u>	<u>\$14,169,700</u>
TOTAL - ANNUAL BUDGET UNITS	<u>\$24,062,300</u>	<u>\$9,561,100</u>	<u>\$7,195,600</u>	<u>\$40,819,000</u>
BIENNIAL BUDGET UNITS				
Accountancy, State Board of	0	2,600	0	2,600
Administrative Hearings, Office of	1,000	0	0	1,000
Agriculture, Arizona Department of	137,700	26,300	54,800	218,800
Appraisal, State Board of	0	1,000	0	1,000
Arts, Arizona Commission on the	4,300	0	0	4,300
Attorney General - Department of Law	244,600	0	0	244,600
Auto Theft Authority	0	1,000	0	1,000
Banking Department, State	26,500	0	2,900	29,400
Barbers, Board of	0	1,000	0	1,000
Behavioral Health Examiners, Board of	0	1,100	0	1,100
Boxing Commission, AZ State	1,000	0	0	1,000
Boyce-Thompson Arboretum	0	0	13,700	13,700
Building & Fire Safety, Department of	22,800	0	0	22,800
Central Arizona Water	0	0	1,000	1,000
Chiropractic Examiners, State Board of	0	2,000	0	2,000
Coliseum and Exposition Center Board	0	162,800	0	162,800
Commerce, Department of	28,500	7,100	29,400	65,000
Contractors, Registrar of	0	27,200	0	27,200
Corporation Commission	46,700	104,200	0	150,900
Cosmetology, Board of	0	4,200	0	4,200
Cotton Council	0	0	19,000	19,000
Criminal Justice Commission, Arizona	0	1,300	2,500	3,800
Deaf and the Blind, AZ State Schools for the	258,300	0	32,300	290,600
Dental Examiners, State Board of	0	3,500	0	3,500
Emergency & Military Affairs, Dept of	238,900	0	105,300	344,200
Environmental Quality, Department of	91,700	0	214,100	305,800
Equal Opportunity, Governor's Office of	2,000	0	0	2,000
Equalization, State Board of	1,000	0	0	1,000
Executive Clemency, Board of	10,600	0	0	10,600
Funeral Directors & Embalmers, State Bd of	0	1,000	0	1,000
Game and Fish Department, AZ	0	401,500	126,900	528,400
Gaming, Department of	0	16,900	0	16,900
Geological Survey, AZ	7,700	0	0	7,700
Gov's Ofc. of Management & Budget	5,100	0	0	5,100
Govt. Information Technology Agency	0	1,000	0	1,000
Governor, Office of the	21,700	0	0	21,700
Hearing Impaired, AZ Council for the	1,100	900	0	2,000
Historical Society, Prescott	12,700	0	0	12,700

Fiscal Year 1998

	General Fund	Other Appropriated Funds	Non-Appropriated Funds	Total
Historical Society, Arizona	78,900	0	0	78,900
Homeopathic Medical Examiners, Board of	0	1,000	0	1,000
Indian Affairs, AZ Commission of	1,200	0	0	1,200
Industrial Commission of AZ	0	11,000	85,900	96,900
Insurance, Department of	43,200	0	14,800	58,000
Land Department, State	1,893,500	0	0	1,893,500
Law Enforcement Merit System Council	1,000	0	0	1,000
Legislature				
Auditor General	45,300	0	0	45,300
House of Representatives	59,000	0	0	59,000
Joint Legislative Budget Committee	8,500	0	0	8,500
Legislative Council	12,000	0	0	12,000
Library, Archives and Public Records	51,500	0	0	51,500
Senate	47,200	0	0	47,200
SUBTOTAL - Legislature	\$223,500	\$0	\$0	\$223,500
Liquor Licenses & Control, Department of	16,900	0	1,900	18,800
Lottery Commission, AZ State	0	40,100	0	40,100
Medical Examiners, Board of	0	10,300	0	10,300
Mine Inspector, State	6,400	0	0	6,400
Mines & Mineral Resources, Department of	6,400	0	0	6,400
Naturopathic Physicians Examiners Board	0	1,000	0	1,000
Navigable Stream Adjudication Comm.	1,000	0	0	1,000
Nursing Care Institution Administrators Bd	0	1,000	0	1,000
Nursing, State Board of	0	7,000	0	7,000
Occupational Therapy Examiners Board of	0	1,000	0	1,000
Opticians, State Board of Dispensing	0	1,000	0	1,000
Optometry, State Board of	0	1,000	0	1,000
Osteopathic Examiners, AZ Board of	0	4,300	0	4,300
Parks Board, Arizona State	169,800	43,300	70,200	283,300
Personnel Board	1,000	0	0	1,000
Pharmacy, AZ State Board of	0	2,900	0	2,900
Physical Therapy Examiners, Board of	0	900	0	900
Pioneers' Home, AZ	118,200	0	67,300	185,500
Podiatry Examiners, State Board of	0	1,000	0	1,000
Postsecondary Education, Commission for	0	1,000	0	1,000
Power Authority, Arizona	0	0	8,900	8,900
Private Postsecondary Education, Board for	0	1,000	0	1,000
Prosecuting Attorney Advisory Council	0	0	5,700	5,700
Psychologist Examiners, State Board of	0	1,000	0	1,000
Public Safety, Department of	1,551,200	1,233,700	0	2,784,900
Public Safety Retirement	0	0	3,900	3,900
Racing, Arizona Department of	17,300	2,100	700	20,100
Radiation Regulatory Agency	8,600	900	0	9,500
Real Estate Department, State	19,000	0	2,300	21,300
Residential Utility Consumer Office	0	3,300	0	3,300
Respiratory Care Examiners, Board of	0	1,000	0	1,000
Retirement System, Arizona State	0	76,400	0	76,400
Revenue, Department of	320,500	0	0	320,500
School Capital Facilities, St Bd for	0	1,000	0	1,000
Secretary of State	9,900	0	0	9,900
Senate				
Structural Pest Control Commission	0	7,700	0	7,700
Tax Appeals, State Board of	2,700	0	0	2,700
Technical Registration, State Board of	0	3,900	0	3,900
Tourism, Office of	7,500	0	0	7,500
Treasurer, State	8,700	0	0	8,700
Uniform State Laws, Commission on	900	0	0	900
Veterans' Service Commission, AZ	8,800	320,200	0	329,000
Veterinary Medical Examining Board	0	1,000	0	1,000
Vocational Education, State Council on	0	0	1,000	1,000
Water Resources, Department of	144,400	0	0	144,400
Weights and Measures, Department of	22,800	3,500	0	26,300
TOTAL - BIENNIAL BUDGET UNITS	\$5,847,200	\$2,551,100	\$864,500	\$9,262,800
GRAND TOTAL	\$29,909,500	\$12,112,200	\$8,060,100	\$50,081,800

1/ The Supreme Court amount includes \$1,000 originally charged to the Commission on Judicial Conduct.

GENERAL LEGISLATION OMNIBUS RECONCILIATION BILL (ORB) PROVISIONS-^{1/}

Public Finance - Chapter 3	FY 1998 General Fund Cost/(Savings)	<u>Section</u>
Arizona Department of Administration		
• As session law, permit the Department in FY 1998 to charge agencies for tenant improvements and deposit the proceeds in the Capital Outlay Stabilization Fund.	(191,600)	1
Attorney General		
• Defer the appropriation of certain Attorney General Interagency Service Agreements with ADOT, DES and ADOA from FY 1998 to FY 1999.	--	6
Auto Theft Authority/Judiciary		
• As session law, allow use of the Defensive Driving Fund for Auto Theft Authority in FY 1998. Laws 1997, Chapter 290 subsequently repealed this provision and provided the Auto Theft Authority with another fund source.	--	7
Department of Economic Security		
• Create an appropriated Temporary Assistance for Needy Families (TANF) Stabilization Fund to be used to supplement existing appropriations when caseloads for the TANF program exceed budgeted projections. Laws 1997, Chapter 300 subsequently repealed this provision and established the fund in permanent law (A.R.S. § 46-138.03)	--	9
Department of Public Safety		
• As session law, shift the deposit of Criminal Justice Enhancement Funds from the General Fund to the Crime Lab Assessment Fund in FY 1998 and FY 1999.	--	2
Department of Revenue		
• As session law, suspend the requirement that the Department of Revenue distribute voter registration forms for the next general election.	(345,000)	3
Tourism		
• As session law, revise the Tourism Fund deposit to 3% of the state share of bed tax revenues in FY 1998 and FY 1999. The current law formula provides 75% of the growth of the last ½ cent of bed tax revenues plus \$2 million, which had the effect of providing no additional revenues over time.	37,800	8
Arizona Department of Transportation		
• As session law, deposit 50% of the revenue from the flight property tax into the General Fund. This amount is approximately \$8 million. The remaining 50% would continue to be deposited into the Aviation Fund.	(8,000,000)	5
Capital Outlay		
• As session law, permit the use of Building Renewal monies in FY 1998 for a) building modifications to comply with the Americans with Disabilities Act and b) infrastructure repairs.	--	4

^{1/} Chapter/Bill references are to the 1st Special Session.

	FY 1998 General Fund Cost/(Savings)	Section
Budget Stabilization Fund		
<ul style="list-style-type: none"> As session law, increase the cap on the BSF from 5.0% of the General Fund revenue to 5.634% for FY 1998 and FY 1999 (thereby allowing the new \$30 million deposit.) Laws 1997, Chapter 199 subsequently repealed this provision and established the following caps in permanent law: FY 1998: 5.634%; FY 1999: 6.333%; and FY 2000 and thereafter, 7.0%. 	--	11
Joint Legislative Study Committee on State Employee Compensation		
<ul style="list-style-type: none"> Establish a 16-member committee to make recommendations by January 1, 1998 on a long-term strategy for addressing state employee compensation. 	--	10
Education - Chapter 4		
Community Colleges		
<ul style="list-style-type: none"> As session law, permit the use of the Teacher Certification Fund in FY 1998 for funding the Course Applicability System to facilitate transfers from community colleges to the university system. 	--	13
Department of Education		
<ul style="list-style-type: none"> As session law, set the FY 1998 Charter School Transportation support level at \$174 per student. 	(9,075,500)	14
<ul style="list-style-type: none"> As session law, allow Arizona Student Assessment Plan (ASAP) testing requirements to be modified as necessary in FY 1998 to remain within the appropriation. 	(4,005,100)	11
<ul style="list-style-type: none"> As session law, continue the current law provision of deferring the State Aid deduction for Bureau of Indian Affairs (BIA) Charter School funding until FY 1999 for those charter schools in operation before July 1, 1996. This deduction would start in FY 1998, however, for BIA charters that began operation after July 1, 1996. 	(6,945,500)	15
<ul style="list-style-type: none"> As session law, require transportation support level payments for FY 1998 to be based on prior year daily route mileage rather than the highest daily route mileage from the last 3 years. 	(4,853,400)	8
<ul style="list-style-type: none"> As session law, eliminate Rapid Decline for student count changes attributable to a district-sponsored charter switching sponsors or ceasing to operate. For FY 1997, prohibit a school district from receiving Basic State Aid for charter schools no longer sponsored by the district (thereby saving \$994,900 in FY 1997). Retroactive to March 31, 1997. Laws 1997, Chapter 231 subsequently added language allowing the effected districts to offset its FY 1997 State Aid reduction with cash balance reserves. 	(298,300)	16, 18
<ul style="list-style-type: none"> As permanent law, require that the Superintendent's annual report include per pupil expenditures for instruction, district and school administration, and support services. Also require the annual school report card to include similar information. School district budget formats shall clearly distinguish classroom instruction expenditures. 	--	3, 4, 6
<ul style="list-style-type: none"> Increase the base support level by \$39.89. Also include language stating that the purpose of the increase in the base support level is to provide direct assistance to classrooms. 	40,003,900	5, 17
<ul style="list-style-type: none"> Increase Group B weights to provide a \$10,000,000 increase. 	10,000,000	7

	FY 1998 General Fund Cost/(Savings)	Section
<ul style="list-style-type: none"> As permanent law, establish additional capital assistance for charter schools at a level of \$146 per student in preschool through 8th grade and \$219 per student in 9-12 grades. Allows monies to be expended on the purchase of real property, portable classrooms, vehicles, construction and renovation and lease or lease-purchase of facilities. A district-sponsored charter school is eligible if 90% of its pupils were not previously enrolled in the school district. Require charter schools to provide information on funding and student count prior to its first year of operation. 	4,000,000	1, 2
<ul style="list-style-type: none"> As session law, require that 100% of the FY 1998 State Block Grant for Early Childhood funding allocations be based on "free lunch" student counts. Allow at least 50% of the children to receive services from a federally-funded or private pre-school of their parent or guardian's own choosing. Require participating pre-schools to be licensed by the Department of Health Services. Laws 1997, Chapter 231 subsequently added clarifying language to this provision and limited participation to children who are at least 4 years old. 	--	9
<ul style="list-style-type: none"> As session law, suspend use of the group B Vocational Education weight and transfer the monies to the State Block Grant for Vocational Education for FY 1998. In FY 1998, allocate 95% of the block grant monies based on the number of 11th and 12th grade vocational education students and 5% based on the successful placement of students. Legislative intent would be to use an 80/20% allocation in future years. 	--	10

School Capital Facilities Board

<ul style="list-style-type: none"> As session law, increase the cap on administrative expenses from the School Capital Equity Fund from 1 to 2% for FY 1998 and FY 1999. 	--	12
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Health - Chapter 5

AHCCCS

<ul style="list-style-type: none"> As session law, authorize AHCCCS in FY 1998 to use the Medically Needy Account of the Tobacco Tax Fund to continue the phase-out of the quick pay discount, fund the elimination of the \$10 million private hospital discount, replace reduced Federal Funds, fund expanded maternity coverage, and fund a newly-required HIV/AIDS medication. 	(26,695,200)	6
<ul style="list-style-type: none"> Set the FY 1998 county acute care contribution at \$66,689,500, the same level as FY 1997 and FY 1996. 	--	1
<ul style="list-style-type: none"> Continue the annual ORB provision of adjusting the upcoming fiscal year's county repayment requirements under the Disproportionate Share Hospital (DSH) program in line with projected federal funding. Also revise the FY 1997 repayment requirement. Also continue the provision of extending county expenditure limit adjustments associated with DSH payments an additional year. 	--	2, 3, 4, 5
<ul style="list-style-type: none"> Require any disproportionate share monies remaining in the Arizona State Hospital Fund at the end of FY 1998 to be transferred to the General Fund. 	--	10
<ul style="list-style-type: none"> As session law, revise the rate setting methodology to lower the per diem rates as a result of expanded maternity coverage. Clarify that \$5.5 million is available within the AHCCCS budget over 6 months to pay for this additional coverage. 	--	9
<ul style="list-style-type: none"> Require counties to reimburse the General Fund for their June 1995 long-term care payment. This amount shall be withheld from amounts owed to counties for excess long-term care payments in FY 1996 and FY 1997. Net refund to counties is \$2.6 million. 	(9,347,800)	11

	FY 1998 General Fund Cost/(Savings)	Section
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Department of Health Services

- | | | |
|--|-------------|---|
| • As session law, transfer \$14.8 million from the Medically Needy Account of the Tobacco Tax Fund to a Department of Health Services' Construction Services Account for construction of a health laboratory. | -- | 8 |
| • In accordance with the 1996 Health Omnibus Reconciliation Bill, continue to set the Telecommunication Services Excise Tax at 0.3% for Poison Control Centers and 0.8% for the Telecommunication Fund for the Deaf for FY 1998 and FY 1999. | (1,550,000) | 7 |

Environment - Chapter 6

Department of Environmental Quality

- | | | |
|---|----|---|
| • As session law, require the appropriation of administrative expenses from the Underground Storage Tank Revolving Fund. Laws 1997, Chapter 253 subsequently repealed this provision. | -- | 3 |
| • As session law, require the appropriation of all non-General Fund monies deposited to the Water Quality Assurance Revolving Fund. | -- | 4 |

State Parks Board

- | | | |
|--|----|---|
| • As session law, divert all revenues to the State Parks Enhancement Fund above the FY 1998 level to the accelerated lease-purchase of the Tonto State Park. | -- | 1 |
|--|----|---|

Department of Water Resources

- | | | |
|--|-------------|---|
| • As session law, suspend the requirement for a \$5 million FY 1998 General Fund deposit and allow the amount to be established by the General Appropriation Act. The full \$5 million deposit is made in FY 1999. | (3,400,000) | 2 |
|--|-------------|---|

ELIMINATION OF FUNDS CHAPTER 58

Laws 1994, Chapter 366 requires that the JLBC Staff annually recommend to the Joint Legislative Budget Committee by November 1 *the elimination or consolidation of a minimum of 10% of the total number of funds in existence in that fiscal year.* These recommendations were the starting point for Laws 1997, Chapter 58 which eliminates or consolidates the 59 following funds. There were approximately 535 different funds at the beginning of FY 1997. The 59 funds represent 11% of the total number of funds.

In addition, Chapter 58 reduces the number of funds that the JLBC Staff must annually recommend for consolidation or elimination from 10% to 5% of the total number of existing funds (section 23). The bill also requires all monies received by the Arizona Historical Society (AHS) to be deposited with the State Treasurer and requires the State Treasurer to submit a quarterly report of non-appropriated fund expenditures to the JLBC.

The following list reflects the changes made by Chapter 58.

ANNUAL BUDGET UNITS ^{1/}

	<u>Reason</u>	<u>Section</u>
<u>Administration, Arizona Department of</u>		
• DES Administrative Adjustment Fund (AAA1018)	Inactive ^{2/}	42
• Federal Revenue Sharing (ADA2158)	Inactive	42
• Risk Management Insurance (AAA3748)	No longer needed	42
• Telecommunications (ADA4206)	Inactive: Statutory authority repealed	42
• Underground Storage Tank Revolving Fund (ADA2271)	Inactive ^{2/}	42
• Vendor Services Fund (AAA2401)	Inactive	42
<u>Arizona Health Care Cost Containment System (HCA)</u>		
• Long Term Care Third Party Liability (3019)	Consolidate with AHCCCS Third Party Collections	42, 43
<u>Economic Security, Department of (DEA)</u>		
• Child Support Enforcement (3195)	Inactive	34,42, 43
• DES Administrative Adjustments (1018)	Inactive	42
• DES Flood Relief (3186)	Inactive	42
• Prelayoff Assistance Services (n/a)	Inactive	27
• Private Donations, Resource Development (3202)	Consolidate with DES Donations	28, 43
• Rate Payor Assistance Fund (n/a)	Inactive ^{2/}	35
• Rate Payor Assistance Trust Fund (2347)	Inactive	35
<u>Education, Department of (EDA)</u>		
• At-Risk Preschool Pilot (2101)	Inactive	42
• Environmental Education (2302)	Inactive	2
• Environmental Special Plate Number (2354)	Inactive ^{2/}	42
• State Council on Vocational Education (VEA2188)	Inactive	42
• Tuition Fund (1008)	Inactive	36
<u>Health Services, Department of (HSA)</u>		
• Arizona State Hospital - Donation (3115)	Consolidate with DHS Donations	15, 43
• Arizona State Hospital Enterprise Fund (4207)	Consolidate with ASH Fund	42, 43
• Arizona State Hospital - Patient Benefit Fund (3173)	Consolidate with DHS Donations	16, 43
• Child Abuse Prevention Fund (2161)	Duplicates another fund	42, 43
• Residency Training Fund (2208)	Inactive	17, 43
• Southern Arizona Mental Health Center - Patient Benefit Fund (3116)	Inactive	42

	<u>Reason</u>	<u>Section</u>
<u>Judiciary (SPA)</u>		
• Drug Study (2088)	Inactive 2/	42, 43
<u>Juvenile Corrections, Department of (DJA)</u>		
• Special Services Fund (3735)	Inactive 2/	30, 31
<u>Regents, Board of (BRA)</u>		
• State Postsecondary Review Program - SPRE (2100)	Inactive 2/	42
<u>Transportation, Department of (DTA)</u>		
• Abandoned Vehicle Administration (2099)	Consolidate with State Highway Fund	13,14,41,43
• Dealer Enforcement (2292)	Consolidate with State Highway Fund	12,14,41,43
• Special Plate (3731)	Inactive	11, 41, 43

BIENNIAL BUDGET UNITS

<u>Agriculture, Arizona Department of (AHA)</u>		
• Yuma County Citrus Pest Control (2145)	Inactive	42
<u>Attorney General - Department of Law (AGA)</u>		
• Public Accommodations (2021)	Inactive	24, 43
<u>Commerce, Department of (EPA)</u>		
• Commerce and Solar Energy (1020)	Inactive	25
• Minority Business Fund (3000)	Inactive	42, 43
<u>Contractors, Registrar of (RGA)</u>		
• Solar Qualification Assurance (2324)	Inactive: Statutory authority repealed	42
<u>Deaf and the Blind, Arizona State Schools for the (SDA)</u>		
• Local Grants (2181)	Consolidate with Non-Federal Grants Fund	42, 43
<u>Environment, Arizona Commission on the (ENA)</u>		
• Donations Fund (3002)	Inactive: Statutory authority repealed	42, 43
• Special Revolving Fund (2210)	Inactive: Statutory authority repealed	42
<u>Environmental Quality, Department of (EVA)</u>		
• Circle K Settlement Fund (3003)	Consolidate with Donations and Settlement Fund	42, 43
• Landfill Trust Fund (3028)	Consolidate with Donations and Settlement Fund	42, 43
<u>Game and Fish Department, Arizona (GFA)</u>		
• Game and Fish Donations (3100)	Consolidate with Trust Fund	42, 43
<u>Geological Survey, Arizona (GSA)</u>		
• Donations Fund (3030)	Rename Geological Survey Fund 2/	7, 43
• Intergovernmental Grants (2800)	Consolidate with Geological Survey Fund	6, 7, 43
• Oil and Gas Drilling Bond (3704)	Consolidate with Geological Survey Fund	7, 43
• Printing Revolving (2233)	Consolidate with Geological Survey Fund	8, 9, 10, 43

	<u>Reason</u>	<u>Section</u>
<u>Governor, Office of the (GVA)</u>		
• Gang and Substance Abuse Prevention Fund (2327)	Inactive	20
• Western Region NASBO Conference (2402)	Inactive	42
• SLIM Fund (2103)	Inactive	37
<u>Hearing Impaired, Council for the (DFA)</u>		
• Donations (3162)	Consolidate with Federal Grants	42, 43
<u>Industrial Commission of Arizona (ICA)</u>		
• Federal Grants (2095)	Duplicates another Fund	42, 43
• Industrial Commission Employment Deposits (3303)	Consolidate with Revolving Fund	5, 42, 43
<u>Insurance, Department of (IDA)</u>		
• Joint Underwriting Plan (2073) (already repealed)	Create Assessments Fund ^{2/}	4
• Small Employer Reinsurance Fund (2092)	Consolidate with Assessments Fund	3, 43
<u>Liquor Licenses and Control, Department of (LLA)</u>		
• Bonds and CDs Fund (3230)	Inactive	1, 42, 43
• Racketeering Fund (3018)	Inactive	42
<u>Parks Board, State (PRA)</u>		
• Arizona Conservation Corps (2294)	Inactive	19
• Historic Property Rehabilitation (n/a)	Inactive	22
• Trails Fund (2262)	Consolidate with Donations Fund	18, 43
<u>Postsecondary Education, Commission for (PEA)</u>		
• State Postsecondary Review Entity - SPRE (2100)	Inactive	42
<u>Public Safety, Department of (PSA)</u>		
• Donations Fund (3123)	Consolidate with DPS Administration	42, 43
• FBI Fingerprint Fund (2159)	Consolidate with Records Processing	26, 43
<u>Real Estate Department (REA)</u>		
• Housing Trust Fund (2257)	Inactive ^{2/}	42
<u>Revenue, Department of (RVA)</u>		
• Illegal Income Fund (2334)	Inactive	32
• Property Tax Relief Fund (3717)	Inactive: Statutory authority repealed	42
<u>Treasurer, State (TRA)</u>		
• McFarland Memorial Fund (1404)	Inactive	38, 39, 40
• State Council on Vocational Education (2188)	Inactive ^{2/}	42
<u>Veterans' Service Commission (VSA)</u>		
• Desert Storm Memorial Fund (3703)	Inactive	42
<u>Water Resources, Department of (WCA)</u>		
• Groundwater Enforcement (2135)	Inactive	42
• Permits Administration (2328)	Consolidate with WQARF ^{2/}	33, 43
• Surface and Groundwater Trust (3101)	Inactive	42

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.

2/ These funds did not count toward the 10% target.

APPROPRIATION OF FUNDS CHAPTER 210

Laws 1994, Chapter 366 requires that the JLBC Staff annually recommend to the Joint Legislative Budget Committee by November 1 *the conversion of at least 5% of the dollar value of all state Non-Appropriated Funds to appropriated status*. These recommendations were the starting point for Laws 1997, Chapter 210, which converted \$54,610,800 from non-appropriated status to appropriated status. This amount does not include the \$272,203,000 for the Temporary Assistance for Needy Families (TANF) Block Grant and Child Care Block Grant which were appropriated in the General Appropriation Act (Laws 1997, Chapter 1, 1st Special Session). Combined, \$326,813,800 were converted from non-appropriated status to appropriated status.

Sections 3, 6-10, 23-27, 29-32, 38 and 39 of the bill relate to budget reform and are described in the following Section.

The following list shows the year in which funds will be converted from non-appropriated to appropriated status.

<u>ANNUAL BUDGET UNITS</u> ^{1/}	<u>Annual Expenditure Level</u> ^{2/}	<u>Section</u>	<u>Year Appropriated</u>
<u>Administration, Arizona Department of (ADA)</u>			
• COP Building Operating and Maintenance Fund (1025)	\$1,852,800	28	FY 1999
• Special Employee Health Insurance Trust Fund (AAA3015) — Administrative Expenses	1,860,200	22	FY 1999
• Special Services Revolving (4208) — State Boards' Office	185,500	15	FY 2000
<u>Arizona Health Care Cost Containment System (HCA)</u>			
• Health Care Group (3197) — AHCCCS Administrative Expenses	920,000	20	FY 1999
<u>Economic Security, Department of (DEA)</u>			
• Domestic Violence Shelter (2160)	876,200	21	FY 1999
• Temporary Assistance for Needy Families (TANF) Block Grant and Child Care Block Grant (CCBG) (2000)	272,203,000 ^{3/}	n/a ^{4/}	
<u>Health Services, Department of (HSA)</u>			
• Newborn Screening Program Fund (2184)	1,764,400	19	FY 1999
<u>Judiciary (SPA)</u>			
• Community Punishment Program (2075)	519,700 ^{3/}	33	FY 1999
• Defensive Driving Fund (2247)	3,322,600	4	FY 1999
<u>Transportation, Department of (DTA)</u>			
• Equipment Revolving (2071)	26,441,800	5	FY 1999
<u>BIENNIAL BUDGET UNITS</u>			
<u>Coliseum & Exposition Center Board, Arizona (CLA)</u>			
• Arizona Coliseum and Exposition Center (4001) Includes Capital Outlay (4006)	12,419,300	1	FY 2000
<u>Drug and Gang Prevention Resource Center</u>			
• Grants and Contracts (n/a)	1,556,100	34	FY 2000
<u>Environmental Quality, Department of (EVA)</u>			
• Air Quality Fund (2226)	2,486,200	36	FY 2000
• Used Oil Fund (3500)	156,200	37	FY 2000

	<u>Annual Expenditure Level^{2/}</u>	<u>Section</u>	<u>Year Appropriated</u>
Racing, Department of (RCA)			
• Administration of County Fairs Racing Betterment & Breeders Award (2018)	49,800	2	FY 2000
Revenue, Department of (RVA)			
• Liability Setoff Revolving (2179)	<u>200,000</u>	35	FY 2000
TOTAL	<u><u>\$326,813,800</u></u>		

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.

2/ Represents estimated FY 1997 expenditures, unless otherwise adjusted.

3/ This amount represents an estimate of annualized expenditures.

4/ Not included in bill as federal law requires appropriation by the State Legislature. These amounts are appropriated in the Department of Economic Security budget.

BUDGET REFORM CHAPTER 210

Laws 1997, Chapter 210 continues the changes begun in 1993 to streamline the state's budgeting procedures. The entire budgeting - program evaluation process will be converted to a 2-year cycle, starting with FY 2000. The major emphasis of the first regular session of a Legislature will be budgetary review and approval. Program evaluation and Program Authorization Reviews (PARs) will be conducted in the second regular session. (See attached calendar) Budgeting and strategic planning would also be further integrated by converting the budget to a more programmatic format.

Prior to the passage of Chapter 210, the current budget and program authorization process has been modified by the following legislation: Laws 1993, Chapter 252; Laws 1995, Chapter 283; and Laws 1996, Chapter 339. The 1993 budget reform legislation had 4 main components:

- established a split budgeting cycle in permanent law -- smaller agencies were reviewed every 2 years and the larger budget units still underwent annual budget reviews.
- as session law, required agencies to develop strategic plans, which included a mission statement, goals, objectives and performance measures for the budget unit as a whole.
- as session law, required the Governor's Office of Strategic Planning and Budgeting to develop a master list of state agency programs.
- created a 4-year pilot program on PARs in session law. Under these reviews, agencies completed self-assessments of designated programs. Unlike sunset audits, they focused on particular programs within an agency. Upon completion of the self-assessment, OSPB and the staff of the Joint Legislative Budget Committee (JLBC) developed their own findings on the efficiency and effectiveness of the program's operation and recommended whether to retain, eliminate or modify the programs. A total of 75 PARs were required over the 4 years. Chapters 283 and 339 established the list of specific programs to be reviewed.

Chapter 210 Provisions

Budget Cycle

- Converts the entire budget to a biennial process. The Legislature will adopt 2-year budgets, with each year separately delineated, for every budget unit. The budget will be adopted in the first year of each 2 year biennium of the Legislature. This change will begin in 1999 for the Fiscal Year 1999-2000 and Fiscal Year 2000-2001 budgets. (A.R.S. §§ 35-101, 35-121).
- Makes conforming changes to existing provisions concerning the submission of agency budget requests (A.R.S. §§ 35-112, 35-113) and the Governor's budget recommendations (A.R.S. §§ 35-111, 35-115, 41-723). In even-numbered years, the Governor may still propose revisions to the enacted budgets, but agencies would not be required to submit detailed budget requests.
- Makes conforming changes in a) retirement system statutes so as require employer contribution rates to be reported every 2 years. (A.R.S. §§ 38-737, 38-803, 38-848, 38-883); b) agency capital budget submissions so as to permit 2-year budgeting (A.R.S. §§ 41-793, 41-793.01); c) the State Compensation Fund budget (A.R.S. § 28-981) and d) OSPB and JLBC Appropriation Limit reporting requirements (A.R.S. §§ 35-114, 41-1273).

Strategic Planning and Master List of Programs

- Converts the existing strategic planning and master list procedures to permanent law and a 2-year cycle that meshes with biennial budgeting. Agencies will submit their strategic plans to OSPB and JLBC on April 1 of even-numbered years. At the same time, agencies will also submit their list of programs for inclusion in OSPB's master list of all state agency programs. These 2 submissions will precede an agency submitting its budget request on September 1 of even-numbered years. By aligning the submission dates in this fashion, agencies will be able to develop their strategic plan and their program list prior to submitting their budget. (A.R.S. § 35-122).

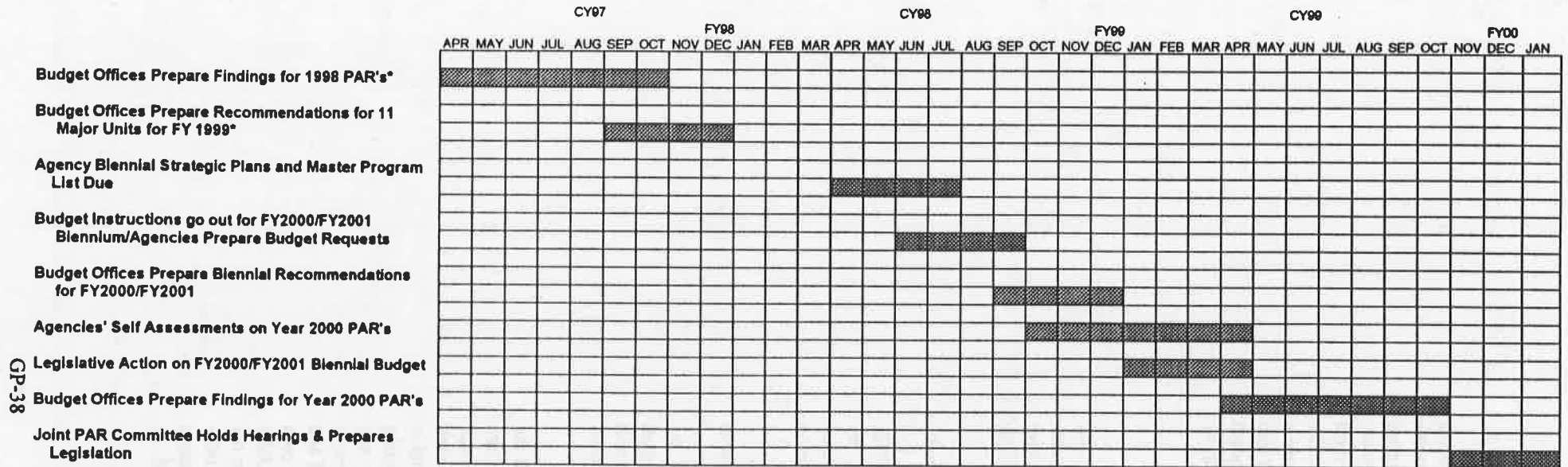
Program Budgeting

- Requires agencies to submit their budget requests using their program list structure. This change will allow the format of the General Appropriation Act to be converted from line items of expenditure such as Personal Services and Travel to a list of programs representing the most important activities of the agency. (A.R.S. § 35-113). By July 1, 1998, the JLBC Staff and OSPB shall issue a schedule specifying the year in which each budget unit shall begin submitting a program budget. All budget units are to be converted to program budgeting by FY 2006.

Program Authorization Reviews

- Converts the existing PAR process to permanent law (A.R.S. § 41-1275). PARs will be conducted in even-numbered years (the second year of the 2-year legislative term), so as to avoid legislator and staff time conflicts with the budget.
- Agencies will be given an opportunity to formally submit their own candidates for PARs by October 1 of each odd-numbered year. In consultation with OSPB, the Staff of the JLBC shall meet with the JLBC by December 31 of each odd-numbered year to develop legislation for introduction in even-numbered years to subject specific programs to the PAR process.
- The budget unit responsible for a program that is subject to a PAR shall prepare a self-assessment by April 1 of the odd-numbered year following enactment of the legislation described above. JLBC Staff and OSPB shall evaluate the self-assessment and jointly produce a report of their findings no later than October 15 of each odd-numbered year.
- The Speaker of the House of Representatives and the President of the Senate shall appoint sufficient Joint PAR Committees to evaluate the JLBC/OSPB findings. In addition to legislative members, each committee shall include 3 private citizens. Each committee shall hold at least 1 public hearing for the purpose of recommending whether to retain, eliminate or modify funding and related statutory references for the programs subject to review. Prior to the public hearing, the JLBC Staff and OSPB may independently make their own recommendations on the programs. The Joint Committees shall make their recommendations to the Speaker and President by December 15 of each odd-numbered year. Each committee shall oversee preparation of any proposed legislation and is responsible for its introduction.

BIENNIAL CYCLE FOR BUDGETS AND PAR's



* Current Law Requirement

KEY ELEMENTS OF PROPOSED BIENNIAL CYCLE:

1. All Budget Units to receive Biennial Appropriations beginning in 1999 with budgets enacted for FY 2000 and FY 2001.
2. Continue with PAR's for 1998 as scheduled.
4. Do PAR's for the Year 2000 Legislative Session and each even numbered year thereafter.
5. Do Agency "Strategic Plans" and "Master Program List" in Even-Numbered Years, to Precede Agency Submission of Biennial Budget Requests.
6. The result is a schedule wherein (from a legislative perspective) the budget is enacted in the first year, and PAR's are reviewed along with statutory changes in the second year of the legislative term.

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PROGRAM AUTHORIZATION REVIEWS

Laws 1993, Chapter 252 established the Program Authorization Review (PAR) process. The legislation outlines the following procedures for the PAR process:

- The budget unit responsible for the relevant PAR program shall submit a self-assessment of the program to the Directors of the Joint Legislative Budget Committee (JLBC) and Office of Strategic Planning and Budgeting (OSPB). For FY 1997 through FY 1998, the self-assessments are due by April 1 of the prior year.
- The Directors of the JLBC and OSPB shall jointly evaluate the agency self-assessment and jointly produce a report of their findings. This report is due by October 1 of each succeeding year.
- As part of their ensuing respective budget recommendations, JLBC and OSPB may independently

recommend to retain, eliminate or modify funding and related statutory references for the PAR programs.

Chapter 339 amended Laws 1995, Chapter 283's listing of the 75 programs undergoing the PAR process over a 4-year period from FY 1996 through FY 1999. Chapter 339 specified 36 programs and subprograms in 18 agencies to undergo review in 1998. (*See below.*) Following the 1998 chart is a listing of the outcomes of the 1997 reviews.

Laws 1997, Chapter 210 further modified the PAR process as described in the previous section. Laws 1995, Chapter 283 had originally envisioned 20 PARs being conducted in 1999. Under Laws 1997, Chapter 210 those PARs have been eliminated and are replaced by a yet-to-be-determined number of PARs in 2000 and every succeeding even-numbered year.

1998 Reviews (36 Programs and Subprograms)

- Arizona Department of Administration - Fleet Management
- Arizona Department of Administration - Surplus Property Management
- Arizona Department of Agriculture - 2 subprograms within the Department Administration Program
- Arizona Criminal Justice Commission - 2 subprograms within the Crimes Victims Programs
- Attorney General - Victim Rights and Witness Assistance
- Department of Commerce - Financial Services
- Department of Commerce - Arizona Business Assistance Center
- Department of Commerce - Sports Development
- State Department of Corrections - Medical Services
- State Department of Corrections - Dental Services
- Department of Economic Security - Adoption Services
- Department of Economic Security - Vocational Rehabilitation Services
- Department of Economic Security - Domestic Violence
- Department of Education - 3 subprograms within the School To Work Program
- Department of Education - Chemical Abuse Prevention
- Department of Health Services - Oral Health
- Department of Health Services - 2 subprograms of Title XIX Substance Abuse Services and non-Title XIX Substance Abuse Services Program
- Judicial System - Domestic Violence
- Judicial System - Adult Intensive Probation Services
- Department of Juvenile Corrections - Health Services
- Department of Public Safety - Special Services
- State Treasurer - Justice of the Peace Salaries
- Office of Tourism - Business Administration and Welcome Center Operations, 2 programs
- Arizona State University - College of Extended Education
- University of Arizona - Extended University
- Northern Arizona University - Statewide Academic Programs
- Department of Water Resources - Statewide Planning

**Outcomes of 1997 Reviews
(34 Programs and Subprograms)**

<u>Agency/Program</u>	<u>Legislative Outcomes</u>
Administration/Facilities Management	Modified by shifting \$191,600 and 5 FTE Positions associated with tenant improvement labor costs from General Fund to Capital Outlay Stabilization Fund and permitting Building Renewal monies to be used for infrastructure maintenance and repair.
Commerce/International Trade and Investment	Retained.
Corporation Commission/Corporations	Modified by adding \$281,300 and 6 FTE Positions in FY 1998 to alleviate a processing backlog and adding \$282,100 in FY 1999 for one-time funds to create a new processing system.
Corrections/Inmate Programs	Modified by adding \$2,590,000 to expand the Work Incentive Pay Plan for inmates and adding \$667,400 to expand inmate literacy programs.
AZ Schools for the Deaf and the Blind/Cooperative Programs	Modified by adding \$403,600 and 8.5 FTE Positions over FY 1998 and FY 1999 to expand the cooperatives statewide.
Economic Security / Comprehensive Medical and Dental	Currently retained. However, a legislative study committee was created to consider transferring the program to AHCCCS; report due October 1, 1997.
Game and Fish/Sportfish Management	Retained.
Health Services/Arizona State Hospital	Modified by continuing to downsize the Arizona State Hospital (ASH) and transferring resources from the ASH operating budget to the Community Placement Treatment Special Line Item. Overall, the ASH operating budget decreased by \$4,551,100 and monies dedicated to treatment in the community increased by \$4,025,500, for a net decrease of \$525,600.
Judiciary/Juvenile Community Corrections	Modified by creating a Special Line Item for diversion programs separate from juvenile treatment services.
Public Safety/Anti-Gang Enforcement	Modified by expanding the program to Pinal County at a cost of \$630,200.
Revenue/Compliance	Retained.
Transportation/Highway Maintenance	Retained.
Arizona State University/College of Law	Modified by reducing General Fund by \$200,000 and recommending tuition increases of \$1,000 for in-state students and \$2,000 for out-of-state students.
University of Arizona/College of Law	Modified by reducing General Fund by \$200,000 and recommending tuition increases of \$1,000 for in-state students and \$2,000 for out-of-state students.

ANNUAL BUDGET UNITS

ARIZONA DEPARTMENT OF ADMINISTRATION - SUMMARY

A.R.S. § 41-701

Rudy Serino, Director

JLBC Analyst: Lynne Smith/Phil Case

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
Program Summary			
Central Operations	20,219,900	20,857,400	20,709,200
General Services	13,971,600	23,721,800	22,684,800
Information Services	15,135,700	28,376,800	24,818,500
Risk Management	66,643,100	73,641,200	68,786,800
Human Resources	5,915,100	7,391,700	7,550,600
Total Appropriations	121,885,400	153,988,900	144,549,900
Expenditure Detail			
FTE Positions	917.0	1,014.0	981.0 ^{1/}
Personal Services	19,766,100	24,183,800	23,785,500
Employee Related Expenditures	4,680,900	5,485,600	5,411,600
Professional and Outside Services	1,472,900	1,456,000	1,355,800
Travel - In State	188,800	174,500	173,600
Travel - Out of State	36,300	54,200	51,500
Other Operating Expenditures	6,583,100	15,314,100	13,172,000
Equipment	374,900	1,109,800	906,600
Operating Subtotal	33,103,000	47,778,000	44,856,600
Special Line Items	88,782,400	105,910,000	99,643,300
Additional Appropriations	0	300,900	50,000
Total Appropriations	121,885,400	153,988,900	144,549,900 ^{2/}
Fund Summary			
General Fund	24,486,500	28,473,000	26,308,500
Personnel Fund	5,915,100	6,876,200	7,550,600
Corrections Fund	411,900	468,800	549,800
Capital Outlay Stabilization Fund	7,321,600	7,641,400	7,749,000
Risk Management Fund	49,853,700	53,578,000	49,629,300
Workers' Compensation Fund	16,789,400	20,063,200	19,157,500
Automation Fund	13,844,000	13,033,200	0
Oil Overcharge Fund	3,263,200 ^{3/}	0	0
Motor Pool Fund	0	9,662,900	8,360,700
Telecommunications Revolving Fund	0	13,617,200	24,818,500
Information Technology Fund	0	575,000	0
Air Quality Fund	0	0	426,000
Total Appropriations	121,885,400	153,988,900	144,549,900

Agency Description — *The department provides certain centralized general support services to state agencies, including accounting, financial, personnel, building and grounds maintenance, purchasing, risk management, information technology, and Capitol Police services.*

Capital Outlay: Chapter 2, 1st Special Session — Appropriates a total of \$6,573,700 from the General Fund

and \$16,800,000 from Other Funds to the Arizona Department of Administration for the following capital projects in the following amounts.

^{1/} Includes 199.5 FTE Positions funded from Special Line Items in FY 1998.

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Fund with Special Line Items for the Agency.

^{3/} Represents the expenditure of a prior year appropriation.

ARIZONA DEPARTMENT OF ADMINISTRATION - SUMMARY (Cont'd)

General Fund

• Building Renewal	\$4,210,700
Of this amount, up to 25% may be used for infrastructure replacement and repair, or for building modifications to comply with the federal Americans with Disabilities Act.	
• Design Capitol Mall Office Building	1,100,000
Prior to the expenditure of monies for design, the department shall present siting options to the Joint Committee on Capital Review (JCCR). By November 1, 1997, the department shall also present recommendations to the JCCR for selling or retaining the "distressed properties" acquired in 1992.	
• Department of Juvenile Corrections	300,000
Black Canyon School Education Building	
• ASPC-Douglas Waste Water Improvements	300,000
Prior to the expenditure of monies, the department shall present the results of the preliminary study to the JCCR for review.	
• Underground Storage Tank Upgrades	200,000
• ASP-Fort Grant Waste Water Improvements	463,000
Subtotal - General Fund	\$6,573,700

Other Funds

• Building Renewal (Capital Outlay Stabilization Fund)	2,000,000
Any balances and collections in the Capital Outlay Stabilization Fund in excess of the specific amounts appropriated in the General Appropriation Act and the Capital Outlay Bill are appropriated to the department for building renewal. Of the appropriation, up to 25% may be used for infrastructure replacement and repair, or for building modifications to comply with the federal Americans with Disabilities Act.	
• State Health Laboratory (Tobacco Tax- Department of Health Services Construction Services Account)	14,800,000
Of this amount, up to \$50,000 and 1 FTE Position may be allocated in each fiscal year to oversee and manage the project until its completion. The act requires the department to report on the status of all project-specific FTE Positions in its annual capital budget request.	
Subtotal - Other Funds	\$ 16,800,000
Total	\$23,373,700

Corrections Omnibus (Chapter 212) — Appropriates \$1,806,200 from the General Fund and \$2,673,200 from the Corrections Fund for lock replacements and other safety improvements at ASPC-Perryville. The bill was enacted with an emergency clause.

Additional Legislation: Arizona Department of Administration (Chapter 85) — This bill makes numerous changes affecting the department, including the following:

- 1) Allows the department to self-insure or purchase design and construction insurance for construction of public works projects. This provision helps implement Laws 1996, Chapter 195 which provides that, effective June 30, 1998, contractors shall not hold harmless a government contracting for construction and architect-engineer professional services.
- 2) Establishes a new Construction Insurance Fund, which shall receive monies necessary to pay the cost of construction-related insurance or self-insurance from each capital construction project budget at rates established by the department and reviewed by the Joint Committee on Capital Review. Monies in the Construction Insurance Fund are continuously appropriated and are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.
- 3) Provides that the state comptroller shall pay any monies determined to be owed to the federal government from the Personnel Division Fund before calculating the annual reversion to the General Fund.
- 4) Permits the use of building renewal monies for state building modifications for infrastructure replacement and repair.
- 5) Provides that the department shall charge state agencies for labor on tenant improvement projects within a building owned by or leased to the state. Charges for this labor shall be deposited in the Capital Outlay Stabilization Fund. The bill was enacted with an emergency clause.

ARIZONA DEPARTMENT OF ADMINISTRATION - CENTRAL OPERATIONS
**A.R.S. §§ 41-701, 41-722,
and 41-794**

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	<u>202.2</u>	<u>204.2</u>	<u>210.7</u> ^{1/}
Personal Services	4,165,700	4,742,700	5,202,000
Employee Related Expenditures	985,200	1,041,000	1,135,800
Professional and Outside Services	695,800	410,300	540,000
Travel - In State	3,200	8,400	10,400
Travel - Out of State	7,200	12,600	13,200
Other Operating Expenditures	1,104,700	1,059,200	1,165,700
Equipment	<u>210,400</u>	<u>65,500</u>	<u>122,800</u>
Operating Subtotal	7,172,200	7,339,700	8,189,900
Capitol Police	1,695,000	1,764,500	1,815,900
Governor's Regulatory Review Council	340,800	367,700	384,600
Hearing Office	21,100	10,000	10,000
Employee Bus Subsidy	240,100	360,000	426,000
ENSCO COP	4,586,900	4,585,000	4,585,600
State-Owned Space Rent	953,400	900,800	770,200
Lease-Purchase Rent	525,400	619,700	745,300
AFIS II	927,900	2,552,000	2,475,800
Unoccupied Lease-Purchase	57,200	57,100	55,900
Performance Based Incentives	0	0	200,000
Water Rights Settlement	200,000	0	0
Military Institute Planning Committee	47,200	0	0
Alternative Fuels	2,900,000	0	0
Veterans' Home	0	2,000,000	1,000,000
Relief of Named Claimants	<u>552,700</u>	<u>0</u>	<u>0</u>
Total	20,219,900	20,556,500	20,659,200 ^{6/7/8/}
Additional Appropriations -			
Relief of Named Claimants, Ch. 88	0	300,900	0
Welfare Reform; Arizona Works, Ch. 300	<u>0</u>	<u>0</u>	<u>50,000</u>
Total Appropriations	20,219,900	20,857,400	20,709,200
Fund Summary			
General Fund	16,774,100	20,646,900	20,053,500
Air Quality Fund	0	0	426,000
Capital Outlay Stabilization Fund	134,700	139,600	142,600
Corrections Fund	61,100	70,900	87,100
Automation Fund	350,000	0	0
Oil Overcharge Fund	<u>2,900,000</u>	<u>0</u>	<u>0</u>
Total Appropriations	20,219,900	20,857,400	20,709,200

Program Description — *Central Operations includes the Director's office; the Management Services Division, which provides internal department analysis, purchasing, accounting, and budgeting; the General Accounting Office, which maintains the state's financial records, provides accounting services to agencies, and oversees state compliance with financial requirements and appropriation authority; the State Procurement Office, which provides purchasing services and oversees procurement for agencies; and the Capitol Police Department, which provides police officers and security aides for the Phoenix Capitol Mall and Tucson Office Complex.*

ARIZONA DEPARTMENT OF ADMINISTRATION - CENTRAL OPERATIONS (Cont'd)

Reallocate Programmer Costs — In order to eliminate the General Fund appropriation to the Information Services Division, the approved amount transfers a total of \$893,800 from the General Fund appropriation in the Information Services cost center to this cost center. This includes \$764,100 for computer programmers associated with statewide accounting and procurement services, which will be paid by the Finance Division as a Data Center charge for services delivered. The transferred amount also includes \$129,700 and 3 FTE Positions to move information technology buyer positions from the Information Services Division to the State Procurement Office.

Accounting Services — The approved amount includes an increase of \$41,700 for LAN charges and equipment for the General Accounting Office (GAO) training room and an increase of 2 FTE Positions and \$141,100 for 1 AFIS trainer and 1 in-house "consultant" for GAO to help other agencies develop budgetary and financial control procedures. This includes a total of \$42,700 in one-time equipment and supplies. To further help other agencies, the department also has statutory authority to hire non-appropriated FTE Positions through the Special Services Revolving Fund in order to provide accounting services to agencies on a cost recovery basis.

The appropriation also includes a one-time increase of 1 limited FTE Position and \$33,700 for a Fiscal Service Specialist V to compile information, conduct research, and develop cost estimates on state buildings and improvements in order to enter this data in the automated Fixed Asset System. This will provide management data and help remove the fixed asset qualification for Arizona Department of Administration (ADOA) buildings in the state's annual financial statement.

Construction Contract Specialists — The approved amount includes a total of 2.25 FTE Positions funded from the Capital Outlay Stabilization Fund and 2.25 FTE Positions funded from the Corrections Fund.

The approved amount includes an increase of a 0.5 FTE Position and \$12,500 from the Corrections Fund for accounting associated with increased prison construction.

Capitol Police — This Special Line Item was listed as a separate cost center prior to FY 1998. The approved amount includes a total of 49 FTE Positions and funds the Capitol Police Department, which provides the Phoenix Capitol Mall and Tucson Office Complex areas with police protection.

The appropriated amount maintains funding of \$210,000 for security systems and \$9,600 for replacement office equipment. The Legislature appropriated \$210,000 in both FY 1996 and FY 1997 for a project to repair, upgrade, and expand the Capitol Mall and Tucson Office Complex security systems. To date, 28 out of 45 buildings on the Capitol Mall and all 3 buildings in the Tucson Complex are covered by the systems, which provide fire, access, and video monitoring. The approved amount will allow an additional 8 buildings to be brought onto the system, including 1616 West Adams, the State Department of Corrections (2 buildings), the Department of Health Services, the Corporation Commission, the State Data Center, the Hall of Fame Museum, and the Capitol Museum. The funding represents the third year of an 8-year program to include all Capitol Mall buildings on the security system. An additional \$700,000 would be required to complete the project.

The approved funding of \$9,600 for replacement office equipment will complete the phase-in of replacement

- 1/ Includes 56 FTE Positions funded from Special Line Items in FY 1998.
- 2/ The \$426,000 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 United States decennial census. (General Appropriation Act footnote)
- 3/ 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 \$3,238,400 shall be proportionately distributed among all contributing funding sources, including the state General Fund. (General Appropriation Act footnote)
- 4/ The \$200,000 for the Performance Based Incentives Special Line Item shall be matched with an additional \$200,000 from the department's FY 1998 funding and shall be used for Personal Services and Employee Related Expenditures to implement a Performance Based Incentives Pilot Program in accordance with Laws 1995, Chapter 43. This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 5/ Laws 1996, Chapter 8, 7th Special Session appropriated \$1,500,000 and Laws 1997, Chapter 7, 1st Special Session appropriated \$500,000 for operation of the State Veterans' Nursing Home.
- 6/ In accordance with A.R.S. § 35-142.01, the Department of Economic Security shall remit to the Department of Administration any monies received as reimbursement from the federal government or any other source for the operation of the Department of Economic Security West Building and any other building lease-purchased by the State of Arizona in which the Department of Economic Security occupies space. The Department of Administration shall deposit the monies in the state General Fund. (General Appropriation Act footnote)
- 7/ The Department of Administration and the Veterans' Home shall jointly present a quarterly report on the revenues, expenditures and status of the Veterans' Home to the Joint Legislative Budget Committee for its review by October 31, 1997, January 31, 1998, April 30, 1998 and July 31, 1998. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum by Fund with Special Line Items for Employee Bus Subsidy, AFIS II, and ENSCO COP.

ARIZONA DEPARTMENT OF ADMINISTRATION - CENTRAL OPERATIONS (Cont'd)

equipment in the Tucson and Phoenix Capitol Police offices. The funding represents the third and final year of a 3-year program.

Governor's Regulatory Review Council — This council is responsible for reviewing and updating state agency rules and regulations. The approved amount includes a total of 7 FTE Positions for this Special Line Item.

Hearing Office — This Special Line Item funds costs associated with appeals of decisions made by the Department of Environmental Quality. The hearing officer function for these appeals was transferred to the newly created Office of Administrative Hearings on January 1, 1996 and funding for this Special Line Item was eliminated. However ADOA has retained responsibility for the cost of court reporters, transcriptions, copying, and board member expenses for the Water Quality Appeals Board. The approved amount continues \$10,000, which the department transferred from its administrative budget in FY 1997.

Employee Bus Subsidy — The approved amount includes a total of \$426,000 to continue a bus fare subsidy for non-university state employees in Maricopa County. This program is intended to reduce pollution in Maricopa County, in compliance with federal Environmental Protection Agency air quality standards. The bus subsidy works in conjunction with the bus card program enacted in the 1993 Special Session on air quality. The Legislature originally provided a total of \$539,000 per year, but the amount was decreased due to low ridership. Previously, employees using a state-issued bus card paid 50% of each fare through a pay check deduction and the state paid the remaining 50%. In recent months, grants from the other sources, such as the non-appropriated Air Quality Fund, have provided the other half of the fare (bringing the employee cost to \$0). Bus ridership has increased over 24%. The approved amount includes an increase of \$66,000 to reflect increased bus usage. The appropriation also shifts funding for this program from the General Fund to the Air Quality Fund and continues a footnote requiring that the appropriated portion of the bus subsidy monies be used for a 50% subsidy.

ENSCO COP — The appropriated amount reflects an updated lease-purchase payment requirement for the acquisition of the ENSCO site. The state secured lease-purchase financing of \$55,825,000 in October 1991 to settle with ENSCO and acquire its partially constructed hazardous waste treatment site in Mobile. To date, the Legislature has appropriated approximately \$22,000,000 for annual principal and interest payments; an additional \$71,500,000 will be required through the year 2011. The department expends about \$60,000 annually to maintain the site, which is not currently being utilized. To fully pay off the lease-purchase issue, a

one-time payment of approximately \$48,000,000 would be required.

State-Owned Space Rent — The approved amount includes funding for the department's General Fund share of rent for state-owned space, which will be paid into the Capital Outlay Stabilization Fund. This Special Line Item previously was called "COSF Rent."

Lease-Purchase Rent — The approved amount includes funding for the department's General Fund share of the lease-purchase payments on the Sun State Building, 16th Avenue Parking Garage, Capital Center, DES West Building, Tucson State Office Building, and 1616 West Adams.

AFIS II — The Arizona Financial Information System (AFIS) Special Line Item reflects the cost of operating the statewide accounting system and includes \$2,475,800 from the General Fund. The department also will collect up to \$762,600 from other funding sources, excluding the General Fund and Federal Funds, to supplement the cost of operating AFIS II. This authority is provided in a footnote to the General Appropriation Act.

The approved amount includes a decrease of \$710,600 for the cost of computer run time for the state's accounting system. The Special Line Item appropriation also includes an increase of \$634,400 from the funding for programmer costs reallocated from the Information Services Division, as described earlier.

Unoccupied Lease-Purchase — This Special Line Item includes funding from the Capital Outlay Stabilization Fund for the lease-purchase payment on vacant space in the Doubletree and 1616 West Adams buildings where the FY 1998 tenants have not yet been identified.

Performance Based Incentives — The approved amount in this Special Line Item includes a \$200,000 non-lapsing appropriation from the General Fund to be matched by the department and used to implement a performance based incentive program. See the associated footnote for additional information.

Water Rights Settlement — This Special Line Item includes \$200,000 in FY 1996 for a one-time payment of the State of Arizona's contribution to the Verde River Basin Water Fund, in accordance with the Indian Tribe Water Rights Settlement Act of 1994, P.L. 103-434.

Military Institute Planning Committee — Laws 1994, Chapter 201 made a one-time appropriation of \$100,000 from the General Fund to ADOA for FY 1996 expenditures related to

ARIZONA DEPARTMENT OF ADMINISTRATION - CENTRAL OPERATIONS (Cont'd)

the planning and development process for an Arizona Military Institute.

Alternative Fuels — Laws 1993, Chapter 1, 6th Special Session, as amended by Laws 1994, Chapter 353, appropriated \$2,900,000 from the Oil Overcharge Fund for the purpose of converting school vehicles to alternative fuels, as prioritized by the Department of Commerce Energy Office. This appropriation was not subject to lapsing until December 31, 1995, when uncommitted monies reverted to the Oil Overcharge Fund.

Veterans' Home — This Special Line Item includes monies appropriated to ADOA for operation of the State Veterans' Nursing Home. The FY 1998 appropriation includes a total of \$1,000,000. The FY 1997 amount includes \$1,500,000 appropriated by Laws 1996, Chapter 8, 7th Special Session, plus \$500,000 appropriated by Laws 1997, Chapter 7, 1st Special Session. See the Veterans' Service Commission for additional information, including a footnote to the Veterans' Home appropriation which establishes the Veterans' Home Oversight Committee to oversee the issuance of a "Request for Proposal" to privatize the operation of the facility.

Relief of Named Claimants — This Special Line Item includes the amounts appropriated in prior years for payments to various individuals and groups to settle claims against the state.

Additional Appropriations: Relief of Named Claimants (Chapter 88) — Makes appropriations totaling \$300,900 to various individuals and groups to settle claims against the state.

Welfare Reform: Arizona Works (Chapter 300) — Appropriates \$50,000 from the General Fund for operational costs (such as accounting services and AFIS II reprogramming) required to implement and operate an electronic benefits transfer system for welfare benefits. (See the Department of Economic Security Administration section for additional information.)

ARIZONA DEPARTMENT OF ADMINISTRATION - GENERAL SERVICES
A.R.S. § 41-701

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	231.5	251.0	251.0 ^{1/}
Personal Services	4,779,900	5,035,700	5,316,200
Employee Related Expenditures	1,290,200	1,302,000	1,375,400
Professional and Outside Services	46,700	92,900	92,900
Travel - In State	144,600	112,800	112,800
Travel - Out of State	300	2,000	2,000
Other Operating Expenditures	1,281,700	1,218,700	1,266,800
Equipment	73,200	119,400	113,000
Operating Subtotal	7,616,600	7,883,500	8,279,100
Relocation	18,800	190,400	60,000
Alternative Fuels	363,200 ^{2/}	0	0
Utilities	5,973,000	5,985,000	5,985,000
Motor Pool	0 ^{3/}	9,662,900	8,360,700
Total Appropriations	13,971,600	23,721,800	22,684,800 ^{4/}
Fund Summary			
General Fund	6,070,700	6,159,200	6,255,000
Capital Outlay Stabilization Fund	7,186,900	7,501,800	7,606,400
Corrections Fund	350,800	397,900	462,700 ^{5/}
Motor Pool Fund	0	9,662,900	8,360,700
Oil Overcharge Fund	363,200	0	0
Total Appropriations	13,971,600	23,721,800	22,684,800

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 services. 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.*

Technical Issues — The appropriation includes a total of \$32,900 from the Capital Outlay Stabilization Fund (COSF) for the replacement of 5 computers, 1 high-performance computer for computer aided design, 1 laser printer, and 1 copier. The appropriation also includes a total of \$80,100 General Fund for the replacement of 20 vacuum cleaners and the purchase of 1 electric-quality measuring device, 1 air-quality measuring device, 1 carpet extractor, 1 aerator, 1 trenching machine, and 1 electric cart.

Building and Planning Services/Construction Services Staff — The "Core Staff" is intended to serve as the base construction

management staff for ADOA building projects. The "Limited Staff" is a work-driven addition to the Core Staff, which is closely examined each year to determine the requirements for the coming year. The approved number of FTE Positions for the Core Staff and Limited Staff did not change from FY 1997.

The positions listed in the following table are intended to include all Building and Planning Services and Construction Services FTE Positions with the exception of positions to oversee inmate labor conducted through the inmate construction program. The "Project-Specific" positions

^{1/} Includes 21.5 FTE Positions funded from Special Line Items in FY 1998.

^{2/} Of the \$2,000,000 made available by Laws 1993, Chapter 1, 6th Special Session, as amended by Laws 1994, Chapter 353, \$363,200 was spent in FY 1996 and \$1,250,000 was reverted to the Oil Overcharge Fund. The remaining \$386,800 was available for expenditure in FY 1997.

^{3/} Total FY 1996 expenditures from the Motor Pool Fund were \$9,308,100. These expenditures are not shown in the FY 1996 column because prior to FY 1997 the fund was not subject to appropriation.

^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum by Fund with Special Line Items for Utilities and Relocation.

^{5/} 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. (General Appropriation Act footnote)

ARIZONA DEPARTMENT OF ADMINISTRATION - GENERAL SERVICES (Cont'd)

<u>Building and Planning Services and Construction Services FTE Positions</u>				
<u>FY 1998 FTE Positions</u>	<u>Core Staff</u>	<u>Limited Staff</u>	<u>Project-Specific</u>	<u>Total</u>
General Fund	0.00	0.00	2.00	2.00
Capital Outlay Stabilization Fund (COSF)	16.25	6.50	0.00	22.75
Corrections Fund	<u>5.75</u>	<u>1.50</u>	<u>22.00</u>	<u>29.25</u>
TOTAL	22.00	8.00	24.00^{1/}	54.00

^{1/} Includes an estimated 5 FTE Positions previously authorized by Laws 1995, Chapter 2, 1st Special Session and 18 FTE Positions previously authorized by Laws 1996, Chapter 2, 5th Special Session, as amended by Laws 1996, Chapter 337.

listed are authorized in other legislation, such as the Capital Outlay Bill, for the duration of a construction project and are not included in the 251 appropriated FTE Positions for the General Services Division. Refer to the Capital Outlay section in the ADOA Summary for a description of the Project-Specific positions.

Tenant Services Staff — The approved amount includes a total of 199.5 FTE Positions to operate the Tenant Services section of the General Services Division. Of these positions, 194.5 are funded from the General Fund and 5 are funded from COSF.

1 Program Authorization Review — Tenant Improvement Labor Costs — The approved amount includes a total of \$191,600 from COSF for 5 FTE Positions which perform tenant improvement projects for state agencies. This appropriation resulted from a Program Authorization Review (PAR) of the Facilities Management program conducted last year. The review revealed that agencies are not charged for labor costs when tenant improvements are performed for them by “in-house” ADOA staff. Whereas, when tenant improvement projects are contracted out, agencies must pay the full cost, including labor. Charges for labor costs received from agencies will now be deposited to COSF, where they will be available for appropriation to ADOA for labor costs. An Omnibus Reconciliation Bill provision in Laws 1997, Chapter 3, 1st Special Session permits such deposits. Additionally, Laws 1997, Chapter 85 makes a similar permanent statutory change. Previously, these 5 FTE Positions were funded from the General Fund.

Relocation — The approved amount from COSF is intended to fund unanticipated agency relocations. The amount is based on \$3 per square foot for 20,000 square feet.

Utilities — This Special Line Item funds utility charges, including electric, water, gas, and garbage disposal, in buildings located on the Capitol Mall and in the Tucson Office Complex. A FY 1994 energy improvements program funded by \$4,500,000 from the Oil Overcharge Fund has helped stabilize the required funding. The Special Line Item is entirely funded through the Capital Outlay Stabilization Fund.

Motor Pool — This Special Line Item funds the operation of the state Motor Pool, which provides vehicle services to state agencies not operating their own motor pools. The approved amount reflects the elimination of a one-time \$1,400,000 appropriation for conversion of motor pool vehicles to alternative fuels. The Special Line Item includes 21.5 FTE Positions.

Additional Legislation: State Fund: Appropriation (Chapter 58) — Beginning in FY 2000, ADOA will be required to inspect all buildings once every 4 years instead of every 3 years. Additionally, the department will be required to prepare biennial capital improvement plans, instead of annual plans. (See the “General Legislation” section at the front of the book for a complete description of the legislation.)

Other Issues: Capital Outlay Stabilization Fund — COSF consists of monies collected by ADOA from state agencies for payment of rent of state-owned space on the Capitol Mall and Tucson Office Complex. The Capital Outlay Bill appropriates all collections for rent of state-owned buildings, in excess of the amounts appropriated in the General Appropriation Act and Capital Outlay Bill, to ADOA for Building Renewal.

	<u>FY 1997</u>	<u>FY 1998</u>
Cash Balance Beginning of Fiscal Year	\$ 2,814,100	\$ 2,682,100
Revenue:		
Rent Collections	\$ 9,835,800	\$10,261,100
Tenant Improvements	<u>0</u>	<u>191,600</u>
Total Funds Available	\$12,649,900	\$13,134,800
Expenditures:		
Utilities	\$ 5,985,000	\$ 5,985,000
Building Renewal/Capital	1,530,900	2,000,000
ADOA Operating Budget	1,656,400	1,764,000
Non-Lapsing Prior Year Appropriations	<u>795,500</u>	<u>0</u>
Total Expenditures	\$ 9,967,800	\$ 9,749,000
Administrative Adjustments	<u>0</u>	<u>0</u>
Cash Balance End of Fiscal Year	\$ 2,682,100	\$ 3,385,800

**ARIZONA DEPARTMENT OF ADMINISTRATION -
INFORMATION SERVICES**

A.R.S. § 41-701

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	192.3	266.3	211.3
Personal Services	5,940,000	8,865,000	7,339,600
Employee Related Expenditures	1,330,800	1,897,300	1,569,500
Professional and Outside Services	248,200	625,900	311,900
Travel - In State	12,700	21,900	18,400
Travel - Out of State	25,700	25,700	19,300
Other Operating Expenditures	2,782,100	11,512,200	9,086,300
Equipment	40,200	844,900	0
Operating Subtotal	10,379,700	23,792,900	18,345,000
Automation Equipment	2,362,800	635,500 ^{1/}	3,553,800
Software and Licenses	1,633,000	2,226,300	1,772,600
Maintenance and Repair	760,200	1,147,100	1,147,100
GITA	-0-	575,000	0
Total Appropriations	15,135,700	28,376,800	24,818,500 ^{2/}
Fund Summary			
General Fund	1,641,700	1,151,400	0
Technology and Telecommunications Fund	0	0	24,818,500 ^{3/}
Automation Fund	13,494,000	13,033,200	0 ^{3/}
Telecommunications Revolving Fund	0 ^{4/}	13,617,200	0 ^{3/}
Information Technology Fund	0	575,000	0
Total Appropriations	15,135,700	28,376,800	24,818,500

Program Description — *The Information Services division operates the Data Center, which provides centralized computer services for approximately 70 state agencies, statewide emergency telecommunications services, and state agency telecommunications services.*

Establish GITA — Effective July 1, 1997, Laws 1996, Chapter 342 created 1) a separate Executive agency, the **Government Information Technology Agency (GITA)**, responsible for statewide information technology planning, coordinating, and consulting and 2) a Legislative, Executive, Judicial, and private sector committee, the **Information Technology Authorization Committee (ITAC)**, responsible for oversight of Executive, Legislative, and Judicial information technology (IT). The bill transferred the Executive Branch IT planning, coordinating and consulting functions from the Arizona Department of Administration (ADOA) Information Services Division to GITA, leaving ADOA with responsibility for a centralized Data Center and

telephone services to state agencies. Appropriate portions of the Information Services Division were transferred to GITA.

In FY 1997, ADOA is performing some GITA functions in an interim capacity until GITA is established in FY 1998. In FY 1998, the ADOA appropriated amount includes reductions of 3 FTE Positions and \$293,400 from the General Fund, 14 FTE Positions and \$1,057,000 from the ADOA Technology and Telecommunications Fund, and \$575,000 from the Information Technology Fund to eliminate funding for duties transferred to GITA. GITA and ITAC are expected to improve the coordination and effectiveness of IT used by state agencies. The new agency

^{1/} Laws 1997, Chapter 7, 1st Special Session reduced the appropriation by \$1,700,000. In conjunction with the FY 1998 appropriation, this moves funding for the department's mainframe computing capacity to FY 1998.

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Fund.

^{3/} Laws 1996, Chapter 342 combined the Automation Fund and the Telecommunications Revolving Fund into a new Technology and Telecommunications Fund.

^{4/} Total FY 1996 expenditures from the Telecommunications Revolving Fund were \$10,700,900. These expenditures are not shown in the FY 1996 column because prior to FY 1997 the fund was not subject to appropriation.

ARIZONA DEPARTMENT OF ADMINISTRATION - INFORMATION SERVICES (Cont'd)

and committee also are expected to reduce waste and duplication associated with over \$200,000,000 spent annually on IT for state government.

Reallocate Programmers — The approved amount eliminates the General Fund appropriation to the Information Services Division, which funded statewide IT planning and computer positions associated with statewide accounting and procurement services. The statewide IT planning function has been transferred to GITA. The cost of the statewide accounting system has been transferred to the General Accounting Office budget (in the Central Operations cost center).

The approved amount transfers 15 FTE Positions responsible for computer programming associated with statewide accounting and procurement services from the General Fund to the Technology and Telecommunications Fund. In keeping with standard Data Center operations, the General Fund amount is added to the Central Operations cost center, where statewide accounting and procurement services are funded. The Central Operations amount will be paid to this division as a Data Center charge to reimburse the Technology and Telecommunications Fund for costs. Along with the recommended transfer of positions to GITA (described above), this will eliminate the division's General Fund appropriation. The appropriation also transfers 3 IT purchasing positions from the Data Center to the State Procurement Office.

Cost Containment — The department has conducted a cost containment effort throughout the division, resulting in the elimination of 35 FTE Positions and \$1,654,500 to make the following changes: a) eliminate vacant positions; b) eliminate 1 of 2 AS400 minicomputers run by the department due to reduced demand for this service and a subsequent increase in the price per customer; c) reduce support for local area network (LAN) services to the level supported by charges to customers; and d) eliminate the software training unit, referring agencies to trainers on state contract. The department has held 35 vacant positions open during its assessment and reorganized so that a reduction in force will not be required.

Other Operating Expenditures — The approved amount includes a decrease of \$1,273,100 for reduced mainframe lease costs requested by the department and \$800,000 to eliminate a contingency amount set aside by the department for any required federal reversions.

Automation Equipment — This Special Line Item contains funding for the purchase and lease-purchase of automation equipment and improvements. The approved amount

includes a total of \$1,853,800 for replacement of computer memory and data and voice communications equipment, plus \$1,700,000 for the department's mainframe computer function. The mainframe funding had been appropriated for FY 1997, but was moved to FY 1998 due to project delays.

Software and Licenses — This Special Line Item contains funding for computer software licensing and vendor support costs. The appropriation includes a reduction of \$401,200 and fully funds the department's projected software and license requirements.

Maintenance and Repair — This Special Line Item contains funding for computer maintenance and repair costs, which consist primarily of outside maintenance contracts.

Additional Legislation: Telecommunications Tax; 911 Exchange Access (Chapter 258) — This bill expands the application of the 911 emergency telecommunications services tax to include wireless communications (cellular phones). Monies will be deposited to the department's non-appropriated Emergency Telecommunications Revolving Fund. The Joint Legislative Tax Committee will set the tax rate at an amount not to exceed 10 cents per month per service through June 30, 1999 and not to exceed 20 cents per month per service thereafter.

ARIZONA DEPARTMENT OF ADMINISTRATION - RISK MANAGEMENT
A.R.S. §41-622

Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	<u>169.0</u>	<u>173.0</u>	<u>185.0</u> ^{1/}
Personal Services	1,504,600	1,889,400	1,986,700
Employee Related Expenditures	343,800	426,900	450,000
Professional and Outside Services	295,400	263,900	118,000
Travel - In State	17,100	20,000	20,000
Travel - Out of State	2,300	9,400	9,400
Other Operating Expenditures	459,600	487,300	518,300
Equipment	<u>23,600</u>	<u>70,000</u>	<u>10,000</u>
Operating Subtotal	2,646,400	3,166,900	3,112,400
Losses and Related Expenditures-RM	37,659,800	40,326,000	35,020,900
Attorney General Defense-RM	5,025,600	5,017,100	5,852,800
Insurance Premiums-RM	4,272,700	4,818,000	5,176,600
Loss Control Grants-RM	249,200	250,000	350,000
Workers' Compensation	764,400	839,200	871,000
Losses and Related Expenditures-WC	15,168,000	18,208,000	16,876,800
Attorney General Defense-WC	120,100	120,700	246,400
Insurance Premiums-WC	286,400	293,000	293,000
Loss Control Grants-WC	150,000	150,000	150,000
Premium Tax	228,500	292,800	444,200
University Health Work Program	72,000	159,500	159,500
Risk Management Information System	<u>0</u>	<u>0</u>	<u>233,200</u>
Total Appropriations	66,643,100	73,641,200	68,786,800 ^{2/}
Fund Summary			
Risk Management Fund	49,853,700	53,578,000	49,629,300
Workers' Compensation Fund	<u>16,789,400</u>	<u>20,063,200</u>	<u>19,157,500</u>
Total Appropriations	66,643,100	73,641,200	68,786,800

Program Description — *The Risk Management section acts as the state's insurance agent, which includes making property loss and liability payments, as well as developing and administering loss control programs. With the exception of certain limited areas of coverage, the state is self-insured, paying for its own losses and liabilities. Costs of Workers' Compensation (WC) claims are paid by the Workers' Compensation Fund. Costs of all other claims are paid by the Risk Management (RM) Fund.*

Technical Issues — The approved amount includes a total of \$25,900 for replacement of 6 computers, 2 printers, 1 shredder, and 1 fax machine.

Transfer Claims — The approved amount includes an increase of 2 FTE Positions and \$67,100 for a Claims Adjuster II and Accounting Tech III to handle approximately 700 pre-1994 state Workers' Compensation claims. This amount includes

\$6,300 in one-time office equipment. Administration of prior claims was retained by the State Compensation Fund when this function was transferred to the Arizona Department of Administration (ADOA) in 1994. The appropriation also includes a decrease of \$125,000 for expected cost reductions associated with bringing the claims in-house. This reduction will be annualized to a decrease of \$250,000 in FY 1999.

^{1/} Includes 122 FTE Positions funded from Special Line Items in FY 1998.

^{2/} The Attorney General shall report to the Joint Legislative Budget Committee by August 31, 1998 the amounts expended during FY 1998 from the Risk Management Fund and Workers' Compensation Fund for contracted legal services. The expenditure amount is not expected to exceed \$3,497,300 from the Risk Management Fund and \$30,000 from the Workers' Compensation Fund.

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum by Fund, with a Risk Management Special Line Item Lump Sum, an Attorney General Defense-Risk Management Special Line Item, a Workers' Compensation Special Line Item Lump Sum, and an Attorney General Defense-Workers' Compensation Special Line Item.

ARIZONA DEPARTMENT OF ADMINISTRATION - RISK MANAGEMENT (Cont'd)

Decrease Outside Counsel — The approved amounts for the Losses and Related Expenditures Special Line Items include decreases of \$2,868,200 from the Workers' Compensation Fund and \$1,434,100 from the Risk Management Fund for reduced outside counsel costs. The Joint Legislative Committee on Legal Representation of State Agencies recommended in its December 1995 Final Report that funding for private attorneys to handle Risk Management and Workers' Compensation cases be reduced and these monies be reallocated to fund additional Attorney General (AG) positions. Accordingly, the Attorney General Defense-WC Special Line Item has been increased by 2 Workers' Compensation AG positions and \$119,900, which includes \$8,500 in one-time expenditures for office equipment. The Attorney General Defense-RM Special Line Item has been increased by 7 Risk Management AG positions and \$400,600, which includes \$29,700 in one-time expenditures for office equipment.

Workers' Compensation Loss Recovery — The appropriated amount includes an increase of 1 FTE Position and \$36,800 from the Workers' Compensation Fund to recover monies paid out in Workers' Compensation losses for which others could be held liable. Workers' Compensation previously did not have a loss recovery position.

Losses and Related Expenditures-RM — The approved amount represents funding for estimated liability and property claims, settlements, and other losses at a 50% confidence level, as well as related legal and loss adjustment expenditures for aspects of the claims handled by the private sector rather than in-house. The projected loss amount is updated annually to reflect current loss exposures and is based on an annual actuarial estimate conducted for the Risk Management section. The FY 1998 approved amount includes a decrease of \$3,771,000. The reduction primarily results from fewer than expected liability losses last year.

Attorney General Defense-RM — The approved amount represents funding for the Risk Management section's contract with the Attorney General's Insurance Defense section for legal representation in Risk Management-related lawsuits against the state. This special line appropriation includes 100 FTE Positions.

The approved amount also includes an increase of \$210,300 to reallocate funding for space in the Capital Center from the Attorney General's General Fund budget to the Attorney General Defense-Risk Management Special Line Item in the ADOA budget. The increased space was approved by the Legislature, but allocation of the space to the Attorney General was delayed during asbestos abatement in the Capitol Mall. The Insurance Defense Section will now

occupy a total of 23,289 square feet, or 224 square feet per person. The appropriated amount also includes an increase of \$53,000 for Risk Management's share of costs associated with the Attorney General's information system.

Insurance Premiums-RM — The approved amount includes an increase of \$358,600 for 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 increased amount reflects the department's projection of higher private insurance costs.

Loss Control Grants-RM — These grants are made by the department to state agencies to implement loss control projects or programs which can demonstrate tangible loss/cost avoidance. The approved amount includes a transfer of \$100,000 from the Losses and Related Expenditures Special Line Item to the Loss Control Grants Special Line Item. The department evaluates proposals from state agencies for loss prevention and safety projects, then grants monies for cost-effective proposals. Proposals for loss control projects have increased by 79% since FY 1993.

Workers' Compensation — Prior to FY 1998, this was shown as a separate cost center. This Special Line Item includes 18 FTE Positions and funds the state's Workers' Compensation section, which makes Workers' Compensation payments to state employees and former employees who were injured in the course of performing state duties. The program also conducts workplace safety seminars and provides loss prevention grants to prevent workplace injuries. The state is self-insured, paying for its own Workers' Compensation liabilities.

Losses and Related Expenditures-WC — The approved amount represents estimated FY 1998 payments to Workers' Compensation beneficiaries for the state's liability resulting from workplace injuries, as well as related legal and loss adjustment expenditures for aspects of claims handled by the private sector rather than in-house. The approved amount includes an increase of \$1,662,000 based on an annual actuarial study conducted for the state, at a 70% confidence level.

Attorney General Defense-WC — The approved amount represents funding for the Workers' Compensation section's contract with the Attorney General's Insurance Defense section for legal representation in Workers' Compensation-related lawsuits against the state. This Special Line Item includes 4 FTE Positions.

Insurance Premiums-WC — The approved amount includes continuation of \$293,000 for estimated FY 1998 private

ARIZONA DEPARTMENT OF ADMINISTRATION - RISK MANAGEMENT (Cont'd)

insurance premiums for specific Workers' Compensation liabilities where the department deems it more cost effective to cede risk to an outside insurer.

Loss Control Grants-WC — The approved amount is transferred from the Workers' Compensation Fund to the Loss Control Grant Program administered by the Risk Management section.

Premium Tax — The approved amount represents the estimated tax payable by the state as a self-insured employer, as authorized by A.R.S. § 23-961. Monies collected are used by the Industrial Commission of Arizona to fund the regulation of Workers' Compensation insurance. The appropriation includes an increase of \$151,400 to fully fund the tax payable by the state as a self-insured employer.

University Health Work Program — This program uses student nurses from the 3 state universities to perform health services for minor work-related injuries or illnesses in lieu of treatment by private physicians.

Risk Management Information System (RMIS) — The appropriated amount includes a total of \$233,200 identified in the department's base budget (\$116,600 from the Workers' Compensation Fund and \$116,600 from the Risk Management Fund) to replace the division's data management system. The monies for the system are appropriated as part of the RM and WC operating lump sums. The appropriation includes a decrease of \$29,300 from the Risk Management Fund which, along with the identified amounts, represents expected operating savings from the new system.

Other Issues: Risk Management Revolving Fund — The fund consists of monies collected by ADOA from state agencies for payment of Risk Management charges, as authorized by A.R.S. § 41-622. For a list of these charges, refer to the General Provisions section at the front of the Appropriations Report. ADOA recommends to the Legislature the dollar amount to be appropriated for each agency's Risk Management charge based on factors including prior losses, current exposures, an outside actuarial study conducted for the department, and the statewide funding level estimated to be required for the fiscal year. Monies in the fund are appropriated by the Legislature for costs of the ADOA Risk Management section, including payment of certain state losses and related expenditures.

	<u>FY 1997</u>	<u>FY 1998</u>
Cash Balance Beginning of Fiscal Year	\$17,613,400	\$11,059,000
Revenue:		
General Fund	\$32,658,900	\$29,909,500
Other Appropriated Funds	12,368,400	12,112,200
Non-Appropriated Funds	8,613,800	8,060,100
Insurance Losses		
Recovered	900,000	10,000
Loss Control Refunds	<u>78,100</u>	<u>330,000</u>
Total Funds Available	\$72,232,600	\$61,480,800
Expenditures:		
ADOA Risk Mgt.	<u>\$53,578,000</u>	<u>\$49,629,300</u>
Total Expenditures	\$53,578,000	\$49,629,300
Administrative Adjustments	<u>7,595,600</u>	<u>0</u>
Cash Balance End of Fiscal Year	\$11,059,000 ^{1/}	\$11,851,500
^{1/} Up to \$10,000,000 of the amount shown may be required for Risk Management losses. This leaves an unreserved cash balance of \$1,059,000 at the end of FY 1997.		

ARIZONA DEPARTMENT OF ADMINISTRATION - HUMAN RESOURCES

A.R.S. § 41-761

General Fund and Personnel Division Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	122.0	119.5	123.0
Personal Services	3,375,900	3,651,000	3,941,000
Employee Related Expenditures	730,900	818,400	880,900
Professional and Outside Services	186,800	63,000	293,000
Travel - In State	11,200	11,400	12,000
Travel - Out of State	800	4,500	7,600
Other Operating Expenditures	955,000	1,036,700	1,134,900
Equipment	27,500	10,000	0
Operating Subtotal	5,288,100	5,595,000	6,269,400
Special Recruitment	12,600	43,500	43,500
Personnel Automation Project	175,000	175,000	175,000
Classification Project	439,400	0	0
Data Center Services	0	1,062,700	1,062,700
Federal Reimbursement	0	515,500 ^{1/}	0
Total Appropriations	5,915,100	7,391,700	7,550,600^{2/}
Fund Summary			
General Fund	0	515,500	0
Personnel Division Fund	5,915,100	6,876,200	7,550,600
Total Appropriations	5,915,100	7,391,700	7,550,600

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 0.9% charge on state agency payrolls.*

Child Development Center — The approved amount includes a total of \$18,000 for repair and replacement of equipment for the Child Development Center. The Human Resources Division has responsibility for the center, which is run by a private contractor. Program costs are funded through charges to parents. Rent for the Child Development Center is funded with Personnel Division Fund monies.

Pre-Employment Exams — The appropriated amount includes 3.5 FTE Positions and an increase of \$388,600 to transfer funding for pre-employment medical exams and associated tests from the Health Insurance Trust Fund (HITF) to the Personnel Division Fund. This function is not related to employee health insurance, so should not be funded from the HITF. The pre-employment exams are used for jobs with a high risk for injury (such as those with strenuous physical requirements) to screen out applicants unable to perform the job safely. They also are used to identify necessary physical accommodations (such as those

required by the Americans with Disabilities Act). Since implementation of the program in 1989, Workers' Compensation claims for individuals tested prior to employment have been 11% fewer in number and 24% less costly than for untested employees.

Special Recruitment — Monies in this Special Line Item are used to fund advertising and related costs of hiring specialized or upper management positions.

Personnel Automation Project — This Special Line Item funds the ongoing development of automated systems for job applications and other functions.

Classification Project — Since FY 1994, the Classification Project Special Line Item appropriation has provided total expenditure authority of \$1,148,300 to enable the department to design a new job classification system for the Arizona Department of Administration (ADOA) personnel

^{1/} Laws 1997, Chapter 7, 1st Special Session appropriated \$515,500 to reimburse the federal government for its contributions to the Personnel Division Fund that were reverted to the General Fund.

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Fund.

ARIZONA DEPARTMENT OF ADMINISTRATION - HUMAN RESOURCES (Cont'd)

system. The appropriations included \$300,000 as a non-lapsing supplemental appropriation in FY 1994, \$421,400 in FY 1995 (actual expenditures from a \$702,600 appropriation), and \$426,900 in FY 1996 (actual expenditures from a \$426,900 appropriation). At the end of FY 1996, \$210,653 remained available for expenditure from the non-lapsing appropriation.

Goals of the project include creating internal equity across the ADOA personnel system (in terms of salary and grade), creating a usable comparison to market, and reducing the number of job classifications. In addition, the Legislature directed that, as an essential component of any new classification system, the department develop a performance appraisal process that can be used in conjunction with any future merit pay plan.

Pursuant to a footnote in the General Appropriation Act, in November 1994 ADOA reported on its Classification Project for the review and advice of the Joint Legislative Budget Committee (JLBC). The Committee adopted a motion that the Request for Proposal issued by the department be amended to require that the contractor present implementation and funding options and associated time tables, including a "zero net increase" cost option. The Executive Branch has not yet presented implementation and funding options to the Legislature, but continues to study personnel system reform options. Given the extraordinary length of time that has passed without ADOA reporting back to the Legislature, at the February 14, 1997 JLBC meeting, the Committee adopted a motion to put the Classification Project on every JLBC agenda until the issue is resolved. As of this writing, the department is anticipating a report to the Legislature by September 1997.

Data Center Services — This Special Line Item reflects Data Center charges for Human Resource Management System and Benefit Information Tracking System computer run time. The approved amount transfers half of the cost of a manager and a secretary from the General Fund in the Information Services cost center to the Personnel Division Fund in this cost center. These positions perform Data Center services for both the Human Resources Management System (HRMS) and the Arizona Financial Information System (AFIS). This amount will be absorbed within the base funding for the Data Center Services Special Line Item. The other half of the cost is transferred to the Central Operations cost center, which funds AFIS Data Center charges.

Federal Reimbursement — The FY 1997 amount includes a supplemental appropriation of \$515,500 from the General Fund to reimburse the federal government for its share of monies reverted from the Personnel Division Fund to the

General Fund. Since the federal government participates in payments to the Personnel Division Fund, recent federal audits have concluded that the state must reimburse the proportionate federal contribution when reverting excess monies to the General Fund. The approved amount includes \$127,074 for FY 1992, \$343,388 for FY 1995, and approximately \$45,000 for interest. To prevent the need for future supplemental appropriations, Laws 1997, Chapter 85 changed the statutory language for the fund to allow the department to reimburse the federal share concurrently with any reverts from the Personnel Division Fund to the General Fund.

Additional Appropriations: State Personnel System (Chapter 288) — This bill makes numerous changes to the ADOA Personnel System. It also appropriates \$450,000 from the Personnel Division Fund to ADOA in FY 1999 and, starting in FY 1999, increases the threshold over which monies revert from the Personnel Division Fund to the General Fund from \$200,000 to \$500,000.

Employees: Accumulated Sick Leave (Chapter 291) — This bill changes the payment for accumulated sick leave for retiring state employees, effective FY 1999. To fund the payouts, starting July 1, 1998, agencies shall pay a charge equal to 0.05% of Personal Services into a new non-appropriated ADOA fund, the Retiree Accumulated Sick Leave (RASL) Fund. Monies in the fund in excess of \$400,000 at the end of the fiscal year revert to the General Fund. For FY 1999, \$200,000 is appropriated from the General Fund to the RASL Fund. Effective June 1, 1999, \$200,000 is transferred to the General Fund to repay the start-up appropriation.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - SUMMARY

A.R.S. § 36-2901

John H. Kelly, Director

JLBC Analyst: Jeffrey Schmied/Lisa Cotter

General Fund and Other Funds		FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
Program Summary				
Administration	(SM)	47,719,400	48,340,900	48,958,200
	(TF)	99,317,000	103,346,700	101,307,200
Long-Term Care	(SM)	120,932,800	135,415,600	149,007,800
	(TF)	359,146,700	393,762,300	433,060,300
Acute Care	(SM)	444,327,500	521,204,900	548,360,700
	(TF)	<u>1,067,553,700</u>	<u>1,222,621,700</u>	<u>1,306,779,200</u>
Total Appropriations	(SM)	612,979,700	704,961,400	746,326,700
	(TF)	1,526,017,400	1,719,730,700	1,841,146,700
Expenditure Detail				
FTE Positions	(SM)	<u>1,070.2</u>	<u>1,074.8</u>	<u>1,074.8</u>
	(TF)	<u>2,197.4</u>	<u>2,209.7</u>	<u>2,209.7</u>
Personal Services	(SM)	11,847,400	12,828,300	13,551,700
	(TF)	27,071,900	28,129,300	29,712,100
Employee Related Expenditures	(SM)	2,831,200	3,001,800	3,190,900
	(TF)	6,368,100	6,541,000	6,953,900
Professional and Outside Services	(SM)	3,031,600	3,249,500	3,204,200
	(TF)	6,920,300	7,518,700	7,413,700
Travel - In State	(SM)	95,700	130,100	130,100
	(TF)	198,000	262,900	262,900
Travel - Out of State	(SM)	22,800	37,000	37,000
	(TF)	42,500	70,000	70,000
Other Operating Expenditures	(SM)	7,511,000	5,313,700	6,299,200
	(TF)	12,657,900	12,245,300	10,991,300
Equipment	(SM)	1,031,000	1,120,200	901,400
	(TF)	<u>1,891,400</u>	<u>2,086,600</u>	<u>1,677,600</u>
Operating Subtotal	(SM)	26,370,700	25,680,600	27,314,500
	(TF)	55,150,100	56,853,800	57,081,500
Special Line Items	(TF)	1,470,867,300	1,662,876,900	1,782,885,300
Additional Appropriations	(TF)	<u>0</u>	<u>0</u>	<u>1,179,900</u>
Total Appropriations	(TF)	1,526,017,400	1,719,730,700	1,841,146,700
Fund Summary				
General Fund		420,814,000	482,312,300	498,934,200
Federal Funds		913,037,700	1,014,769,300	1,094,820,000
County Funds		187,469,000	201,105,100	215,697,300
Third Party Collections		4,696,700	5,000,000	5,000,000
Tobacco Tax Funds		<u>0</u>	<u>16,544,000</u>	<u>26,695,200</u>
Total Appropriations		1,526,017,400	1,719,730,700	1,841,146,700

SM = State Match, and consists of the state General Fund, Tobacco Tax, and Third Party Collections.

TF = Total Funds, and represents the sum of the State Match and Federal Funds.

1/ General Appropriation Act appropriation format varies by program.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - SUMMARY (Cont'd)

Agency Description — *The Arizona Health Care Cost Containment System (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. In some cases, eligibility based on federal programs is tied to the applicant also being eligible for a cash assistance program, such as Supplemental Security Income (SSI). Although another cash assistance program, Aid to Families with Dependent Children (AFDC), was replaced and its automatic link to eligibility severed, citizens who meet AFDC eligibility criteria as of July 16, 1996 will remain eligible for AHCCCS. 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 or other state-only eligibility programs. In addition to an acute medical services program, AHCCCS also operates the Arizona Long-Term Care System (ALTCs), a Medicaid program that provides long-term nursing care in nursing facilities or home and community based settings.*

Program Change Descriptions — Unless otherwise stated, all descriptions of funding changes in the individual program descriptions represent total funds.

Overall Funding Changes — The approved AHCCCS budget includes an increase of \$121,416,000 or 7% above the estimated FY 1997 amount. Funding for the Administration program includes a decrease of \$2,039,500 or 2%. Caseload growth in ALTCs has resulted in an increase of \$39,298,000. Caseload growth and medical inflation are expected to result in an \$84,157,500 increase in Acute Care program funding. Overall, the net General Fund impact of program changes is \$16,621,900 or 3% above the estimated FY 1997 amount. The county contribution required for the Acute and Long-Term Care programs increases by \$14,592,200 or 7.3% above the estimated FY 1997 amount. Finally, expenditures from the Tobacco Tax and Health Care Fund increase from a total of \$16,544,000 in FY 1997 to \$26,695,200 in FY 1998.

Additional Legislation: Health Omnibus Reconciliation Bill (Chapter 5, 1st Special Session.) — Transfers \$14,800,000 from the balance remaining in the Medically Needy Account of the Tobacco Tax and Health Care Fund at the end of FY 1997 to the Department of Health Services (DHS) Construction Services Account for use in the construction of a health laboratory.

Tobacco Tax Monies (Chapter 123) — For FY 1997, increases the expenditure limit from \$15,000,000 to \$25,000,000 for the Health Education Account of the Tobacco Tax and Health Care Fund. Beginning in FY 1998, limits the expenditures from the Health Education Account to 90% of the previous fiscal year's new revenue allocation. After an estimate of the FY 1998 expenditures from the Health Education Account is made, allows 95% of the remaining balance to be spent over the next 3 fiscal years subject to the limitations on the account. Transfers

\$7,500,000 from the Medically Needy Account to DHS for public health education programs approved by the Joint Legislative Oversight Committee on the Tobacco Tax and Health Care Fund.

Medically Underserved Areas (Chapter 157) — For FY 1998, transfers \$111,200 from the Medically Needy Account to DHS to implement a Rural Private Primary Care Provider Loan Repayment Program to assist physicians and providers with current or prospective rural primary care practices in medically underserved areas.

AHCCCS: Tobacco Tax: Kidney Disease (Chapter 188) — Beginning in FY 1998, increases from \$150,000 to \$250,000 annually, the amount transferred from the Medically Needy Account to DHS for contracts with non-profit organizations that primarily assist in the management of end-stage renal disease and related problems.

Premium Sharing: Pilot Program (Chapter 186) — Establishes a Premium Sharing Demonstration Project to be administered by AHCCCS through its Health Care Group small business insurance plan. Establishes criteria for eligibility, disenrollment, copayments and a sliding fee scale for monthly premiums. Establishes reporting requirements, an oversight committee and an enrollment cap based on the amount of funds available in the Premium Sharing Demonstration Project Fund. Restricts the amount of funds spent annually on the project to the amount allocated from the Medically Needy Account. Allows an additional 2% of the amount allocated annually to the Premium Sharing Demonstration Project Fund to be used by AHCCCS for administrative costs.

Emergency Health Care: Crisis Fund (Chapter 257) — Establishes a Health Crisis Fund for expenses incurred as the result of health crisis or a potential health crisis declared by Executive Order. Transfers \$1,000,000 from the Medically Needy Account to the Health Crisis Fund and requires that

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - SUMMARY (Cont'd)

the Health Crisis Fund balance be maintained at \$1,000,000 annually. Increases from \$5,000,000 to \$6,000,000 the annual allocation from the Medically Needy Account to DHS for Primary Care Programs and expands Primary Care Programs to include mobile medical clinics. Extends for 1 year (FY 1998), the \$500,000 allocation for the Detoxification Pilot Program. Transfers \$500,000 annually from the Medically Needy Account to the Department of Economic Security (DES) Aging and Adult Administration for low income elderly persons. For FY 1998, transfers an additional \$2,500,000 from the Medically Needy Account to DHS for grants to community health centers. Also for FY 1998, transfers \$2,500,000 from the Medically Needy Account to DHS for capital project grants to non-profit entities that provide medical care in rural or medically underserved areas. Increases from 2% to 4%, the amount of funds that may be transferred to DHS for administration of Tobacco Tax-funded programs. Finally, transfers \$65,000 to DHS for primary care services for Salome, Arizona.

AHCCCS: Omnibus (Chapter 256) — Specifies a separate graduate medical education (GME) program to be administered by AHCCCS for payment to hospitals with GME programs. Payments will be made in lump sum instead of through monthly Capitation and Fee-For-Service payments. Permits AHCCCS with federal approval to increase copayments for individuals who are eligible for Medicaid. Increases the copayment for the state-funded population to \$25 for non-emergency use of the emergency room. Allows AHCCCS to pay the monthly premium in any county where all Medicare Health Maintenance Organizations charge a monthly premium. Establishes requirements and guidelines for review of trusts for the purposes of establishing eligibility for the system. Extends the adult care home pilot program until October 1, 1998 and increases from 100 to 200 the number of participants in the pilot program. Extends the extended eligibility transplant program for 2 years (October 1, 1999.) Allows AHCCCS administration to assign Fee-For-Service liability to participating health plans, significantly reducing the amount of AHCCCS Fee-For-Service claims. It is expected that health plans will be reimbursed through higher capitation rates. Requires AHCCCS to submit to HCFA a request for a waiver for implementation of Proposition 203 (100% FPL) and to submit a report on the implementation plans to the Legislature.

Liver Disease Research: U of A (Chapter 262) — For FY 1998, transfers \$500,000 from the DHS Health Research Account of the Tobacco Tax and Health Care Fund to the University of Arizona-College of Medicine for the establishment of a Liver Research Institute.

Tobacco Tax Distribution — Although tobacco tax revenues derived from the voter-approved 40¢ per pack cigarette/tobacco tax increase are spent by several agencies, a consolidated statement is presented on the next page.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - SUMMARY (Cont'd)

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
Tobacco Tax and Health Care Fund			
<u>Funds Available</u>			
Revenue	\$ 124,987,200	\$ 124,000,000	\$ 122,000,000
<u>Allocation ^{1/}</u>			
DOR Administration	\$ 314,300	\$ 331,000	\$ 339,400
Transfer to AHCCCS-Medically Needy (70%)	89,036,200	88,237,200	86,804,800
Transfer to DHS-Health Education (23%)	27,093,000	28,992,200	28,521,500
Transfer to DHS-Health Research (5%)	8,404,000	6,302,700	6,200,300
Transfer to DOC Corrections Fund (2%)	139,700	136,900	134,000
Total Allocation	\$ 124,987,200	\$ 124,000,000	\$122,000,000
AHCCCS Medically Needy Account			
<u>Funds Available</u>			
Balance Forward	\$ 39,369,600	\$ 101,523,600	\$ 67,182,300
Transfer In - Tobacco Tax and Health Care Fund	89,036,200	88,237,200	86,804,800
Total Funds Available	\$ 128,405,800	\$ 189,760,800	\$153,987,100
<u>Allocation</u>			
Offset Loss in Federal Funding	\$ 0	\$ 2,021,200	\$ 4,145,000
Phase-Down of Quick Pay Discount	0	4,522,800	7,978,800
\$10M Hospital Reimbursement	0	10,000,000	10,000,000
Maternity Length of Stay	0	0	1,919,000
HIV/AIDS Treatment	0	0	2,652,400
Transplants	734,800	2,900,000	3,500,000
Transfer to AHCCCS-Medical Services Stabilization Fund	14,065,400	46,912,500	15,652,500
Transfer to AHCCCS-Premium Sharing Demo Project Fund	0	20,000,000	20,400,000
Transfer to DHS-Medically Needy Allocations	12,082,000	21,422,000	36,480,400
Transfer to Health Crisis Fund	0	0	1,000,000
Transfer to DES Aging and Adult Administration	0	0	500,000
DHS Construction	0	14,800,000	0
Total Allocation	\$ 26,882,200	\$ 122,578,500	\$104,228,100
Balance Forward	\$ 0	\$ 67,182,300	\$ 49,759,000
AHCCCS Medical Services Stabilization Fund			
<u>Funds Available</u>			
Balance Forward	\$ 0	\$ 14,065,400	\$ 60,977,900
Transfer In - AHCCCS-Medically Needy	14,065,400	46,912,500	15,652,500
Total Funds Available	\$14,065,400	\$ 60,977,900	\$ 76,630,400
AHCCCS Premium Sharing Demo Project Fund			
<u>Funds Available</u>			
Balance Forward	\$ 0	\$ 0	\$19,925,000
Transfer In - AHCCCS - Medically Needy	0	20,000,000	20,400,000
Total Funds Available	\$ 0	\$ 20,000,000	\$40,325,000
<u>Allocation</u>			
Administrative Expenses	\$ 0	\$ 75,000	\$ 400,000
Services	0	0	20,000,000
Total Allocation	\$ 0	\$ 75,000	\$20,400,000

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - SUMMARY (Cont'd)

	FY 1996	FY 1997	FY 1998
Balance Forward	\$ 0	\$ 19,925,000	\$ 19,925,000
DHS Health Education Account			
<u>Funds Available</u>			
Balance Forward	\$ 12,938,400	\$ 30,322,100	\$ 34,314,300
Transfer In - Tobacco Tax and Health Care Fund	27,093,000	28,992,200	28,521,500
Total Funds Available	\$ 40,031,400	\$ 59,314,300	\$ 62,835,800
<u>Allocation</u>			
Operating Subtotal	\$ 9,709,300	\$ 25,000,000	\$ 36,809,000
Balance Forward	\$ 30,322,100	\$ 34,314,300	\$ 26,026,800
DHS Health Research Account			
<u>Funds Available</u>			
Balance Forward	\$ 0	\$ 7,996,100	\$ 9,231,600
Transfer In - Tobacco Tax and Health Care Fund	8,404,000	6,302,700	6,200,300
Total Funds Available	\$ 8,404,000	\$ 14,298,800	\$ 15,431,900
<u>Allocation</u>			
Disease Control Research Commission	\$ 407,900	\$ 5,067,200	\$ 5,037,100
Transfer to U of A - Liver Research Institute	0	0	500,000
Total Allocation	\$ 407,900	\$ 5,067,200	\$ 5,537,100
Balance Forward	\$ 7,996,100	\$ 9,231,600	\$ 9,894,800
DHS Medically Needy Allocations			
<u>Funds Available</u>			
Balance Forward	\$ 0	\$ 637,200	\$ 0
Transfer In - AHCCCS-Medically Needy	12,082,000	21,422,000	36,480,400
Total Funds Available	12,082,000	\$ 22,059,200	\$ 36,480,400
<u>Allocation</u>			
Primary Care Programs	\$ 3,600,000	\$ 5,100,000	\$ 6,240,000 ^{2/}
Qualifying Community Health Centers	3,600,000	5,100,000	5,200,000 ^{2/}
Telemedicine	255,000	255,000	260,000 ^{2/}
Mental Health Programs for Non-Title XIX	3,489,800	5,000,000	5,000,000
Detoxification Services	500,000	500,000	500,000
Renal Disease Management	0	150,000	250,000
Basic Children's Medical Services Program	0	5,100,000	5,200,000 ^{2/}
Evaluations	0	854,200	854,200
Public Health Education	0	0	7,800,000 ^{2/}
Rural Private Primary Care Provider Loan Repay Program	0	0	111,200
Community Health Center Grants	0	0	2,500,000
Primary Care Capital Construction Projects	0	0	2,500,000
Salome Health Services	0	0	65,000
Total Allocation	\$ 11,444,800	\$22,059,200	\$36,480,400
Balance Forward	\$ 637,200	\$ 0	\$ 0

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - SUMMARY (Cont'd)

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
DOC Corrections Fund			
<u>Funds Available</u>			
Transfer In - Tobacco Tax and Health Care Fund	\$ 139,700	\$ 136,900	\$ 134,000
<u>Allocation</u>			
Comingled with Other Revenue Sources for Capital Exp.	\$ 139,700	\$ 136,900	\$ 134,000
<p>1/ 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 transferred out proportionally to the other 3 accounts.</p> <p>2/ Pursuant to A.R.S. § 36-2921C, as amended by Laws 1997, Chapter 257, these amounts include an additional 4% for administrative costs associated with each program.</p>			

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM -
ADMINISTRATION**

A.R.S. § 36-2901

General Fund and Federal Funds		FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	(GF)	1,070.2	1,074.8	1,074.8 ^{1/}
	(TF)	<u>2,197.4</u>	<u>2,209.7</u>	<u>2,209.7</u> ^{1/}
Personal Services	(GF)	11,847,400	12,828,300	13,551,700
	(TF)	27,071,900	28,129,300	29,712,100
Employee Related Expenditures	(GF)	2,831,200	3,001,800	3,190,900
	(TF)	6,368,100	6,541,000	6,953,900
Professional and Outside Services	(GF)	3,031,600	3,249,500	3,204,200
	(TF)	6,920,300	7,518,700	7,413,700
Travel - In State	(GF)	95,700	130,100	130,100
	(TF)	198,000	262,900	262,900
Travel - Out of State	(GF)	22,800	37,000	37,000
	(TF)	42,500	70,000	70,000
Other Operating Expenditures	(GF)	7,511,000	5,313,700	6,299,200
	(TF)	12,657,900	12,245,300	10,991,300
Equipment	(GF)	1,031,000	1,120,200	901,400
	(TF)	<u>1,891,400</u>	<u>2,086,600</u>	<u>1,677,600</u>
Operating Subtotal	(GF)	26,370,700	25,680,600	27,314,500
	(TF)	55,150,100	56,853,800	57,081,500
ADOA Data Center	(GF)	2,133,300	3,063,800	1,334,800 ^{2/}
	(TF)	6,081,400	7,247,100	3,737,900 ^{2/}
Indian Advisory Council	(GF)	87,600	96,900	101,500
	(TF)	173,300	193,700	202,800
DES Eligibility	(GF)	18,321,800	18,494,600	19,196,500 ^{3/}
	(TF)	36,280,800	36,824,200	38,287,700 ^{3/}
DES DDSA	(GF)	76,400	101,100	102,800 ^{3/}
	(TF)	149,400	202,400	205,700 ^{3/}
DES PASARR	(GF)	17,200	51,500	51,800 ^{3/}
	(TF)	64,200	204,200	205,400 ^{3/}
DES MEDICS	(GF)	549,000	202,500	188,700 ^{3/}
	(TF)	1,062,500	369,400	360,800 ^{3/}
DHS Licensure	(GF)	108,700	411,000	470,700 ^{4/}
	(TF)	185,400	866,900	776,700 ^{4/}
DHS PASARR	(GF)	33,000	51,800	52,400 ^{4/}
	(TF)	126,500	210,800	212,200 ^{4/}
DHS Indirect Costs	(GF)	21,700	187,100	144,500 ^{4/}
	(TF)	<u>43,400</u>	<u>374,200</u>	<u>236,500</u> ^{4/}
Total Appropriations	(GF)	47,719,400	48,340,900	48,958,200
	(TF)	99,317,000	103,346,700	101,307,200 ^{5/5/}
Fund Summary				
General Fund		47,719,400	48,340,900	48,958,200
Federal Funds		<u>51,597,600</u>	<u>55,005,800</u>	<u>52,349,000</u>
Total Appropriations		99,317,000	103,346,700	101,307,200

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - ADMINISTRATION (Cont'd)

GF = State General Fund

TF = Total Funds, and represents the sum of the state General Fund and Federal Funds.

Program Description — 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. 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 Medical Assistance Only (MAO) Eligibility. Eligibility for the Acute Care program is conducted by the Department of Economic Security (DES), counties, and the federal Social Security Administration. 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.

Fund Source Adjustment — The approved amount includes an increase of \$1,519,400 General Fund to correct the fund source proportion between state and federal monies for the Administration program. The increased state match provides the Administration with the correct level of state participation needed to draw down the approved amount of Federal Funds.

ALTCS Eligibility — The approved amount includes \$321,000 for the automation of the Pre-Admission Screen (PAS) assessment, an initial medical eligibility assessment required of all ALTCS applicants. The automation of the screening tool is expected to decrease the amount of time needed to determine eligibility by eliminating duplicative data entry resulting in reduced fee-for-service costs.

ADOA Data Center — The Special Line Item reflects costs associated with the agency's usage of mainframe computing services provided by the Arizona Department of Administration (ADOA.) The reduction in the funding is a result of ADOA reducing its rates for FY 1998.

Indian Advisory Council — The Advisory Council on Indian Health Care was established in Laws 1989, Chapter 293 to assist in developing a comprehensive health care delivery system for Arizona's Native American population.

DES Eligibility — DES, through an intergovernmental agreement with AHCCCS, performs eligibility determinations for the AHCCCS Acute Care program. DES staff, in addition to conducting eligibility determinations for the Temporary Assistance for Needy Families Cash Assistance program, also evaluate applications for AHCCCS eligibility. DES eligibility staff also take applications for MAO in the federal SOBRA program for pregnant women and children.

DES Disability Determination Services Administration (DDSA) — DDSA, through an intergovernmental agreement with AHCCCS, determines disability entitlement for the Arizona Long-Term Care System and the Federal Emergency Services program.

DES Preadmission Screening and Annual Resident Review (PASARR) — DES PASARR, through an intergovernmental agreement with AHCCCS, screens all individuals with developmental disabilities before they enter the Long-Term Care program to determine the appropriate level and types of specialized services needed. While DES-DDSA determines eligibility, the DES-PASARR program determines whether an individual requires active treatment for a behavioral health condition and proper placement.

1/ Includes 550.6 GF and 1,102.5 TF FTE Positions funded from Special Line Items in FY 1998.

2/ It is the intent of the Legislature that the appropriation for the Arizona 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 Arizona Department of Administration Data Center. (General Appropriation Act footnote)

3/ The amounts appropriated for the Department of Economic Security Special Line Items 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. (General Appropriation Act footnote)

4/ The amounts appropriated for the Department of Health Services Special Line Items 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. (General Appropriation Act footnote)

5/ General Appropriation Act funds appropriated as an Operating Lump Sum with Special Line Items for the Program.

6/ Of the \$101,307,200 expenditure authority for Administration, \$48,958,200 is appropriated from the state General Fund. (General Appropriation Act footnote)

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - ADMINISTRATION (Cont'd)

DES Medical Eligibility Determinations and Information Control System (MEDICS) — DES MEDICS is an automated system for determining AHCCCS eligibility in the federal SOBRA program for pregnant women and children and other AFDC-related MAO programs. For FY 1998, the approved amount for the MEDICS Special Line Item reflects a reduction of \$8,600 for the scheduled lease-purchase payment. The lease-purchase is expected to be complete in FY 2000.

DHS Licensure — DHS, through an intergovernmental agreement with AHCCCS, is responsible for federally required inspection and licensure of Title XIX-certified nursing care facilities. The approved amount includes a reduction of \$122,300 resulting from a realignment of funding sources necessary to draw down the appropriate amount of Federal Funds.

DHS PASARR — DHSPASARR, through an intergovernmental agreement with AHCCCS, conducts Level II psychiatric evaluations of Title XIX-certified nursing facility patients who have been identified through a Level I screening as potentially having a mental illness.

DHS Indirect Costs — Represents the cost of administrative functions performed by non-Licensure Division staff in support of the Licensure Division. The approved amount includes a reduction of \$137,700 resulting from a 31% decrease in the indirect cost rate.

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM -
LONG-TERM CARE**

A.R.S. § 36-2901

General Fund, County and Federal Funds		FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
ALTCS Lump Sum Appropriation	(SM)	120,855,300	135,347,300	148,939,500
	(TF)	358,991,600	393,552,600	432,850,600
Board of Nursing	(SM)	77,500	68,300	68,300
	(TF)	155,100	209,700	209,700
Total Appropriations	(SM)	120,932,800	135,415,600	149,007,800
	(TF)	359,146,700	393,762,300	433,060,300
Fund Summary				
General Fund		0	1,000,000	0
Federal Funds		238,213,900	258,346,700	284,052,500
County Funds		120,779,500	134,415,600	149,007,800 ^{1/}
Third Party Collections		153,300	0	0
Total Appropriations		359,146,700	393,762,300	433,060,300 ^{2/2/}

SM = State Match, consists of the state General Fund, County Funds, and Third Party Collections.
TF = Total Funds, and represents the sum of the State Match and Federal Funds.

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 and is also responsible for contracting with providers. As in the Acute program, providers receive a monthly capitation payment that covers the full range of ALTCS services, including acute medical services.*

Lump Sum Appropriation — The approved amount is based on a total of 15,506 member years and an FY 1998 average cost of \$2,326.30 per member per month. The approved amount reflects amounts for Capitation, Fee-for-Service payments, Medicare Premium payments, and nurse aid training costs. The estimate reflects a projected increase in population of 7.5% coupled with a 3% per member per month cost increase for FY 1998.

Board of Nursing — The Special Line Item reflects amounts to be passed through to the Board of Nursing for the cost of administering the Nurse Aid Training program.

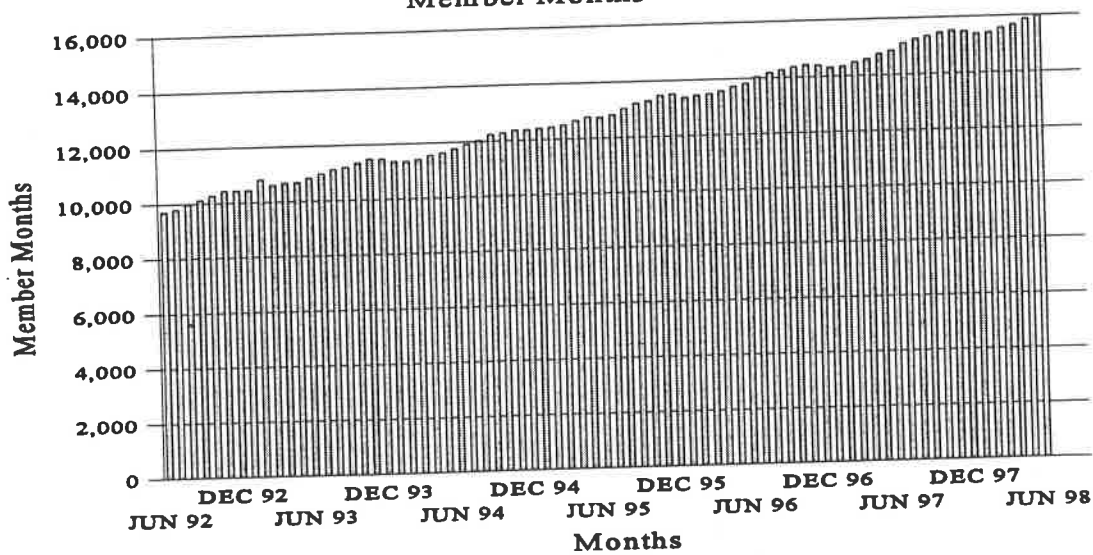
Demographic and Funding Information — The tables on the following page show the population growth of the AHCCCS ALTCS program and the relative funding contributed by counties for both ALTCS and Acute Care growth.

The table illustrates the actual and forecasted population growth for the ALTCS Program. As the chart shows, population has been growing at a predictable linear rate of 8% to 9% per year.

^{1/} Pursuant to A.R.S. § 11-292B, the FY 1998 non-federal portion of the costs of providing Long-Term Care System services is \$149,007,800. (General Appropriation Act footnote)
^{2/} 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. (General Appropriation Act footnote)
^{3/} General Appropriation Act funds are appropriated by Special Line Items for the Program.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - LONG-TERM CARE (Cont'd)

**ALTCS
Member Months**



The following table shows the relative level of contributions for the counties and the state for the Acute Care Program and the ALTCS Program over time:

County Share of the AHCCCS Acute Care and Long-Term Care Budgets

Fiscal Years	State Acute Care ^{1/}	County Acute Care	County ALTCS ^{2/}	Subtotal County Acute and LTC	State and County Total	County Share
1984	76,169,200	63,073,500	-0-	63,073,500	139,242,700	45.3%
1985	117,110,700	63,073,500	-0-	63,073,500	180,184,200	35.0%
1986	132,373,700	61,835,700	-0-	61,835,700	194,209,400	31.8%
1987	117,481,600	58,388,400	-0-	58,388,400	175,870,000	33.2%
1988	170,307,600	58,432,600	-0-	58,432,600	228,740,200	25.5%
1989	216,310,700	58,432,600	19,665,700	78,098,300	294,409,000	26.5%
1990	228,655,200	58,432,600	59,861,300	118,293,900	346,949,100	34.1%
1991	292,455,100	58,432,600	88,000,000	146,432,600	438,887,700	33.4%
1992	379,995,400	65,076,100	87,543,100	152,619,200	532,614,600	28.7%
1993	439,341,900	65,076,100	86,558,000	151,634,100	590,976,000	25.7%
1994	428,091,300	77,884,200	85,228,100	163,112,300	591,203,600	27.6%
1995	430,360,600	74,099,400	102,825,700	176,925,100	607,285,700	29.1%
1996	385,638,500	66,689,500	120,779,500	187,469,000	573,107,500	32.7%
1997	446,241,400 ^{3/}	66,689,500	134,415,600	201,105,100	647,346,500	31.1%
1998	476,671,200 ^{3/}	66,689,500	149,007,800	215,697,300	692,368,500	31.2%

^{1/} Includes administrative adjustments to date.

^{2/} Amounts shown are net of refunds and waived payments.

^{3/} Includes \$16,544,000 of Tobacco Tax Funds in FY 1997 and \$26,695,200 in FY 1998 for comparability.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - LONG-TERM CARE (Cont'd)

	<u>FY 1997</u>		<u>FY 1998</u>		<u>Difference</u>	
	<u>Acute Care</u>	<u>Long-Term Care</u>	<u>Acute Care</u>	<u>Long-Term Care</u>	<u>Acute Care</u>	<u>Long-Term Care</u>
Apache	268,800	310,000	268,800	327,800	0	17,800
Cochise	2,214,800	3,508,800	2,214,800	3,710,300	0	201,500
Coconino	742,900	930,100	742,900	983,500	0	53,400
Gila	1,413,200	3,607,500	1,413,200	3,814,600	0	207,100
Graham	536,200	901,900	536,200	953,600	0	51,700
Greenlee	190,700	479,100	190,700	506,600	0	27,500
La Paz	212,100	479,100	212,100	506,600	0	27,500
Maricopa	38,659,100	79,688,400	38,659,100	84,263,900	0	4,575,500
Mohave	1,237,800	3,847,000	1,237,800	4,067,900	0	220,900
Navajo	310,800	1,282,300	310,800	1,356,000	0	73,700
Pima	14,951,800	28,958,400	14,951,800	30,621,200	0	1,662,800
Pinal	2,715,600	7,172,700	2,715,600	7,584,500	0	411,800
Santa Cruz	482,800	1,479,600	482,800	1,564,600	0	85,000
Yavapai	1,427,800	4,396,600	1,427,800	4,649,000	0	252,400
Yuma	<u>1,325,100</u>	<u>3,875,200</u>	<u>1,325,100</u>	<u>4,097,700</u>	<u>0</u>	<u>222,500</u>
Total	66,689,500	140,916,700	66,689,500	149,007,800	0	8,091,100

The table above displays the Acute and Long-Term Care contributions for each county based on the approved budgets for FY 1997 and FY 1998. It should be noted that the FY 1997 county contribution is estimated to be \$6,501,100 lower than the approved amount. Using the lower estimate results in a FY 1998 increase of \$14,592,200 or 7.3%. However, the FY 1998 approved amount represents an increase of \$8,091,100 (3.9%) over the FY 1997 approved amount. From a budgetary perspective, the county budgeted increase will be 3.9%.

Other Issues — Due to a misinterpretation of accounting records, the June 1995 county ALTCS contribution of \$9,347,800 was not made and the General Fund supplied the necessary funds. The Executive is under statutory obligation to recover the lost funds and make the General Fund whole. Laws 1997, Chapter 5, 1st Special Session requires the counties to reimburse the General Fund by directing the Treasurer's Office to withhold the entire amount of the reimbursement from expected FY 1996 and FY 1997 county ALTCS refunds totaling \$11,900,600. The net refund to the counties is a total of \$2,552,800. An additional FY 1997 General Fund appropriation of \$3,274,000 was made to AHCCCS for the payment of outstanding claims against Apache (\$1,231,000) and Navajo (\$2,043,000) counties resulting from tribal members who reside on reservation and received off-reservation health care but did not qualify for full medical coverage through AHCCCS. The associated amount appears in the Acute Care program section.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - ACUTE CARE

A.R.S. § 36-2901

General Fund, Federal, and Other Funds		FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
Capitation	(SM)	308,044,700	329,839,700 ^{1/}	353,222,600
	(TF)	722,140,600	763,268,300 ^{1/}	808,322,700
Fee-For-Service	(SM)	83,266,100	111,698,500	113,453,500
	(TF)	208,398,200	260,206,600 ^{1/}	285,362,700
Reinsurance	(SM)	7,577,600	17,874,300 ^{1/}	19,077,900
	(TF)	12,160,300	30,798,400 ^{1/}	39,363,000
Medicare Premiums	(SM)	6,085,500	4,928,700	6,114,000
	(TF)	17,893,900	14,224,000	17,658,400
Qualified Medicare Beneficiaries	(SM)	1,295,400	2,608,800	1,586,300
	(TF)	3,809,000	7,603,300	4,582,100
Disproportionate Share Payments	(SM)	35,558,200	50,980,900 ^{1/2/}	53,726,500
	(TF)	100,651,700	143,247,100 ^{1/2/}	150,310,400 ^{3/}
Temporary Assistance to Counties	(SM)	2,500,000	3,274,000 ^{1/}	0
	(TF)	2,500,000	3,274,000 ^{1/}	0
Total	(SM)	444,327,500	521,204,900 ^{1/}	547,180,800
	(TF)	1,067,553,700	1,222,621,700 ^{1/}	1,305,599,300
Additional Appropriations - Welfare Reform; Az Works Prog., Ch. 300	(SM)	0	0	1,179,900
	(TF)	0	0	1,179,900
Total Appropriations	(SM)	444,327,500	521,204,900	548,360,700
	(TF)	1,067,553,700	1,222,621,700	1,306,779,200 ^{4/5/6/}

- ^{1/} Laws 1997, Chapter 7, 1st Special Session increased FY 1997 overall total spending authority due to a larger than anticipated Disproportionate Share Hospital (DSH) award and increased Fee-For-Service costs resulting from a 55% increase in Indian Health Services Facilities charges. The General Fund appropriation did not increase but was redistributed to provide the appropriate state match required to draw down the increased DSH award. However, Chapter 7 appropriated \$3,274,000 General Fund to AHCCCS for the payment of outstanding medical claims for Apache and Navajo counties related to tribal members residing on-reservation.
- ^{2/} The amount appropriated for Disproportionate Share Hospital Payments includes \$102,800 for county in-lieu payments made in September 1997 for FY 1996. The FY 1997 Disproportionate Share Payment of \$143,247,100 is based on federal authorized expenditure level of \$140,800,000. If the final federal expenditure authorization is an amount different from the estimate, the Governor shall direct the Arizona Health Care Cost Containment System, subject to the availability of monies and to the review of the Joint Legislative Budget Committee, to proportionately adjust final payments based upon a proration which equally distributes the adjusted authorization amount among the identified recipients of disproportionate share hospital payments. Prior to the final payment, the Governor shall provide notification to the President of the Senate, Speaker of the House of Representatives, Chairmen of the Appropriations Committees and the Staff Director of the Joint Legislative Budget Committee of the adjusted federal authorized expenditure level and the proposed distribution plan for these monies.
- ^{3/} Of the appropriation for Disproportionate Share Payments made pursuant to A.R.S. § 36-2903.01R, the sum of \$100,822,100 is for qualifying county operated hospitals, \$28,446,900 is for deposit in the Arizona State Hospital Fund and \$18,571,000 is for other qualifying disproportionate share hospitals. The remaining \$2,470,400 is for in-lieu payments to counties having a population of 500,000 persons or less according to the most recent United States decennial census, in an amount which is the difference between the disproportionate share payments made pursuant to A.R.S. § 36-2903.01R, and \$201,700, if the disproportionate share payments are less than \$201,700. For each county that would receive less than \$100,900 from these in-lieu payments, the system administration shall make an additional in-lieu payment that will provide the county with a total payment of \$100,900. (General Appropriation Act footnote)
- ^{4/} Of the \$1,306,779,200 expenditure authority for Acute Care, \$449,976,000 is appropriated from the State General Fund. (General Appropriation Act footnote)
- ^{5/} General Appropriation Act funds are appropriated by Special Line Items for the Program.
- ^{6/} A study committee is established and is comprised of the Chairmen of the Joint Appropriations Subcommittee on Health and Welfare, 2 members who are not of the same party appointed by the Speaker of the House of Representatives, 2 members who are not of the same party appointed by the President of the Senate, 1 representative of Foster Care providers appointed by the Governor, 1 representative appointed by the Director of the Arizona Health Care Cost Containment System and 1 representative appointed by the Director of the Department of Economic Security. It is the intent of the Legislature that the study committee determine the feasibility of transferring the Comprehensive Medical and Dental Program from the Department of Economic Security to the Arizona Health Care Cost Containment System while maintaining or improving the current level and quality of services provided to eligible foster children. The study committee shall report its findings to the Speaker of the House of Representatives, the President of the Senate and the Governor by October 1, 1997. (General Appropriation Act footnote)

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - ACUTE CARE (Cont'd)

<u>Fund Summary</u>			
General Fund	373,094,600	432,971,400	449,976,000
Federal Funds	623,226,200	701,416,800	758,418,500
County Funds	66,689,500	66,689,500	66,689,500
Third Party Collections	4,543,400	5,000,000	5,000,000
Tobacco Tax Funds	0	16,544,000	26,695,200
Total Appropriations	1,067,553,700	1,222,621,700	1,306,779,200

SM = State Match, and consists of the state General Fund, Tobacco Tax, Third Party Collections and County Funds.
 TF = Total Funds, and represents the sum of the State Match and Federal Funds.

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 including some behavioral health 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 (MN/MI.) In cases involving catastrophic medical expenses, AHCCCS supplements Capitation through Reinsurance in order to preserve health plan financial viability.*

FY 1998 Acute Care Overview

The remaining sections provide explanations of the various line items in the Acute Care budget, as well as descriptions of AHCCCS eligibility categories.

Expanded Coverage — The approved amounts include funding for 2 service delivery changes that may increase Acute Care costs. The changes are a direct result of 2 unfunded federal mandates. In accordance with federal law, health plans may not restrict hospital stays to less than 48 hours following a normal delivery or 96 hours following a caesarean section. Under the law, the length of stay may be shortened if the decision is made by the attending physician in consultation with the mother. Laws 1997, Chapter 5, 1st Special Session, the Health Omnibus Reconciliation Bill (ORB) allows AHCCCS to adjust the tier per diem rates based on the new mandate. The approved amounts include \$5,535,200 for additional costs that health plans may incur due to the expected increase in lengths-of-stay.

The federal Health Care Financing Administration (HCFA) now requires for Title XIX HIV/AIDS patients coverage of protease inhibitors as a successful means of delaying the progression of AIDS and prolonging life. The approved amounts include \$6,655,900 for delivery and therapy costs associated with the protease inhibitor drug treatment.

The increased state match of \$4,571,400 required for the 2 changes in service is paid for by the Medically Needy Account of the Tobacco Tax Fund pursuant to Laws 1997, Chapter 5, 1st Special Session.

Medical Inflation and Caseload Growth — The FY 1998 amounts reflect overall inflation and capitation caseload growth of approximately 4%. The growth equates to an increase of \$60,530,000 above the approved FY 1997 amount for Capitation, Fee-For-Service and Reinsurance. For Medicare Premiums and Qualified Medicare Beneficiaries, the net increase is \$413,200.

Capitation — Represents payments made to health plans under contract with AHCCCS for the cost of care provided to enrolled members. These payments are made on a monthly basis and cover the full range of services required in statute. Contracts are awarded for a multi-year period upon the completion of a competitive bidding process in which health plans respond to a Request for Proposals from AHCCCS. Health plans bid by AHCCCS eligibility group, or rate code, meaning that different rates are paid for different groups. Varying capitation rates are due to the nature of federal Medicaid and state-funded eligibility categories, which are comprised of markedly different demographic groups. In general, capitation rates are based on an actuarial assessment of the medical services utilization and costs incurred by each of the AHCCCS eligibility groups. Additionally, capitation rates may reflect program changes, such as a required expansion of available services, or changes in eligibility requirements. Rates also vary by health plan and geographical area, but remain within the parameters set by actuarial study and contract negotiation. Therefore, the capitation rates shown in Table AC-1 are estimated averages of capitation rates.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - ACUTE CARE (Cont'd)

Since the starting point for new or renewed health plan contracts coincides with the new federal fiscal year, the state fiscal year appropriation reflects 3 months of capitation rates paid at a level negotiated for the period of October 1996 through September 1997, and 9 months at new rates negotiated for the contract year beginning in October 1997. The FY 1998 appropriation provides for an overall capitation inflation increase of 4% for the contract year starting October 1, 1997. The FY 1998 amount for capitation is based on the statewide average rates displayed in Table AC-1.

<u>Federal Eligibility Groups</u>	<u>Monthly Cap. Rate</u>	<u>Federal Share ^{1/}</u>	<u>State Share</u>
TANF	\$ 118.23	\$ 77.30	\$ 40.93
SSI w/ Medicare	126.51	82.71	43.80
SSI w/out Medicare	326.46	213.44	113.02
SOBRA Women	118.47	77.45	41.01
SOBRA Children	100.04	65.41	34.63
SOBRA Deliveries	4,672.98	3,055.20	1,617.79
State Eligibility Groups			
MN/MI w/ Medicare	238.95	0	238.95
MN/MI w/out Medicare	334.01	0	334.01
EAC	100.64	0	100.64
ELIC	101.32	0	101.32

^{1/} Federal share reflects a blended FMAP of 3 months at 65.53% and 9 months at 65.33%.

For federally-qualified members also eligible for Medicare, AHCCCS pays the member's Medicare Part B premiums, thereby allowing AHCCCS to bill the federal Medicare program for a portion of the member's medical expenses. As the capitation rates indicate, this Medicare "buy-in" substantially reduces total capitation costs and state share costs for Medicare-eligible members.

The federal share of capitation and other costs incurred by federally-eligible members is based on a predetermined federal matching rate known as the Federal Medical Assistance Percentage, or FMAP. This federal matching rate varies from state to state and is based on an inverse mathematical relationship between state per capita income and the national average. The lower a state's personal income, as compared to the U.S., the higher the percentage, and vice-versa. States are currently guaranteed a "floor" of 50% federal participation. Arizona's FMAP for the federal fiscal year ending September 30, 1997 is 65.53%. For the federal fiscal year beginning October 1, 1997, Arizona's FMAP will decrease to 65.33%. The resulting increase in state match of \$4,145,000 is paid for from the Medically

Needy Account of the Tobacco Tax and Health Care Fund pursuant to Laws 1997, Chapter 5, 1st Special Session. State eligibility groups are funded entirely with state dollars.

Estimated FY 1998 member years paid are shown in Table AC-2.

<u>Federal Eligibility Groups</u>	<u>Avg Annual Member Yrs Paid ^{1/}</u>
TANF	182,740
SSI w/ Medicare	21,200
SSI w/out Medicare	41,681
SOBRA Women	12,951
SOBRA Children	102,395
State Eligibility Groups	
MN/MI w/ Medicare	76
MN/MI w/out Medicare	27,110
EAC	2,014
ELIC	503
Total Member Years ^{1/}	390,670
SOBRA Deliveries ^{2/}	17,342 ²

^{1/} Member years are calculated as projected member months divided by 12 and do not necessarily indicate actual number of clients enrolled.
^{2/} This is the projection of actual birth deliveries to be made by enrollees in AHCCCS health plans.

Fee-For-Service — This expenditure line item is for payments made by AHCCCS directly to health care providers on behalf of members not yet enrolled in a health plan or else not eligible for health plan enrollment. For in-patient hospital bills, the level of reimbursement is based on the tiered per diem hospital reimbursement methodology authorized in Laws 1992, Chapter 302. This methodology classifies services into 1 of 7 per diem rates, such as surgery, intensive care, and routine care. Pursuant to Chapter 302, the per diem rates shall be adjusted annually (on October 1) by the Data Resources Incorporated Market Basket Index for Prospective Payment System Hospitals.

The budget for FY 1998 reflects a continuation of the phase-out of "quick pay" discounts for both state-only and categorical payments to hospitals. The state-only discount will decrease from 9% to 8% effective March 1, 1998 while the categorical discount will decrease from 3% to 1% effective October 1, 1997. The increased state match of \$7,978,800 required for this phase-down is paid for from the Medically Needy Account of the Tobacco Tax Fund pursuant to Laws 1997, Chapter 5, 1st Special Session (Health ORB.) Under current law, the state-only discount will continue to decline by 1% per year until it reaches 1% in FY 2005. At its 1% level, the categorical discount is already fully phased out.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - ACUTE CARE (Cont'd)

Also, the FY 1995 Health ORB amended Laws 1993, Chapter 6, 2nd Special Session, to continue a \$10,000,000 reduction of payments to hospitals for fee for service claims related to state eligibility groups. This discount would have been reduced to zero without the amending language passed by the Legislature. The discount was discontinued in FY 1997, and the \$10,000,000 increase is funded by the Medically Needy Account of the Tobacco Tax and Health Care Fund pursuant to Laws 1997, Chapter 5, 1st Special Session.

As indicated above, one area of Fee-For Service coverage is for AHCCCS members not yet enrolled in a health plan. This fee for service "window" varies based on the category of eligibility. Federally-eligible persons have a 16-day period in which to choose a health plan. During this period and any additional time between eligibility and the effective date of health plan enrollment, these individuals are eligible to have medically necessary services paid on their behalf. Additionally, if these persons have unpaid bills for services received in the 90-day period prior to their application for eligibility and would have been eligible for some period of time in that 90-day period, AHCCCS pays these bills on a fee for service basis. This retroactive coverage is referred to as "prior quarter coverage."

State-only recipients who are eligible for the MN/MI program are enrolled with a prepaid health plan within 3 days of the determination of eligibility through an automatic assignment process. Under current law, AHCCCS covers emergency services received up to 48 hours prior to the date of notification of eligibility by a county office. This period of state liability is known as "48 hour retro." Participants enrolled in the state-only ELIC and EAC programs have the same choice period as federal categorically eligible members.

In addition to temporary Fee-For-Service coverage for the pre-enrollment period, AHCCCS also covers certain groups not eligible for health plan enrollment or those that choose Indian Health Services as their health plan. These groups include Native Americans living on reservations and those eligible for only emergency services coverage, due to a lack of U.S. citizenship or lawful alienage status but otherwise AHCCCS-eligible.

Pursuant to an agreement between the State of Arizona and the federal government, Medicaid-eligible Native Americans living on reservations may be referred off-reservation by the Indian Health Service (IHS) for services if the IHS is unable to provide the necessary services. The state's cost for these referrals corresponds to the established state matching rate for other federally-eligible members. Native Americans eligible for an AHCCCS state eligibility group (MN/MI) may

also be referred off reservation for services, with AHCCCS paying 100% of the cost from state dollars, as with other state-eligible members. For Medicaid-eligible Native Americans treated on reservation in an IHS facility, the federal government pays all costs, with AHCCCS passing through these federal funds to the IHS facility.

With the passage of Laws 1993, Chapter 6, 2nd Special Session, eligibility in state groups such as MN/MI was limited to applicants having proof of U.S. citizenship or lawful alienage status. Those unable to provide such proof but still fulfilling all other eligibility requirements can still find coverage for emergency medical care through either federal or state emergency services eligibility. AHCCCS will reimburse providers for services if the service was in fact for an emergency medical condition. AHCCCS coverage continues until such time as an emergency condition no longer exists.

As a result of an April 1996 federal court ruling, HCFA has ceased to reimburse AHCCCS for non-emergency prenatal/postpartum care under the Federal Emergency Services program. For FY 1997, the state and federal share of non-emergency prenatal/postpartum care was absorbed with 100% state funds. The approved amounts for FY 1998 reflect a reduction of \$3,950,000 from the elimination of these services (delivery-related and emergency prenatal services will remain.) The reduction does not include an additional \$1,924,700 required for payment of lagging claims received in FY 1998.

Reinsurance — Payments from this line item are intended to supplement capitation in catastrophic cases. Such payments are made to AHCCCS health plans and have the effect of reimbursing health plans for extraordinary costs not reflected in the capitation rate. Effective October 1, 1997, health plans may select a lower reinsurance deductible. Health plans that choose a lower deductible will have their capitation rates reduced proportionately. Table AC-3 displays the Reinsurance deductibles offered. Three-fourths of the cost incurred by a health plan in excess of the appropriate deductible is borne by AHCCCS when costs have been incurred for the provision of payment for covered inpatient hospitalization.

Members Enrolled	FY 1998 Reinsurance Deductible	FY 1998 State Co-insurance %
1-9,999	\$20,000	75%
10,000-49,999	\$35,000	75%
50,000	\$50,000	75%
MN/MI	\$15,000	75%

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - ACUTE CARE (Cont'd)

Medicare Premiums — This line item represents the purchase of Medicare Part B (supplemental medical insurance) on behalf of those eligible for Medicaid and 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. In addition, the line also includes the costs of payment of Part A premium costs for certain disabled workers.

Qualified Medicare Beneficiaries — Federal law requires the state to pay Medicare Part A and Part B premiums, deductibles, and co-payments on behalf of certain low-income Medicare beneficiaries. An individual is eligible if:

- They are entitled to Part A Medicare benefits;
- Their resources do not exceed twice the SSI resource limit, or \$4,000; and
- Their income does not exceed 100% of the FPL (\$7,890 for 1 person, \$10,610 for a couple).

Disproportionate Share Payments — This line item represents supplementary payments to hospitals that serve a large, or disproportionate, number of low income patients. The federal basis for payments is either a reflection of a hospital's number of Title XIX inpatient days, or a "low income" utilization rate. States may also establish optional payment categories. Arizona has established optional groups that include county, state and private hospitals. Payments to county hospitals have been based on a "pool" of expenses consisting of charity care, uncollectible or bad debt, county General Fund subsidies, and state payments to county hospitals for AHCCCS recipients.

Additionally, this line item provides for "in-lieu" payments to counties not having county-operated hospitals. The allocation of the FY 1998 disproportionate share appropriation is as follows:

	FY 1997	FY 1998
County-Operated Hospitals	\$ 96,070,600	\$100,822,100
Arizona State Hospital	27,106,600	28,446,900
Private Hospitals	17,622,800	18,571,000
County In-Lieu Payments	<u>2,344,300</u>	<u>2,470,400</u>
Total Appropriation	\$143,247,100 ^{1/}	\$150,310,400

^{1/} Laws 1997, Chapter 7, 1st Special Session amended the award amount based on preliminary indication from HCFA.

Temporary Assistance to Counties — Laws 1995, Chapter 300 provided a one-time General Fund appropriation of \$2,500,000 for FY 1996 to assist Cochise, Gila and Santa Cruz Counties with health care costs. For FY 1997, additional legislation was passed to aid certain counties with long-term care contributions. Laws 1997, Chapter 7, 1st Special Session provided a total of \$3,274,000 to Apache

and Navajo counties for payment of outstanding claims associated with tribal members who reside on-reservation. (See *Other Issues in the Long-Term Care program for additional information on county issues.*)

Mental Health and CRS — AHCCCS passes through Federal Funds to DHS for mental health services to Title XIX-eligible children, clients age 18 and older diagnosed as being seriously mentally ill, clients age 21 and older diagnosed as non-seriously mentally ill, and for the Children's Rehabilitative Services (CRS.) Any Federal Funds that AHCCCS passes through to DHS do not count against the Acute Care program expenditure authority.

AHCCCS Eligibility Categories — The following is a description of federal and state eligibility groups as defined in state law:

Federal Eligibility Groups

TANF — Individuals receiving cash assistance from the Temporary Assistance for Needy Families (TANF) program in the Department of Economic Security are automatically eligible for AHCCCS benefits. This is often referred to as categorical eligibility. Federal law also allows for some individuals not eligible for cash assistance but still meeting certain TANF standards (e.g., Ribicoff Children), or those no longer eligible for cash payments (transitional medical assistance), to still be eligible for Medicaid. These are known as Medical Assistance Only (MAO) cases. Also, individuals in the TANF Unemployed Parent program are entitled to AHCCCS benefits.

While not a separate federal eligibility group, the Comprehensive Medical and Dental Program (CMDP) in the Department of Economic Security has AHCCCS-eligible children among its total population. AHCCCS passes through funds to CMDP on behalf of these eligible children.

SSI — Individuals receiving Supplemental Security Income (SSI) monthly cash payments are automatically eligible for AHCCCS benefits. These individuals are eligible in one of following three SSI categories: those age 65 or older (aged), the blind, and the disabled. Eligibility for the SSI program is based on uniform nationwide requirements. Like TANF, SSI also has related MAO groups. Additionally, AHCCCS passes through funds to CMDP, as a health plan, on behalf of SSI-eligible children enrolled in that program.

SOBRA Women and Infants — States are required to provide care to pregnant women and infants (under 1 year old) whose family incomes do not exceed 133% of the Federal Poverty Level (FPL) (\$17,729 for a family of 3). A resource standard may be established, but AHCCCS has chosen to waive this requirement. SOBRA refers to the federal Sixth Omnibus Budget Reconciliation Act.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - ACUTE CARE (Cont'd)

The federal government allows states the option of increasing the income limit to 185% of the FPL. Arizona acted upon this option and moved the state's income standard to 140% of the FPL (\$18,662 for a family of 3) in 1990. Coverage for women is limited to the term of pregnancy and 60 days of postpartum care.

SOBRA Children — The federal government requires states to provide medical assistance to children under age 6 whose family incomes do not exceed 133% of the FPL. Additionally, states are required to cover children born on or after October 1, 1983, with family incomes up to 100% of the FPL.

1902 (r)(2) Children — This eligibility group name refers to the relevant section of the federal Social Security Act that allows states discretion in establishing higher income eligibility standards than exist in other federal categories, such as SOBRA. Eligibility for this group requires an income below 100% of the FPL for children under the age of 14. Like SOBRA, this category has no resource limit. Most children in the 100% state funded Eligible Assistance Children (EAC) category were transferred to this federally-funded group.

Federal Emergency Services — All federal eligibility categories (AFDC, SSI, SOBRA, and any federal Medical Assistance Only group) have an emergency service component. Applicants for these federal programs who would be eligible except for a lack of U.S. citizenship or lawful alienage status are eligible for coverage of emergency medical services, but not full Medicaid benefits. Eligibility lasts as long as an emergency medical condition exists.

State-Only Groups

Medically Needy/Medically Indigent (MN/MI) — State law provides for eligibility for individuals meeting specified resource limits and the following income criteria:

<u>Family Size</u>	<u>Maximum Net Income</u>
1	\$3,200
4	\$5,354
8	\$7,530

MN/MI statutes allow medical expenses to be used to reduce the applicant's total annual income, thus allowing an applicant to "spend-down" into eligibility. Spend-down provisions do not apply to the calculation of the applicant's liquid and non-liquid resources. Unlike most federal Medicaid categories, MN/MI eligibility standards contain no restrictions relating to age, gender, or the presence of dependent children in the household. As of July 1, 1993, MN/MI applicants have to be U.S. citizens or lawfully

admitted aliens to be eligible for full AHCCCS services. Non-residents may qualify for emergency services coverage.

Eligible Assistance Children (EAC) — Children, ages 0-13 years, in families certified by the Department of Economic Security to be eligible for the federal Food Stamp Program qualify automatically for AHCCCS benefits. Because of the expansion of the federal SOBRA program and the creation of 1902(r)(2) group, the state has been able to transfer a large number of these children into federally-matched categories.

Eligible Low-Income Children (ELIC) — These are children, ages 0-13 years, in families whose annual income falls between the following guidelines, which represents the gap between the upper limit of the MN/MI income standard and the Federal Poverty Level:

<u>Family Size</u>	<u>Minimum Income</u>	<u>Maximum Income</u>
1	\$3,200.01	\$ 7,890
4	\$5,354.01	\$16,050
8	\$7,530.01	\$26,930

Except for the age restriction and the difference in income limits, applicants for ELIC must meet the same requirements as applicants for the state-only MN/MI program.

State Emergency Services — Established in Laws 1993, Chapter 6, 2nd Special Session, this eligibility category provides coverage of emergency medical services to those otherwise eligible for a state group, such as MN/MI, except for the lack of U.S. citizenship or lawful alien status. Services covered are the same as those in the Federal Emergency Services program, except the cost is 100% state-funded.

Additional Appropriations: Welfare Reform: Arizona Works Program (Chapter 300) — Appropriates \$1,032,500 from the state General Fund to AHCCCS to provide full medical benefits to legal residents residing in the United States under color of law prior to August 21, 1996 who were receiving benefits based on SSI categorical eligibility standards. Also appropriates an additional \$147,400 from the General Fund to AHCCCS to provide prenatal care to legal residents residing in the country prior to August 21, 1996 who would otherwise be AHCCCS-eligible. Allows legal residents residing in the country under color of law prior to August 21, 1996 to continue to receive ALTCS benefits if the person remains otherwise eligible for ALTCS.

STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES

A.R.S. § 15-1424

Donald E. Puyear, Ph.D., Executive Director

JLBC Analyst: Bruce Groll

General Fund and Certification Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	<u>13.0</u>	<u>13.0</u>	<u>13.0</u>
Personal Services	525,100	542,100	560,600
Employee Related Expenditures	95,000	98,500	95,100
Professional and Outside Services	24,000	9,600	9,600
Travel - In State	34,700	35,200	35,200
Travel - Out of State	2,800	2,800	2,800
Other Operating Expenditures	127,300	109,100	109,200
Equipment	0	21,100	12,000
Indirect Costs	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Operating Subtotal	808,900	828,400	834,500 ^{1/}
Operating State Aid			
Cochise	4,778,400	5,028,400	5,083,000
Coconino	1,955,500	2,411,500	2,553,900
Graham	4,318,100	4,583,500	4,656,300
Maricopa	33,818,400	37,523,200	38,886,300
Mohave	3,008,700	3,258,700	3,368,500
Navajo	3,639,300	3,889,300	3,826,300
Pima	15,359,800	16,359,800	16,483,700
Pinal	5,073,200	5,323,200	5,540,600
Yavapai	3,863,700	4,113,700	4,361,500
Yuma/La Paz	<u>4,234,200</u>	<u>4,571,300</u>	<u>4,588,700</u>
Total - Operating State Aid	80,049,300	87,062,600	89,348,800
Capital Outlay State Aid			
Cochise	698,300	698,300	632,700
Coconino	249,200	291,300	318,800
Graham	571,800	571,800	571,800
Maricopa	7,163,900	7,163,900	7,185,800
Mohave	431,600	431,600	448,600
Navajo	466,400	466,400	454,000
Pima	2,511,700	2,511,700	2,511,700
Pinal	685,000	685,000	685,000
Yavapai	525,500	525,500	570,800
Yuma/La Paz	<u>608,300</u>	<u>625,800</u>	<u>629,200</u>
Total - Capital Outlay State Aid	13,911,700	13,971,300	14,008,400 ^{2/}
Equalization Aid			
Cochise	1,400,300	1,565,900	1,616,300
Graham	6,081,800	6,274,000	6,467,200
Navajo	25,700	411,500	634,500
Yuma/La Paz	<u>52,100</u>	<u>11,600</u>	<u>23,500</u>
Total - Equalization Aid	7,559,900	8,263,000	8,741,500
Technology Assisted Learning	0	1,100,000	2,756,000 ^{3/}
Technology and Special Initiatives	0	0	5,215,000 ^{4/}
Course Applicability System	<u>0</u>	<u>0</u>	<u>100,000</u> ^{5/}
Total Appropriations	102,329,800	111,225,300	121,004,200 ^{6/}

STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES (Cont'd)

<u>Fund Summary</u>			
General Fund	102,189,600	111,080,000	120,757,700
Certification Fund	<u>140,200</u>	<u>145,300</u>	<u>246,500</u>
Total Appropriations	102,329,800	111,225,300	121,004,200

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 (ABOR); and the Superintendent of Public Instruction or the Superintendent's designee. The State Board of Directors for Community Colleges (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.*

Technical Issues — The approved amount includes an increase of \$600 from the Certification Fund (\$500 for Personal Services and \$100 for Employee Related Expenditures), as requested to reconcile base salary adjustments for refilled positions.

Equipment — The approved amount includes a one-time increase of \$9,000 GF to replace 3 obsolete personal computers to enable more efficient processing of database and Internet information; and a one-time increase of \$3,000 from the Certification Fund for software upgrades of the

local area network, wordprocessor and spreadsheet for the teacher certification database.

Indirect Costs — The approved amount includes \$10,000 from the Certification Fund to defray reasonable expenses incurred by the state board for administration of the fund. These costs include a share of the Executive Director's salary, financial services, and other state board staff whose efforts indirectly support the certification process.

- 1/ The \$146,500 appropriated from the Teacher Certification Fund is intended for the specific purpose of defraying teacher certification costs and includes \$136,500 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. (General Appropriation Act footnote)
- 2/ Each district has the option of using up to 20% of its total Capital Outlay Aid appropriation for Operating Aid purposes, or this same amount may be taken out of its total Operating State Aid appropriation and used for Capital Outlay purposes (A.R.S. § 15-1464F).
- 3/ The \$2,756,000 appropriated for Technology Assisted Learning is appropriated to the State Board of Directors for Community Colleges as a Special Line Item to implement the Arizona Learning System statewide plan for interconnecting and consolidating community college, university and K-12 telecommunication systems and tying individual community college districts' electronic delivery systems together. The success of the Arizona Learning System statewide network plan is dependent upon procuring an infrastructure constructed by private industry. Therefore, release of the \$2,756,000 funding for Arizona Learning System shall be subject to: 1) successful issuance of a joint request for proposal by the Arizona Learning System partnership member boards; 2) successful contract negotiation with a private vendor to provide the Arizona Learning System infrastructure at a distance-insensitive price to Arizona Learning System partners regardless of their location in Arizona; and 3) review by the Joint Legislative Budget Committee of the private vendor contract; and 4) presentation to the Joint Legislative Budget Committee of a preliminary methodology for estimating the per-credit hour education costs of Arizona Learning System-delivered instruction including how the Arizona Learning System revenues and expenses impact Operating and Capital Outlay State Aid. The Arizona Learning System partnership shall present an annual enrollment and financial report to the Joint Legislative Budget Committee by September 15, 1997, and each year thereafter. (General Appropriation Act footnote)
- 4/ The \$5,215,000 appropriated for Technology and Special Initiatives is one-time assistance for the community college districts to implement technological improvements associated with the Arizona Learning System and other special initiatives. The appropriation shall be distributed as follows: Maricopa, \$2,500,000; Pima, \$715,000; and all other districts, \$250,000 each. (General Appropriation Act footnote)
- 5/ The \$100,000 appropriated from the Teacher Certification Fund to the State Board of Directors for Community Colleges is a one-time amount to implement the Course Applicability System (CAS), and to purchase related computer hardware, software, and training. The CAS is a computer-based course transfer and course applicability guide jointly developed by the community colleges and universities. As such, release of the \$100,000 appropriated for CAS shall be subject to matching contributions totaling an additional \$200,000 including \$100,000 from the community college districts and \$100,000 from Arizona public universities. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with district-by-district Special Line Items and other Special Line Items.
- 7/ The Arizona Board of Regents (ABOR) and the State Board of Directors for Community Colleges (State Board) shall continue the Transfer Articulation Study Committee comprised of university and community college members who are representatives of faculty, academic administration, student services and the chief executive offices. It is the intent of the Legislature that the study committee meet at least quarterly to continually improve the statewide articulation and transfer system, including the process for transfer of lower division general education credits and curriculum requirements for majors, with the objective of reaching consensus on improving the agreement that assures that community college students may transfer to Arizona public universities without loss of credit towards a baccalaureate degree. The ABOR and the State Board shall present an annual report of their progress to the Joint Legislative Budget Committee beginning December 15, 1997. (General Appropriation Act footnote)

STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES (Cont'd)

Operating State Aid — The approved amount for Operating State Aid includes a net increase of \$2,286,200:

- \$2,001,200 to fund the “2-year decline” formula for each district as adopted by the Legislature in Laws 1996, Chapter 4, 5th Special Session; and
- \$285,000 to Cochise Community College as a base adjustment to fund a 2+2 program with the University of Arizona-Sierra Vista Campus.

Laws 1995, Chapter 196 modified the formula for calculating and allocating Operating State Aid to community college districts. Chapter 196 “held harmless” districts with declining full-time student equivalent (FTSE) enrollment by adjusting state aid in an amount that reflected only growth in the FTSE enrollment count (the old formula adjusted district funding for growth or decline in actual FTSE enrollment). This enrollment adjustment was calculated by multiplying the increase in the most recent year’s actual FTSE for each district by the average state aid per FTSE appropriated in the current fiscal year. Therefore, Operating State Aid equaled the sum of the current year base plus the FTSE enrollment growth adjustment, and also would have become the base amount to be adjusted in the next fiscal year.

However, the Legislature adopted in Laws 1996, Chapter 4, 5th Special Session a funding formula model that adjusted operating and capital aid budgets to more equitably account for continuous, longer-term reductions in FTSE enrollment for FY 1998. The “2-Year Decline” model reduced Operating and Capital Outlay Aid after 2 consecutive years of decreases in FTSE. For a district experiencing only a single year FTSE decline, a district would receive “hold harmless” funding at the district’s FY 1997 state aid amounts. As the relevant section of Chapter 4 is a session law affecting FY 1998 only, future state aid calculations will revert to the statutory formulas unless specified otherwise by the Legislature.

Use of the 2-Year Decline model resulted in \$2,001,200 of additional Operating State Aid for FY 1998. Two districts, Cochise and Navajo, experienced 2 consecutive years of FTSE enrollment declines and received reductions of \$230,400 and \$63,000, respectively, for a total reduction of \$293,400. When combined with the \$285,000 base increase to Cochise Community College, the net FY 1998 operating aid increase totals \$2,286,200. This compares with the suspended statutory formula which would have generated a \$2,294,600 increase.

Capital Outlay State Aid — The approved amount for Capital Outlay State Aid includes a net increase of \$37,100 using the 2-Year Decline formula per Laws 1996, Chapter 4, 5th

Special Session. 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 1997 appropriated amounts districts with single-year FTSE declines and those with FTSE growth that would receive reduced state aid. Districts with 2 consecutive years of enrollment decline, however, had their state aid adjusted downward. This structure assured that current year growth districts were not inadvertently penalized because of prior year funding decisions and is consistent with legislative intent of the 2-Year Decline model to more equitably account for continuous, longer-term declines in FTSE enrollment.

The suspended statutory Capital Outlay State Aid formula, as modified by Laws 1995, Chapter 196 would have provided per capita funding to districts based on the district’s size and the most recent year’s actual audited FTSE. Districts with 5,000 or less FTSE would have received \$210/FTSE, while districts with greater than 5,000 FTSE would have received \$160/FTSE for FY 1998. Unlike Operating Aid, however, Chapter 196 does not provide a “hold harmless” provision for Capital Aid.

Strictly applying the suspended statutory formula would have generated a systemwide Capital Outlay State Aid net decrease of \$149,200, or 1.1%, from the FY 1997 appropriation. However, the “hold harmless” provision provides additional funding of \$186,300. The net change in funding is \$37,100, or a 0.3%, net increase in Capital Outlay State Aid. While overall capital funding increased, 2 districts, Cochise and Navajo, experienced 2 consecutive years of FTSE enrollment declines, and received reductions of \$65,600 and \$12,400, respectively; 3 other districts, Graham, Pima and Pinal which, due to prior legislative funding decisions would have received funding reductions under the suspended statutory formula, are “held harmless” at their FY 1997 appropriated Capital Outlay amounts.

Equalization Aid — The approved amount adds \$478,500, or 5.8%, and fully funds the increase in the formula requirement for the 4 qualifying districts: Cochise, Graham, Navajo and Yuma/La Paz. Equalization Aid is paid to a community college district which has a property tax base that is less than the minimum assessed value specified in A.R.S. § 15-1402. Under the Equalization Aid formula, the minimum assessed valuation is increased by the average growth in actual assessed valuation for all rural districts with populations less than 500,000 persons for the 2 most recent years. Equalization Aid is paid out on the basis of the difference between minimum assessed valuation and the most recent year’s actual assessed valuation for the district. Equalization Aid is calculated at the lesser of \$1.37 per \$100 of the district’s assessed valuation or the district’s levy rate.

STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES (Cont'd)

Technology Assisted Learning — The approved amount adds \$1,656,000 to the Special Line Item amount appropriated in FY 1997 to continue implementation of the Arizona Learning System (ALS) and the education technology alliance established between the community colleges, universities and K-12 systems.

For FY 1997, the Legislature appropriated \$1,100,000 for Technology Assisted Learning to the Community College budget.

The ALS is a collaborative outcome of a planning and development process by the community colleges, public universities, Arizona Department of Education, Governor's Office of Telecommunications Policy and private industry to create new educational access in remote communities and to interconnect and provide video, voice and data services to more than 200 campuses and satellite centers throughout Arizona at a common rate, regardless of their location in the state (distance-insensitive price).

Given the technical complexity of the ALS and its ultimate success being dependent upon procuring an infrastructure constructed by private industry, the Legislature has mandated that release of the \$2,756,000 funding for ALS shall be subject to: 1) successful issuance of a joint RFP by the ALS partnership member boards (State Board, Arizona Board of Regents, Board of Education); 2) successful contract negotiation with a private vendor to provide the ALS infrastructure at a distance-insensitive price to ALS partners regardless of their location in Arizona; 3) review by the Joint Legislative Budget Committee of the private vendor contract; and 4) presentation to the JLBC of a preliminary methodology for estimating the per-credit hour education costs (delivery and development) of ALS-delivered instruction including how ALS revenues and expenses impact Operating and Capital Outlay State Aid.

Technology and Special Initiatives — The approved amount and new Special Line Item provide a one-time increase to community college districts to implement technological improvements associated with the ALS and other strategic initiatives distributed as follows:

- An additional \$2,500,000 to Maricopa Community College District;
- An additional \$715,000 to Pima Community College District; and
- An additional \$2,000,000 to rural districts distributed equally to each in an amount of \$250,000.

Course Applicability System (CAS) — The approved amount and new Special Line Item provides a one-time increase from the Teacher Certification Fund to implement the CAS and to purchase related computer hardware, software and training. The CAS is a computer-based course transfer and

course applicability guide jointly developed by the community colleges and universities as one of the "solutions" to the transfer articulation problem. The system is intended to provide timely, accurate information to students and be easier and less costly to maintain than the existing paper-based system. Future applications for CAS include automated transfer student transcript evaluation based upon agreements in place between the community colleges and universities. As mandated by the Legislature, release of the \$100,000 appropriated from the Certification Fund is subject to matching contributions totaling an additional \$200,000; from the community college districts, \$100,000; and from the Arizona public universities, \$100,000.

Laws 1997, Chapter 4, 1st Special Session notwithstanding A.R.S. § 15-1425, paragraph 7, to permit the Teacher Certification Fund to be used to implement the CAS.

Capital Outlay: Chapter 2, 5th Special Session — Section 2D of this act appropriates \$200,000 from the General Fund to the State Board of Directors for Community Colleges for the Navajo Community College District - Show Low Campus. This amount represents the fifth and final contribution by the state for Capital Outlay pursuant to A.R.S. § 15-1463B. With this appropriation, a total of \$1,000,000 has been paid to the Navajo Community College District for the Show Low Campus. The act also appropriates \$1,000,000 from the General Fund to the State Board of Directors for Community Colleges for the Eastern Arizona Community College-Payson Campus. With this appropriation, a total of \$2,000,000 has been paid for the development of a new campus in Payson.

Additional Legislation: Welfare Reform: Arizona Works Program (Chapter 300) — This bill amends A.R.S. § 15-1401 and A.R.S. § 1466.01 to allow community colleges to include basic education courses for adults in the calculation of FTSE enrollment for determining state General Fund aid. Based on current community college enrollments in adult basic education courses and statutory state aid formulas, the estimated state General Fund impact beginning in FY 2000 totals \$1,390,300: Operating State Aid, \$1,192,400; and Capital Outlay State Aid, \$197,900.

Community Colleges: Sonora Student Exchange (Chapter 158) — This legislation establishes a program that provides up to 50 students from Sonora, Mexico the opportunity to attend Arizona community colleges while paying Arizona in-state tuition, in exchange for Arizona students who are enrolled or seeking to enroll in Sonora colleges and universities an equivalent tuition privilege. Beginning in FY 2000, the potential impact to the state General Fund is \$64,400 in additional state aid; plus additional annual costs to community college districts in lost tuition totaling \$183,200.

STATE DEPARTMENT OF CORRECTIONS

A.R.S. § 41-1602

Terry L. Stewart, Director

JLBC Analyst: Lorenzo Martinez/Karen Bock

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
Program Summary			
Adult Institutions	308,757,500	333,128,700	369,153,000
Health Services	45,341,600	56,381,900	59,330,200
Human Resources and Development	6,128,200	6,154,900	6,327,900
Administration	23,222,300	23,716,500	23,033,400
Community Corrections	18,301,700	30,395,700	30,200,300
Total Appropriations	401,751,300	449,777,700	488,044,800
Expenditure Detail			
FTE Positions	7,944.4	8,624.4	9,020.4
Personal Services	192,167,400	217,318,000	237,830,300
Employee Related Expenditures	59,573,100	65,461,900	70,749,500
Professional and Outside Services	24,993,600	30,909,600	32,184,700
Travel - In State	577,400	729,300	750,600
Travel - Out of State	57,400	98,900	99,800
Other Operating Expenditures	53,564,600	58,760,200	58,634,500
Equipment	8,927,200	5,072,500	6,151,500
Operating Subtotal	339,860,700	378,350,400	406,400,900
Food	23,797,400	27,342,600	27,839,600
Work Incentive Pay Plan	5,029,100	5,795,600	8,530,300
Discharge Expense	219,300	330,000	336,100
Education Programs	40,300	0	0
Alternative Fuels	57,700	489,000	489,000
1993 Lease-Purchase Payments	12,064,100	9,037,800	12,014,200
1994 Lease-Purchase Payments	12,245,500	7,422,200	12,420,100
Apache County Prison Lease	1,076,400	1,081,100	1,071,100
Community Provider Beds	6,426,200	6,570,000	6,754,000
Return to Custody Beds	0	2,555,000	1,998,300
DWI Beds	934,600	10,804,000	10,191,200
Total Appropriations	401,751,300	449,777,700	488,044,800 ^{1/23/15/}
Fund Summary			
General Fund	375,365,300	431,236,600	461,269,400
Corrections Fund	25,386,000	17,541,100	25,505,400
Penitentiary Land Earnings Fund	1,000,000	1,000,000	1,000,000
State Charitable, Penal and Reformatories Land Earnings Fund	0	0	270,000
Total Appropriations	401,751,300	449,777,700	488,044,800

- 1/ 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. (General Appropriation Act footnote)
- 2/ 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. (General Appropriation Act footnote)
- 3/ Prior to executing any price or cost increase to contracts for privately-operated beds, the Department of Corrections shall present the proposed adjustments to the Joint Legislative Budget Committee for review. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as a Modified Lump Sum by Agency.
- 5/ Laws 1997, Chapter 212 amended the FY 1998 General Appropriation and reduced the department's operating budget by \$1,806,200. The monies were reappropriated to the Arizona Department of Administration for lock replacement at ASPC-Perryville. (See Additional Legislation for more information.)

STATE DEPARTMENT OF CORRECTIONS (Cont'd)

Agency Description — *The State Department of Corrections (DOC) 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 and other prison release mechanisms, as specified by law.*

Prior Year Prison Openings — The approved amount includes a net reduction of \$3,297,700 from one-time costs and annualized operating costs for 1,400 new beds that were opened in Yuma, Florence, and Tucson during FY 1997.

New Prisons — The approved amount provides partial year funding to support the operation of the 800-bed, Level 4 Dakota Unit in Yuma.

	FTE Positions	Funding
Yuma 1st 400 Beds	197.0	\$ 7,392,500
Yuma 2nd 400 Beds	146.0	3,493,900
Total	343.0	\$10,886,400

The first 400 beds are budgeted to open in March 1998 and the second 400 beds are budgeted to open in April 1998.

Population Growth — The approved amount includes \$2,878,500 to fund the marginal costs the department will incur for each additional inmate that enters the prison system (\$3,400 per prisoner). The funding reflects an increase in the average daily population (ADP) of 408 in state prisons and an ADP increase of 100 in county jails.

Fiscal Year	Average Daily Population				
	Prisons	CRC ^{1/}	Private	Jails	Total
1985	7,583	201	-0-	NA	7,784
1986	8,270	205	-0-	NA	8,475
1987	9,508	209	-0-	NA	9,717
1988	10,705	222	-0-	NA	10,927
1989	11,935	240	-0-	NA	12,175
1990	12,987	253	-0-	NA	13,240
1991	13,911	258	-0-	76	14,245
1992	15,041	282	-0-	84	15,407
1993	16,293	130	-0-	125	16,548
1994	17,737	137	-0-	158	18,482
1995	19,542	136	273	126	20,077
1996	20,728	141	511	235	21,615
1997 est. ^{2/}	22,101	144	1,450	100	23,795
1998 est. ^{2/}	22,509	144	1,450	200	24,303

^{1/} Correctional Release Centers.
^{2/} Funded Estimates.

Average Daily Population — Table 1 above shows the actual growth of the average daily prison population from FY 1985 to FY 1996, including estimates for FY 1997 and FY 1998. The "Average Daily Population" represents the average number of inmates managed by the DOC on a daily basis during the year.

Continuation of Correctional Officer Pay Plan — The approved amount includes \$1,325,300 for the addition of 34 sergeant positions, \$2,840,900 for the second year implementation of the CSO II salary step system, and \$199,800 for salary increases for CSO I positions that will be promoted to CSO II after 18 months of service.

Literacy Mandate — The approved amount includes 16 teaching positions and \$667,400 for the department to provide instruction up to the 8th grade literacy level. Data from the 1997 Program Authorization Review (PAR) for Inmate Programs revealed that 78% of the inmate population had not completed high school and 19% had not progressed beyond the elementary school level.

Teacher Equity Pay — The approved amount includes \$827,600 to provide comparable pay between DOC teachers and Department of Juvenile Corrections (DJC) teachers. Salary increases become effective January 1, 1998. The average DOC teacher salary will increase from \$24,117 to \$36,612, an increase of \$12,495 or 52%.

Work Incentive Pay Plan (WIPP) Expansion — The approved amount includes \$2,590,000 to provide funding for the department to work every able-bodied prisoner as authorized in statute. Results of the Inmate Programs PAR indicated that the department was able to work 77% of able-bodied prisoners as compared to a national average of 57%.

Private Bed Per Diem — The approved amount includes a net increase of \$184,000 in Community Provider Beds, a net decrease of \$177,500 in DWI Beds, and a net decrease of \$375,000 in Return to Custody Beds to reflect the actual per diem rates for privately-operated beds.

New FTE Positions — The approved amount includes \$135,500 to add 2 maintenance FTE Positions for the Correctional Officer Training Academy and \$74,900 to add 1 FTE Position to coordinate the Sex Offender Notification program.

STATE DEPARTMENT OF CORRECTIONS (Cont'd)

State Charitable, Penal and Reformatories Land Earnings Fund — The approved amount includes a base adjustment of \$327,500 to reflect the first-time appropriation of the State Charitable, Penal and Reformatories Land Fund and a decrease of \$57,500 to reflect anticipated FY 1998 fund revenues. Revenues are derived from 25% of use fees on lands granted to the State of Arizona pursuant to Section 25 of the Enabling Act and interest earnings from the fund.

Land Endowment Earnings Fund — The approved amount includes \$1,000,000 appropriated from the Penitentiary Land Earnings Fund. Revenues for this fund are from use fees on lands granted to the State of Arizona pursuant to Section 25 of the Enabling Act and interest earned on the investment of the permanent Penitentiary Land Fund. Penitentiary land earnings include payments by the DJC for the lease of land where the Adobe Mountain and Black Canyon Juvenile Institutions are located.

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

Table 2 shows revenues and expenditures for the Corrections Fund. See the Capital Outlay and Additional Legislation sections for more information on Corrections Fund appropriations.

Additional Prison Capacity — Table 3 on the next page 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 New Beds column indicates when previously authorized beds will come on-line. A total of 800 new beds will come on-line in FY 1998. An additional 4,150 beds at the new Lewis (Southwest Regional) complex are scheduled to come on-line during FY 1999 and FY 2000. The projections assume that the prison population will increase by 110 new inmates per month in both FY 1997 and FY 1998, and 139 new inmates per month in FY 1999 and FY 2000.

Table 2				
Corrections Fund				
<u>Estimated Revenue and Expenditure Projections</u>				
(\$ Thousands)				
	FY 1996	FY 1997	FY 1998	FY 1999
	Actual	Estimate	Estimate	Estimate
Beginning Balance	\$18,671.4	\$41,639.0	\$4,611.3	\$1,725.5
Revenues	23,014.8	23,154.4	23,154.4	23,154.4
GF & Other Deposits	19,850.0	38,400.0	56,100.0	41,100.0
GF Repayment Transfers	21,434.0	18,000.0	—	—
Corrections Fund				
Adjustment Account		139.7	—	—
Total Revenues	64,298.8	79,694.1	79,254.4	64,254.4
Total Funds Available	\$82,970.2	\$121,333.1	\$83,865.7	\$65,979.9
Expenditures				
Prior Projects	\$ 8.6	\$ 67.2	—	—
Operating Budgets	—	—	—	—
DOA Staffing	411.7	468.8	538.3	538.3
Drug Enforcement	—	38.5	—	—
FY93 Lease-Purchase	9,037.8	12,014.2	12,012.5	—
FY94 Lease-Purchase	7,422.2	12,420.1	12,418.3	12,415.1
Apache County Lease	1,076.4	1,071.1	1,071.1	1,083.5
FY 1995 Capital Budget				
Tucson 100 Minors Beds	826.6	2,323.4	—	—
Yuma 400 Level 3 Beds	10,902.7	368.2	—	—
Globe 100 Level 3 Beds	1,259.6	1,287.1	—	—
Aspen Conversion	9.2	56.1	—	—
FY 1996 Capital Budget				
Level 4 to Level 5				
Conversions	0.0	450.0	—	—
Tucson 100 Minors Beds	653.8	1,846.2	—	—
Yuma 400 Level 3 Beds	4,664.9	5,035.1	—	—
Yuma 800 Level 4 Beds	5,192.0	28,208.0	—	—
Lewis (SW Regional)				
Complex Master				
Planning	5.4	1,994.6	—	—
FY 1997 Capital Budget				
Florence 400 Tent Beds	—	2,500.0	—	—
Lewis (SW Regional)				
Complex - 4,150 Beds	—	43,900.0	56,100.0	41,100.0
Laws 1997, Ch. 212				
Perryville Lock & Security Improvements	—	2,673.2	—	—
Total Expenditures	41,470.9	116,721.8	82,140.2	55,136.9
Projected Fund Balance -				
End of Period	\$41,499.3	\$4,611.3	\$1,725.5	\$10,843.0

STATE DEPARTMENT OF CORRECTIONS (Cont'd)

Table 3				
Month/ Year	New Beds	Operational Capacity	Population Projection	Bed Shortage
7/96		19,812	22,433	(2,621)
8/96	-50 Male - Phoenix	19,762	22,543	(2,781)
9/96	250 Male - Yuma/Florence	20,012	22,653	(2,641)
10/96		20,012	22,763	(2,751)
11/96	77 Male - Florence	20,089	22,873	(2,784)
12/96	200 Minors - Tucson	20,289	22,983	(2,694)
1/97		20,289	23,093	(2,804)
2/97	400 Male - Yuma/Globe	20,789	23,203	(2,414)
3/97		20,789	23,313	(2,524)
4/97		20,789	23,423	(2,634)
5/97		20,789	23,533	(2,744)
6/97	400 Male - Florence	21,189	23,643	(2,454)
7/97		21,189	23,753	(2,564)
8/97	600 Male - Private	21,589	23,863	(2,274)
9/97		21,589	23,973	(2,384)
10/97		21,589	24,083	(2,494)
11/97		21,589	24,193	(2,604)
12/97		21,589	24,303	(2,714)
1/98		21,589	24,413	(2,824)
2/98		21,589	24,523	(2,934)
3/98	400 Male - Yuma	21,989	24,633	(2,644)
4/98	400 Male - Yuma	22,389	24,743	(2,354)
5/98		22,389	24,853	(2,464)
6/98		22,389	24,963	(2,574)
7/98		22,389	25,102	(2,713)
8/98	800 Male - Lewis	23,189	25,241	(2,052)
9/98		23,189	25,380	(2,191)
10/98		23,189	25,519	(2,330)
11/98		23,189	25,658	(2,469)
12/98	800 Male - Lewis	23,989	25,797	(1,808)
1/99		23,989	25,936	(1,947)
2/99		23,989	26,075	(2,086)
3/99		23,989	26,214	(2,225)
4/99	800 Male - Lewis	24,789	26,353	(1,564)
5/99		24,789	26,492	(1,703)
6/99		24,789	26,631	(1,842)
7/99		24,789	26,770	(1,981)
8/99	800 Male - Lewis	25,589	26,909	(1,320)
9/99		25,589	27,048	(1,459)
10/99		25,589	27,187	(1,598)
11/99		25,589	27,326	(1,737)
12/99	350 Minors - Lewis	25,939	27,465	(1,526)
1/00		25,939	27,604	(1,665)
2/00		25,939	27,743	(1,804)
3/00		25,939	27,882	(1,943)
4/00	600 Female - Lewis	26,539	28,021	(1,482)
5/00		26,539	28,160	(1,621)
6/00		26,539	28,299	(1,760)

Capital Outlay: Chapter 2, 1st Special Session — Appropriates a total of \$763,000 from the General Fund to ADOA for capital projects related to DOC facilities. The appropriations are as follows:

FY 1998 General Fund

- ASPC-Douglas Waste Water Improvements \$300,000
Prior to the expenditure of monies, the department shall present the results of the preliminary study to the JCCR for review.
- ASP-Fort Grant Waste Water Improvements 463,000

Total - FY 1998 General Fund **\$763,000**

Additional Legislation: Corrections Omnibus (Chapter 212)

— Appropriates a total of \$4,479,400 to the Arizona Department of Administration (ADOA) for security improvements including lock replacement at ASPC-Perryville. The appropriation is as follows:

FY 1997 Corrections Fund **\$2,673,200**

An emergency clause in the bill makes the Corrections Fund monies available in FY 1997.

FY 1998 General Fund **\$1,806,200**

The bill amends the General Appropriation Act by reappropriating \$747,300 in Personal Services, \$234,500 in Employee Related Expenditures, \$207,400 in Other Operating Expenditures, \$435,300 in DWI Beds, and \$181,700 in Return to Custody Beds from the FY 1998 DOC operating budget to ADOA for the project. After the project is completed, the reappropriated monies remaining unexpended are available to DOC for other health, safety, and security improvements.

DEPARTMENT OF ECONOMIC SECURITY - SUMMARY

A.R.S. § 41-1951

Linda Blessing, DPA, Director

JLBC Analyst: Marge Cawley/Stefan Shepherd

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
Program Summary			
Administration	31,721,300	41,140,900	45,901,200
Developmental Disabilities	36,249,700	37,928,000	37,001,500
Long Term Care	50,309,400	58,931,600	61,395,100
Benefits and Medical Eligibility	121,962,600	231,742,400	270,935,200
Child Support Enforcement	3,083,500	3,171,400	11,747,300
Aging and Community Services	15,600,600	20,861,900	21,960,800
Children, Youth and Families	87,789,000	102,761,200	107,746,200
Employment and Rehabilitation Services	41,352,600	90,454,000	132,676,300
Total Appropriations	388,068,700	586,991,400	689,363,600
Expenditure Detail			
FTE Positions	2,625.9	3,511.2	3,688.2 ^{1/}
Personal Services	57,654,500	75,449,100	91,449,000
Employee Related Expenditures	13,576,700	17,220,000	20,870,400
Professional and Outside Services	1,844,900	3,292,900	3,659,700
Travel - In State	1,900,200	2,252,500	2,543,900
Travel - Out of State	69,700	78,200	71,500
Other Operating Expenditures	20,543,400	25,325,300	26,865,800
Equipment	1,169,800	1,594,500	1,511,900
Operating Subtotal	96,759,200	125,212,500	146,972,200
Special Line Items	291,309,500	461,778,900	539,981,600
Additional Appropriations	0	0	2,409,800
Total Appropriations	388,068,700	586,991,400	689,363,600 ^{2/3/4/5/ 6/7/}
Fund Summary			
General Fund	387,844,700	373,679,200	387,302,800
Other Appropriated Funds	224,000	213,312,200	302,060,800
Total Appropriations	388,068,700	586,991,400	689,363,600

1/ Includes 532.1 FTE Positions funded from Special Line Items in FY 1998.

2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

3/ 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. (General Appropriation Act footnote)

4/ 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, 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 (1) potential shortfalls in entitlement programs, (2) 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, (3) shortfalls resulting from new leases or renegotiation of current leases and associated costs, and (4) total expenditure authority of the Child Support Enforcement program for the month and year-to-date as compared to prior year totals. (General Appropriation Act footnote)

5/ It is the intent of the Legislature that the provider increase be targeted, as appropriate, toward providers who employ direct care staff. The agency shall require a supplemental schedule to provider audited financial statements that provides information regarding salaries for direct care staff. (General Appropriation Act footnote as modified by Laws 1997, Chapter 299)

6/ The amount of the General Fund deposit to the Temporary Assistance for Needy Families Stabilization Fund shall be reduced by the amount of funding for any state employee pay adjustments and classification maintenance reviews as determined by the Joint Legislative Budget Committee Staff pursuant to Section 107 of this act. (General Appropriation Act footnote)

7/ The amount shown includes \$7,500,000 in appropriated TANF Block Grant monies transferred to the Child Care Block Grant and appropriated for Day Care Subsidy in the Division of Employment and Rehabilitation Services. As a result, this \$7,500,000 is "double-counted" in the appropriation.

DEPARTMENT OF ECONOMIC SECURITY - SUMMARY (Cont'd)

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, Youth and Families; Child Support Enforcement; and Employment and Rehabilitation Services.*

FY 1997 Lump Sum Reduction — The FY 1997 appropriation included a \$1,104,900 General Fund (GF) Lump Sum reduction. Of the \$1,104,900 reduction, a sum of \$533,800 was related to the reduction in FTE Positions in the following manner:

<u>Division</u>	<u>FTE Positions</u>	<u>Amount</u>
Administration	5.2	\$355,100
Developmental Disabilities	0.7	14,700
Long Term Care	0.6	12,100
Aging & Community Services	0.3	10,500
Children & Family Services	1.0	104,000
Employment & Rehab. Services	<u>0.9</u>	<u>37,400</u>
Total	8.7	\$533,800

The \$104,000 decrease in the Division of Children and Family Services reflects a decrease in the Videotaping Special Line Item. The cost of 1 FTE Position and related expenditures for this project will be absorbed in this division's operating budget. The remaining decrease of \$571,100 was distributed among 3 areas: a \$490,700 decrease in the state share of lease-purchase equipment; a \$67,200 decrease in the Child Support Outreach Pilot, whose cost of 1 FTE Position will be absorbed in the operating budget; and a \$13,200 decrease in Development Disabilities and Long Term Care in Home and Community Based Services.

Federal Welfare Reform — The passage of federal Public Law (P.L.) 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, placed stricter requirements on welfare recipients and required states to make changes in their welfare systems. It removed the Federal entitlement to welfare benefits, imposed longer work requirements on recipients, and placed a 5-year lifetime maximum on the receipt of those benefits. The federal law also restricted the eligibility of certain legal immigrants for welfare benefits. Beyond these and other requirements, the federal law gives states more latitude to set up their welfare programs.

Laws 1997, Chapter 300, the Welfare Reform bill, created the Employing and Moving People Off Welfare and Encouraging Responsibility (EMPOWER) Redesign program. EMPOWER Redesign is based upon the original EMPOWER program, which took effect in November 1995. The original program includes such provisions as a "kid cap" (a prohibition on granting additional cash benefits for

children born while the parent is receiving cash benefits), a 24-month limit on cash benefits in every 60-month period, and a "diversion" option providing a flat one-time-only grant equivalent to 3 months of cash benefits in order to divert people from long-term assistance. The program also provided 2 years of transitional child care once recipients left the welfare rolls. These provisions were permitted under P.L. 104-193, and were retained in the EMPOWER Redesign program. Laws 1997, Chapter 300 also included the requirements of the new Federal law in EMPOWER Redesign.

Laws 1997, Chapter 300 places stricter work requirements upon Temporary Assistance for Needy Families (TANF) recipients in the Department of Economic Security's (DES) EMPOWER Redesign program. As a result of these stricter requirements, block grant monies were redirected toward job training, transportation, and child care to help TANF recipients find employment and move off of cash assistance.

Laws 1997, Chapter 300 also authorizes a pilot welfare program called Arizona Works. The pilot will be located in the eastern part of the Phoenix metropolitan area and will commence on January 1, 1999. The pilot will have different eligibility requirements, benefits schedules, and work requirements than the EMPOWER Redesign program. In addition, the pilot program will be operated by a private vendor who will contract with the state for the administration of the program.

The Joint Legislative Budget Committee (JLBC) will have a significant role in legislative oversight of the Arizona Works pilot program. Once the pilot has started, the JLBC will receive bimonthly progress reports. After the first year of implementation, the JLBC will evaluate the pilot to determine whether the vendor has met contract requirements and goals; it will also make a recommendation to the Legislature regarding statewide expansion of the program. In addition to these requirements, the JLBC will also have some oversight authority for any Expert System or Electronic Benefits Transfer System implemented by DES. For the Expert System, the JLBC shall approve baselines for error rates and productivity developed by DES and used to determine savings in the Request for Proposals from private vendors. Finally, JLBC has the authority to determine what adjustments to cash benefit grant levels are needed if total funds available for the grants are insufficient.

DEPARTMENT OF ECONOMIC SECURITY - SUMMARY (Cont'd)

P.L. 104-193 included the creation of 2 block grants requiring state legislative appropriation. These 2 block grants are the TANF and the Child Care Block Grants (CCBG). The TANF Block Grant replaces entitlement programs such as Aid to Families with Dependent Children, Job Opportunities and Basic Skills (JOBS), and Emergency Assistance. JLBC Staff estimates that Arizona will receive \$226,741,500 in TANF Block Grant monies in FY 1998. The CCBG replaces a series of entitlement-based child care programs and combines them with the old Child Care and Development Block Grant. JLBC Staff estimates that Arizona will receive \$52,032,400 in CCBG monies in FY 1998.

The approved amount for FY 1998 includes the conversion of previously non-appropriated welfare expenditures to appropriated status. The General Appropriation Act appropriated \$226,741,500 TANF Block Grant monies and \$52,032,400 CCBG monies for the operating budget and several Special Line Items. That amount included a \$20,009,900 TANF Legislative Initiatives Special Line Item funded with TANF Block Grant monies and intended for redistribution by the Legislature in a welfare reform bill. The General Appropriation Act also included a \$17,491,400 TANF Stabilization Fund Special Line Item funded with GF monies; the line was funded with GF monies instead of TANF Block Grant monies because of federal restrictions on placing TANF Block Grant monies in a state stabilization fund.

Finally, Laws 1997, Chapter 7, 1st Special Session, the FY 1997 Supplemental Bill, also appropriated \$166,815,000 TANF Block Grant and \$38,374,500 CCBG monies for the operating budget and Special Line Items. Because the federal block grants did not become effective until October 1, 1996, however, the approved amounts reflect only 9 months of federal block grant monies.

In addition to these appropriations, Laws 1997, Chapter 300, the state's Welfare Reform bill, modified the FY 1998 appropriation in several ways. It redistributed the TANF Block Grant monies originally appropriated to the TANF Legislative Initiatives line in the Division of Benefits and Medical Eligibility (DBME) cost center, transferred some of the GF monies originally appropriated to the TANF Stabilization Fund line in DBME, and redistributed the CCBG monies originally appropriated to the Child Care Legislative Initiatives line in the Division of Employment and Rehabilitation Services (DERS) cost center. The cost center tables display the appropriations after Chapter 300's redistribution. The bill also provided additional GF appropriations. The new GF appropriations to DES of Chapter 300 are displayed in the following cost center tables under the Additional Appropriations section.

The table entitled "Modifications by Laws 1997, Chapter 300" found on the following page highlights the changes made by the Welfare Reform bill that affect the DES.

The final distribution of these 2 block grants and their associated FTE Positions for FY 1998 as modified by Laws 1997, Chapter 300 is summarized in the following tables for FY 1997 and FY 1998.

TANF Block Grant Distribution as modified by Laws 1997, Chapter 300			
Cost Center	FY 1997	FY 1998	FTE Pos.
Administration	\$ 5,886,100	\$10,620,900	88.0
Benefits & Medical Elig.	142,965,500	182,613,300	464.4
Aging & Comm. Svcs.	2,700,300	4,154,300	4.1
Children, Youth & Families	7,338,900	10,954,500	118.8
Employment & Rehab. Svcs.	<u>7,924,200</u>	<u>18,398,500</u>	<u>129.5</u>
TOTAL- TANF Block Grant	\$166,815,000	\$226,741,500	804.8

Child Care Block Grant Distribution as modified by Laws 1997, Chapter 300			
Cost Center	FY 1997	FY 1998	FTE Pos.
Administration	\$ 225,900	\$ 304,000	3.5
Employment & Rehab. Svcs.	<u>38,148,600</u>	<u>59,228,400</u>	<u>81.3</u>
TOTAL- Child Care Block Grant	\$38,374,500	\$59,532,400	84.8

Further details on the distribution of the 2 block grants can be found in each cost center.

Budget Transfers and Conversions — The approved FY 1998 amounts include a transfer of the Child Care Administration (CCA) from the Division of Children, Youth and Families (DCYF) to DERS. The transfer includes both General Fund and federal CCBG monies appropriated for both the operating budget and the 2 special line items which fund the child care-related subsidies the CCA operates. For comparability purposes, all child care-related appropriations are displayed in DERS in FY 1996 and FY 1997; these appropriations are formally located in the DCYF budget.

The approved FY 1998 amounts for Developmental Disabilities and Long Term Care reflect the conversion of several of their Special Line Items. For comparability purposes, the FY 1996 and FY 1997 expenditures are displayed in the new converted format; these appropriations are formally in their original FY 1996 and FY 1997 formats.

DEPARTMENT OF ECONOMIC SECURITY - SUMMARY (Cont'd)

MODIFICATIONS BY LAWS 1997, CHAPTER 300

<u>Source of Funds</u> (Type of Funds)	<u>Amount Transferred/ Reallocated</u>	<u>Purpose</u>	<u>Where Transferred/ Reallocated</u>
<u>TANF Legislative Initiatives</u> (TANF Block Grant)	\$ 2,832,900	job placement and training	JOBS (in DERS)
	1,000,000	eligibility office remodeling (one-time)	Administration
	2,000,000	work-related transportation	DERS
	2,000,000	teen pregnancy prevention	DERS
	3,677,000	child welfare caseload growth	Children Services (in DCYF)
	1,000,000	life skills training	JOBS
	7,500,000 ^{1/}	TANF-related child care, education and training-related child care for TANF recipients or low-income work-related child care, and quality set aside	Day Care Subsidy (in DERS)
SUBTOTAL - TANF Legislative Initiatives	<u>\$20,009,900</u> ^{2/}		
<u>TANF Stabilization Fund</u> (General Fund)	\$10,000,000	low-income work-related child care and quality child care	Day Care Subsidy
	1,000,000	job placement and training	JOBS
	250,000	outreach and naturalization efforts targeted to legal immigrants losing food stamps and health coverage	DBME
	300,000	administrative expenses and technical assistance from experts in welfare programs and state procurement	Arizona Works Procurement Board
	0 ^{3/}	personnel services and employee related expenses	Technology System Fund
	800,400	FY 1998 salary adjustment for TANF-related FTE Positions	Assorted cost centers
SUBTOTAL - TANF Stabilization Fund	<u>\$12,350,400</u> ^{4/}		
<u>Child Care Legislative Initiatives</u> (Child Care Block Grant)	\$13,653,600	TANF-related child care, transitional child care, equalization of reimbursement rates for low-income work-related child care	Day Care Subsidy
<u>Additional Appropriations to DES</u> (General Fund)	\$308,400	implementing and operating an EBT system	Administration
	200,000	implement programs designed to expand and enhance private sector paternity establishment efforts	Child Support Enforcement
SUBTOTAL - Additional Appropriations	<u>\$508,400</u>		

^{1/} Laws 1997, Chapter 300 transfers these funds to the Child Care Block Grant and then appropriates them for the specified purposes.

^{2/} This allocates the entire amount appropriated in the General Appropriation Act.

^{3/} Laws 1997, Chapter 300 specifies that a transfer of \$1,000,000 will occur if DES enters into a contract with a private provider for a welfare eligibility technology system in FY 1998.

^{4/} This allocates a portion of the \$17,491,400 originally appropriated in the General Appropriation Act; \$5,141,000 remains in the line prior to any transfer to the Technology System Fund.

DEPARTMENT OF ECONOMIC SECURITY - SUMMARY (Cont'd)

In addition, the Child Protective Services Training Program was transferred from its own cost center and incorporated into DCYF. This incorporation joins this training team and funding with the other training services provided in DCYF. In the Division of Aging and Community Services, the Food Distribution Information Special Line Item was rolled into the Rural Food Bank Project Special Line Item. These transfers reflect a trend toward reducing the number of cost centers and similar Special Line Items in the state accounting system.

Appropriation of Non-Appropriated Funds — Laws 1996, Chapter 335 converted several Non-Appropriated Funds to appropriated status, starting in FY 1998. The Child Abuse Prevention Fund is, therefore, appropriated for FY 1998 in DCYF. The expenditures from the Child Abuse Prevention Fund are not, however, shown for FY 1996 and FY 1997.

Laws 1996, Chapter 335 also converted 2 other previously Non-Appropriated Funds to appropriated status in FY 1998: the Child Support Enforcement Administration (CSEA) Fund and the Special Administration Fund. Since the Division of Child Support Enforcement was budgeted on a total funds expenditure authority basis in FY 1997, the appropriation of the CSEA Fund does not alter the way it is displayed between FY 1997 and FY 1998. The Special Administration Fund was also appropriated by Laws 1996, Chapter 312, and is displayed as a Special Line Item for FY 1997 in the DERS budget.

Provider Rate Increase — The approved FY 1998 amounts include additional funds for a developmental disabilities provider rate increase of approximately 3%. The General Appropriation Act includes a footnote stating that it is the intent of the Legislature that monies provided for a provider rate increase in the Division of Developmental Disabilities be targeted as much as possible to direct care staff. Laws 1997, Chapter 299 altered the original footnote in the General Appropriation Act by removing a provision stating that the monies could also be used for providers whose rates are being substantially lowered if a published rate is introduced, especially providers employing direct care staff who are paid above the average prevailing wage for their position.

DEPARTMENT OF ECONOMIC SECURITY - ADMINISTRATION

A.R.S. § 41-1951

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	277.5	366.5	386.0 ^{1/}
Personal Services	10,013,400	10,971,700	12,521,500
Employee Related Expenditures	2,151,600	2,282,700	2,596,100
Professional and Outside Services	439,500	693,900	1,011,600
Travel - In State	194,000	252,000	277,900
Travel - Out of State	68,500	72,000	66,300
Other Operating Expenditures	14,636,200	16,689,200	18,067,100
Equipment	1,033,000	997,100	1,075,200
Operating Subtotal	28,536,200	31,958,600	35,615,700
Public Assistance Collections Fund	175,800	348,300	407,300
AZTECS Modification	7,900	0	0
FMCS Modification	132,300	178,200	259,600
Lease-Purchase Equipment	1,348,300	4,989,300	2,582,300
Child Welfare Information System	1,348,600	3,666,500	3,622,600
Expert System	172,200	0	0
Finger Imaging	0	0	2,105,300 ^{2/}
Job Placement Office Redesign	0	0	1,000,000 ^{3/}
Total	31,721,300	41,140,900	45,592,800
Additional Appropriations - Welfare Reform; Arizona Works, Ch.300	0	0	308,400
Total Appropriations	31,721,300	41,140,900 ^{4/}	45,901,200 ^{5/6/}
Fund Summary			
General Fund	31,545,500	32,166,500	34,200,900
Federal TANF Block Grant	0	5,886,100	10,620,900
Federal Child Care Block Grant	0	225,900	304,000
Special Administration Fund	0	0	501,700
Public Assistance Collections Fund	175,800	262,400	273,700
Statewide Indirect Cost Allocation Reimbursement	0	2,600,000	0
Total Appropriations	31,721,300	41,140,900	45,901,200

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

Technical Issues — The approved amount includes the following changes in the General Fund (GF) contributions: a decrease of \$124,700 for Risk Management; a decrease of

\$231,200 for rent, lease-purchase and operating and maintenance increases; transfers in from other divisions of \$93,400; an increase of \$110,400 in Professional and

1/ Includes 40.4 FTE Positions funded from Special Line Items in FY 1998.

2/ Appropriated \$1,400,000 General Fund by Laws 1996, Chapter 346.

3/ Original appropriation modified by Chapter 300. See Welfare Reform discussion in the Summary narrative for further details.

4/ Laws 1997, Chapter 7, 1st Special Session appropriated \$5,886,100 federal TANF and \$225,900 Child Care Block Grant dollars for operating budget expenses, and \$2,600,000 of Statewide Indirect Cost Allocation Reimbursement Plan dollars for the expansion of the department's central processing unit.

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

6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

DEPARTMENT OF ECONOMIC SECURITY - ADMINISTRATION (Cont'd)

Outside Services for the Department of Economic Security's (DES) share of the Attorney General's information system; and a decrease of \$10,000 in Travel - Out of State.

Welfare Reform — The approved amount includes \$10,924,900 Temporary Assistance for Needy Families (TANF) Block Grant and Child Care Block Grant (CCBG) dollars. The following table includes the money appropriated in the FY 1998 General Appropriation Act and Laws 1997, Chapter 300, which reallocated monies in the General Appropriation Act's TANF Legislative Initiatives Special Line Item. Laws 1997, Chapter 7, 1st Special Session, the FY 1997 Supplemental Bill, also appropriated TANF and CCBG monies. The revised approved amount for FY 1997 includes \$6,112,000 and 78.2 FTE Positions. The following table displays the distribution of these federal welfare block grant dollars for administration in both FY 1997 and FY 1998.

<u>Federal Block Grants Appropriation</u>		
	<u>FY 1997</u>	<u>FY 1998</u>
<u>TANF Block Grant</u>		
Operating Budget	\$5,194,700	\$7,873,200
FTE Positions	72.7	84.5
Public Assistance Collections	85,900	130,200
FTE Positions	2.0	2.0
FMCS Modifications	45,900	69,600
Lease-Purchase Equip.	559,600	847,900
Finger Imaging	0	700,000
FTE Positions	0.0	1.5
Job Placement Office Redesign	0	1,000,000
FTE Positions	0.0	0.0
TANF Subtotal	\$5,886,100	\$10,620,900
FTE Position	74.7	88.0
<u>CCBG Block Grant</u>		
Operating Budget	\$ 225,900	\$ 304,000
FTE Positions	3.5	3.5
Total TANF & CCBG Block Grant Federal Dollars Appropriation	\$6,112,000	\$10,924,900
FTE Positions	78.2	91.5

Research Administration FTE Positions — The approved amount funds 7.5 FTE Positions from the Special Administration Fund. Laws 1996, Chapter 102 (modified by Laws, Chapter 312) made this fund subject to legislative appropriation in FY 1997. This appropriation places the

funding and FTE Positions in their proper location within the organization.

Mailroom Privatization — The approved amount reflects a decrease of 6.8 FTE Positions and the transfer of \$107,200 in Personal Services and Employee Related Expenditures to Professional and Outside Services. Another 17.2 non-appropriated federally funded FTE Positions are eliminated and \$269,100 in non-appropriated federal and other dollars are transferred into Professional and Outside Services. DES initiated this privatization policy in order to avoid increasing costs associated with new federal regulations. The private vendor is meeting these new regulations within the current funding provided to DES.

Internal Reorganization — The approved amount includes the transfer of 3 Family Investment Initiative Programmers and \$103,800 to the Division of Employment and Rehabilitation Services for better alignment in organizational duties.

Public Assistance Collections Fund — The approved amount funds 8.4 FTE Positions who are responsible for improving public assistance collection activities. A.R.S. § 46-295 requires 25% of repaid erroneous public assistance benefits to be deposited into the Public Assistance Collections Fund.

AZTECS Modification — The FY 1996 payment was the final one of this lease-purchase. The lease-purchase schedule appears on page 106 of the FY 1993 Appropriations Report. Modifications to the Arizona Technical Eligibility Computer System (AZTECS) reduced on-line processing time and provided increased capacity for caseload expansion. AZTECS is the automated eligibility determination system for Aid to Families with Dependent Children (AFDC) and Food Stamps.

FMCS Modification — The approved amount includes \$69,600 TANF and \$190,000 GF for Professional and Outside Services for continual modifications and enhancement to the department's Financial Management Control System (FMCS). Of the \$190,000 GF, a total of \$57,700 GF is new money to be used for consulting services needed to modify FMCS to accommodate the appropriation of the federal welfare block grant dollars. In addition, another \$31,700 GF is funded in the Professional and Outside Services line item for FMCS. The approved amount funds consulting assistance in the installation of additional subsystems, in developing policies and procedures, and in meeting FMCS system needs that are outside the scope and expertise of department staff.

Lease-Purchase Equipment — The approved amount reflects \$847,900 TANF and \$1,734,400 GF for the annual lease-

DEPARTMENT OF ECONOMIC SECURITY - ADMINISTRATION (Cont'd)

purchase payments of computer equipment for 3 automation projects. An additional \$417,300 of non-appropriated federal dollars and \$370,700 of other non-appropriated dollars will be used to cover the total lease-purchase expenditure of \$3,370,300 for these 3 projects. The 3 projects consist of the FY 1993 central processing unit (CPU) expansion, the AFDC Time Limits project, and the FY 1996 legislatively approved CPU upgrade.

The 3 lease-purchase payments are funded as follows:

- 1993 CPU - \$733,400 GF;
- AFDC Time Limits - \$116,800 GF, \$58,300 TANF, and \$58,400 non-appropriated federal dollars; and
- 1996 CPU - \$884,200 GF, \$789,600 TANF, \$358,900 non-appropriated federal dollars, and \$370,700 Other Non-Appropriated Funds.

As part of the FY 1997 Supplemental Bill, Laws 1997, Chapter 7, 1st Special Session, a total of \$2,600,000 from the Statewide Indirect Cost Allocation Reimbursement Plan was appropriated for the leasing of equipment for additional CPU expansion.

Child Welfare Information System — The approved amount reflects an increase of \$1,254,100 GF and 5.5 FTE Positions for 6-month funding for this new staff, ongoing maintenance and support, software upgrades, hardware and software maintenance, user support and ongoing user training. Another approximate \$1,415,700 of non-appropriated Federal Funds will provide for another 5.5 FTE Positions for 6 months and will provide match for maintenance, support, upgrades and warranties. The appropriation also reflects a decrease of \$1,298,000 for one-time equipment expenditures in FY 1997. The approved amount includes a total of 27.5 FTE Positions.

This automation project will 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, Foster Care, Adoption Services, and the Comprehensive Medical and Dental Program which provides for the health needs of foster care children. Children Information and Library Data Systems 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 non-appropriated Federal Funds at a 75% match rate through September 30, 1997 and at a 50% match rate, thereafter.

Expert System — No funds were provided in the General Appropriation Act. However, Laws 1997, Chapter 300

includes authorization and the transfer of \$1,000,000 from the TANF Stabilization Fund into a new Technology System Fund in FY 1998, if DES enters into a contract with a private provider to establish an automated eligibility determination system. Since the transfer is conditional upon DES actually signing a contract in FY 1998, the \$1,000,000 is shown in the TANF Stabilization Fund displayed in the Division of Benefits and Medical Eligibility. The Joint Legislative Budget Committee will have oversight authority for any Expert System that is implemented. (*See the TANF Stabilization Fund narrative in the Division of Benefits and Medical Eligibility.*)

Finger Imaging — The approved amount of \$2,105,300 includes \$700,000 TANF dollars and 1.5 FTE Positions for finger imaging automation. Laws 1996, Chapter 346 appropriated \$1,400,000 GF and 3.0 FTE Positions for a finger imaging program for welfare recipients. The appropriation also adds \$5,300 (GF) for a salary adjustment. Under this legislation, every adult applicant, adult recipient or eligible minor parent of General Assistance, AFDC, or Food Stamps is required to provide a finger image. If these individuals refuse to comply with the finger imaging requirements, DES shall deny benefits. If a finger image of an applicant matches another on file, a fraud investigator will be notified as will the applicant or recipient. If fraud is verified, DES shall terminate benefits. The applicant or recipient may appeal the termination of benefits. The state General Fund appropriation is contingent upon the state receiving federal Food Stamp matching funds for this project and is exempt from A.R.S. § 35-190, relating to the lapsing of appropriations. If the non-appropriated Federal Food Stamp dollars are received, another 1.5 FTE Positions will be added. Although this legislation requires DES to submit complete waiver proposals to the appropriate federal government departments, due to a recent change in federal policy, DES will not need to apply for or receive a waiver in order to implement the fingerprinting program, even for Food Stamps.

Job Placement Office Redesign — Laws 1997, Chapter 300 reallocated \$1,000,000 to this division for the redesign of welfare eligibility offices into job placement offices. These dollars were originally appropriated in the FY 1998 General Appropriation Act as part of the TANF Legislative Initiatives Special Line Item in the Division of Benefits and Medical Eligibility.

Additional Appropriations: Welfare Reform: Arizona Works (Chapter 300) — Appropriates \$308,400 GF to DES for FY 1998 for the purpose of implementation and operation of an electronic benefits transfer (EBT) for the issuance of TANF cash benefits and food stamp benefits. With the approval of the Joint Legislative Budget Committee and the

DEPARTMENT OF ECONOMIC SECURITY - ADMINISTRATION (Cont'd)

Governor's Office of Strategic Planning and Budgeting, DES may enter into a contract through the state's procurement process to implement an EBT system. After a contract has been awarded, DES shall report quarterly to the Joint Legislative Budget Committee on the EBT implementation. Chapter 300 also appropriated \$50,000 GF to the Arizona Department of Administration for the implementation and operation of an EBT system.

**DEPARTMENT OF ECONOMIC SECURITY -
DEVELOPMENTAL DISABILITIES**

A.R.S. § 41-1951

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	<u>401.0</u>	<u>437.6</u>	<u>349.6</u> ^{1/}
Personal Services	2,275,900	2,357,100	2,482,700
Employee Related Expenditures	506,300	555,400	571,700
Professional and Outside Services	263,400	143,900	143,900
Travel - In State	92,500	79,400	78,100
Other Operating Expenditures	348,600	297,600	296,800
Equipment	<u>9,400</u>	<u>0</u>	<u>0</u>
Operating Subtotal	3,496,100	3,433,400	3,573,200
Case Management	3,374,800	3,529,900	1,508,400
Home and Community Based Services	24,013,800	25,257,100	26,236,800 ^{2/}
Institutional Services	221,800	218,200	218,200
Arizona Training Program at Coolidge	<u>5,143,200</u>	<u>5,489,400</u>	<u>5,464,900</u>
Total Appropriations	36,249,700	37,928,000	37,001,500 ^{3/4/5/}

Program Description — *The Developmental Disabilities (DD) program provides 100% state funded services to individuals with mental retardation, cerebral palsy, autism or 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 Program at Coolidge and smaller state-operated group homes, and b) provides case management services to eligible recipients.*

Budget Conversion — The budget includes the consolidation of several Special Line Items into 3 new Special Line Items: Case Management, Home and Community Based Services, and Institutional Services. This new structure will more closely match the federal reimbursement structure. Further details on the composition of each new line item can be found below.

Licensure Transfer to DHS — The approved amount includes a decrease of \$17,400 and a 0.5 FTE Position associated with the requirements of Laws 1996, Chapter 191. The law transferred the powers and duties related to the licensing and regulation of group homes for the developmentally disabled from the Division of Developmental Disabilities to the

Department of Health Services (DHS). The transfer was based upon a recommendation from the Developmental Disabilities Transfer Transition Committee established by Chapter 191.

Provider Rate Increase — The approved amount includes a \$602,100 increase in the Home and Community Based Services Special Line Item for a provider rate increase effective July 1, 1997. The provider rate increase, 3% or approximately \$0.25 per hour per direct care staff FTE Position increase, is to be used to increase salaries for direct care staff. Laws 1997, Chapter 299 altered the footnote concerning the increase (*please see footnote #5 displayed on the Summary page*) by removing a provision stating that the

1/ Includes 262.6 FTE Positions funded from Special Line Items in FY 1998.

2/ 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 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. (General Appropriation Act footnote)

3/ 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. (General Appropriation Act footnote)

4/ The Department of Economic Security shall report all new placements into a state-owned ICF-MR in FY 1998 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, and the reason why this placement, rather than a placement into a privately-run facility for the developmentally disabled, was deemed as the most appropriate placement. The department should also report if no new placements were made. This report shall be made available by July 15, 1998. (General Appropriation Act footnote)

5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

DEPARTMENT OF ECONOMIC SECURITY - DEVELOPMENTAL DISABILITIES (Cont'd)

monies could also be used for providers whose rates are being substantially lowered if a published rate is introduced, especially providers employing direct care staff who are paid above the average prevailing wage for their position.

Member Year Estimates — The approved amounts are based upon member year caseload estimates in the DD program. The table below summarizes the member year caseload estimates for the Special Line Items:

<u>Member Year Estimates - FY 1998</u>	
Home and Community Based Services	2,730
Institutional Services	52
ATP-Coolidge	67
Total	2,849

Case Management — This Special Line Item was created for FY 1998 through the transfer of \$3,529,900 from the division's operating budget. The line item contains monies used to provide case management services to clients in the DD program. The approved amount, \$1,508,400, includes a decrease of \$2,210,900 and 75.5 FTE Positions associated with the implementation of targeted case management. Targeted case management will allow the state to receive federal funding for case management services it provides to DD clients who receive Arizona Long Term Care System Acute Care services but do not qualify for Long Term Care services. The decrease in General Funds will be matched by an increase in Federal Funds; service levels will remain the same. The department will need to have a waiver approved by the U.S. Health Care Financing Administration in order to proceed. The line item includes 49.7 FTE Positions.

Home and Community Based Services — This Special Line Item was created for FY 1998 through the transfer of \$25,257,100 from several line items: ASH Community Placement, Assistance to Families, DD Foster Care, Housekeeping Payments, Out-of-District Placement, and DD Purchase of Care. The line item contains monies used to provide residential programs, day programs, and support services to clients in a broad range of settings, from those living independently at home to those living in group homes.

The approved amount, \$26,236,800, includes 2 increases totaling \$304,600 for annualization of FY 1997 "aging out" increases. The first increase, \$158,000, will annualize funding of residential services for 9 new clients and support services for 10 new clients who attained 18 years of age in FY 1997 and no longer qualify for Foster Care. The second increase, \$146,600, annualizes funding of day programs for 44 new clients and support services for 25 new clients who turned 22 years of age in FY 1997 and no longer receive a public education. As noted above, the approved amount also

includes a \$602,100 increase for a provider rate increase of approximately 3% for direct care staff, effective July 1, 1997. The line item includes 51.9 FTE Positions.

The approved amount is expected to provide the following number of member years of service in each category in FY 1998:

<u>Category</u>	<u>Member Years</u>
At Home with Family	2,217
Adult Developmental Foster Home	58
Group Home	332
Children Developmental Foster Home	59
Independent Living	55
State-Operated Group Homes	10
Total	2,730 ^{1/}

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

Institutional Services — This Special Line Item was created for FY 1998 through the transfer of \$218,200 from the DD Foster Care and DD Purchase of Care line items. The line item contains monies used to provide residential and day programs to clients with more severe developmental disabilities, who reside in Intermediate Care Facilities for the Mentally Retarded (ICF-MRs) or other nursing facilities. The approved amount, \$218,200, is expected to provide a total of 52 member years of service. The average cost per client per year is \$4,200.

The approved amount is expected to provide the following number of member years of service in each category in FY 1998:

<u>Category</u>	<u>Member Years</u>
Nursing Facility	3
ICF-MR	49
Total	52

Arizona Training Program at Coolidge (ATP-C) — The approved amount, a decrease of \$24,500 and 12 FTE Positions from FY 1997, funds an entire range of services for the estimated 52 clients who reside in large group living facilities on the Coolidge campus and an additional 15 clients who reside in State-Operated Group Homes on the Coolidge campus in FY 1998 for whom services are provided through the 100%-state funded DD program. The approved amount, \$5,464,900, does not include costs associated with case management and certain occupancy related costs. The approximate blended cost per DD client for FY 1998 will be \$81,400. The total population at ATP-C, including Title XIX-eligible clients, is estimated to be 176, a decrease of approximately 25% since FY 1993.

DEPARTMENT OF ECONOMIC SECURITY - DEVELOPMENTAL DISABILITIES (Cont'd)

The approved amount also includes \$10,400 for Stipends and Allowances, which was located in its own line in FY 1997. The approved amount, unchanged from FY 1997, provides weekly allowances to selected residents residing at the Coolidge campus. The total population eligible for these stipends is estimated to be 6.

Additional Legislation: Developmental Disabilities (Chapter 299) — Directs DES to operate an Electronic Benefits Transfer (EBT) pilot program in 2 counties from April 1, 1998 through July 31, 2000. The pilot program will provide payment for assorted developmental disabilities support services via EBT systems. It is understood that DES will not need an appropriation to implement this pilot program.

DEPARTMENT OF ECONOMIC SECURITY - LONG TERM CARE

A.R.S. § 41-1951

General Fund and Long Term Care System Fund^{1/}		FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	(GF)	<u>260.6</u>	<u>260.6</u>	<u>260.1</u> ^{2/}
	(TF)	<u>1,268.5</u>	<u>1,051.6</u>	<u>1,050.6</u> ^{2/}
Personal Services	(GF)	1,634,800	1,500,200	1,647,700
	(TF)	5,701,000	5,619,000	6,100,500
Employee Related Expenditures	(GF)	371,500	326,200	324,300
	(TF)	1,287,000	1,328,100	1,315,900
Professional and Outside Services	(GF)	422,400	301,100	301,100
	(TF)	1,585,700	1,282,200	1,282,200
Travel - In State	(GF)	58,000	47,400	46,100
	(TF)	214,900	186,900	184,300
Travel - Out of State	(GF)	0	0	0
	(TF)	0	400	400
Other Operating Expenditures	(GF)	341,500	277,400	276,600
	(TF)	1,258,200	1,072,300	1,070,700
Equipment	(GF)	9,000	0	0
	(TF)	<u>28,300</u>	<u>0</u>	<u>0</u>
Operating Subtotal	(GF)	2,837,200	2,452,300	2,595,800
	(TF)	10,075,100	9,488,900	9,954,000
Case Management	(GF)	2,685,800	2,291,600	2,363,600
	(TF)	8,915,100	8,588,000	8,846,300
Home and Community Based Services	(GF)	33,587,700	41,270,300 ^{3/}	42,871,400
	(TF)	126,681,400	142,863,900 ^{4/}	148,669,800
Institutional Services	(GF)	2,004,400	2,390,100	2,461,000
	(TF)	5,994,800	8,609,300	8,835,300
Medical Services	(GF)	6,421,500	7,679,300	8,196,400
	(TF)	24,520,700	27,868,100	29,375,700
Arizona Training Program at Coolidge	(GF)	2,772,800	2,629,400	2,785,200
	(TF)	9,706,100	9,190,200	9,691,900
Arizona Training Program at Tucson	(GF)	0	218,600	121,700
	(TF)	<u>408,300</u>	<u>635,800</u>	<u>253,300</u>
Total Appropriations	(GF)	50,309,400	58,931,600 ^{4/}	61,395,100 ^{5/}
	(TF)	186,301,500	207,244,200 ^{4/}	215,626,300 ^{5/}
Fund Summary				
General Fund		50,309,400	59,341,400	61,395,100
Other Funds		<u>135,992,100</u>	<u>147,902,800</u>	<u>154,231,200</u>
Total Appropriations		186,301,500	207,244,200	215,626,300

^{1/} A.R.S. § 36-2953 establishes a Long Term Care System Fund. Subject to legislative appropriation, this fund consists of all AHCCCS monies, state appropriations and other grants used to finance developmentally disabled long term care. The above chart displays the Total Expenditure Authority (TF) of the Long Term Care System Fund, but does not include costs expended in the Administration cost center from this fund.

^{2/} Includes 222.6 GF and 868.7 TF FTE Positions funded from Special Line Items in FY 1998.

^{3/} The amount shown reflects the Joint Legislative Budget Committee approved transfer of \$3,095,100 from the TANF Case Benefits Special Line Item in the Division of Benefits and Medical Eligibility for caseload growth.

^{4/} Laws 1997, Chapter 7, 1st Special Session appropriated \$9,000,000 in Total Fund Expenditure Authority for caseload growth.

^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

DEPARTMENT OF ECONOMIC SECURITY - LONG TERM CARE (Cont'd)

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.*

Budget Conversion — The budget includes the consolidation of several Special Line Items into 4 new Special Line Items: Case Management, Home and Community Based Services, Institutional Services, and Medical Services. This new structure will more closely match the federal reimbursement structure. Further details on the composition of each new line item can be found below.

Licensure Transfer to DHS — The approved amount includes a decrease of \$35,300 Total Funds (TF) and 1 FTE Position associated with the requirements of Laws 1996, Chapter 191; of this transfer, \$17,600 and 0.5 FTE Position are from the General Fund (GF). The law transferred the powers and duties related to the licensing and regulation of group homes for the developmentally disabled from the Division of Developmental Disabilities (DDD) to the Department of Health Services (DHS). The transfer was based upon a recommendation from the Developmental Disabilities Transfer Transition Committee established by Chapter 191.

Provider Rate Increase — The approved amount includes a \$1,213,400 GF and \$3,504,900 TF increase in the Home and Community Based Services Special Line Item for a provider rate increase effective July 1, 1997. The provider rate increase, 3% or approximately \$0.25 per hour per direct care staff FTE Position increase, is to be used to increase salaries for direct care staff. Laws 1997, Chapter 299 altered the footnote concerning the increase (*please see footnote #5 displayed on the Summary page*) by removing a provision stating that the monies could also be used for providers whose rates are being substantially lowered if a published rate is introduced, especially providers employing direct care staff who are paid above the average prevailing wage for their position. The distribution of the entire Other Funds amount is contingent upon the availability of revenues, specifically an increase in the Title XIX capitation rate.

Member Year Estimates — The approved amounts are based upon member year caseload estimates in the LTC program. The table below summarizes the member year estimates for the Special Line Items.

<u>Member Year Estimates - FY 1998</u>	
Home and Community Based Services	6,973
Institutional Services	197
ATP-Coolidge	109
ATP-Tucson	4
Total Placed Member Years	7,283 ^{1/}
Medical Services/Case Management (Enrolled)	8,334
^{1/} Sum of all Placed and Ventilator Dependent Member Months	

Funding Sources — The LTC program receives funding from numerous sources, which together constitute the “Total Funds” upon which the program’s appropriation is based. The FY 1998 appropriation is based upon total Title XIX revenues received, which in theory should match the program’s expenditures. However, since the program receives revenues on a “capitated” basis and generally pays the private provider community on a “fee-for-service” basis, it has historically been difficult for the program to exactly match revenues to expenditures. If the caseload estimates upon which the revenue estimates are based are too low or too high, the appropriation may need to be adjusted accordingly.

The Department of Economic Security (DES), as the AHCCCS-authorized provider of DD services, receives federal monies through prepaid monthly capitation payments. For federal fiscal year (FFY) 1996, the capitated rates were as follows: Ventilator Dependent, \$11,558.50; Enrolled Rate, \$395.34; and Placed Rate, \$1,974.73. The 3 rates have the following definitions:

- **Enrolled:** includes all clients who qualify for the LTC program based on their disability and financial status except for Ventilator Dependent clients (*see below*); this rate covers medical services, case management, and other administration. The approved amount includes funding for 8,334 member years. Of the 8,334 member years, 7,248 will receive the placed rate as well.
- **Placed:** includes only clients placed in care settings; this rate covers the costs of their residential programs, day programs, and support services. Excludes Ventilator Dependent clients (*see below*). The approved amount includes funding for 7,248 member years. The

DEPARTMENT OF ECONOMIC SECURITY - LONG TERM CARE (Cont'd)

approved individuals receive both the monthly placed capitation rate (an estimated \$2,012.83 in FY 1998) and the monthly enrolled capitation rate (an estimated \$433.44 in FY 1998) for a total monthly capitation rate of \$2,446.27 in FY 1998.

- **Ventilator Dependent:** includes only clients requiring a ventilator to function and placed in care settings; this rate covers all costs pertaining to their care, including medical services, case management, residential programs, day programs, and support services. The approved amount includes funding for 35 member years at an estimated monthly capitation rate of \$11,596.60 in FY 1998.

The table below details the capitation rates upon which the FY 1998 budget is based. The state and federal shares are based on the estimated FY 1998 Federal Matching Assistance Percentage (FMAP), which is a blended combination of the FFY 1997 and FFY 1998 FMAPs.

Capitation Category	Blended FY 1998 Estimated Rate	State Share (.3462)	Federal Share (.6538)
Enrolled	\$ 433.44	\$ 150.06	\$ 283.38
Placed	2,012.83	696.84	1,315.99
Ventilator Dependent	\$11,596.60	\$4,014.74	\$7,581.86

Given these capitation rates and the member year caseload estimates discussed above, the budget assumes that the following Title XIX revenue will be generated.

Capitation Category	Member Years	Title XIX Revenue
Enrolled	8,334	\$ 28,338,600
Placed	7,248	114,466,300
Ventilator Dependent	35	<u>3,184,400</u>
Total	—	\$145,989,300 ^{1/}

^{1/} Includes an estimated \$2,778,500 for central administration expenditures. If more revenue is available than the \$145,989,300 shown here, the estimate may be revised by the division.

The FY 1998 General Fund appropriation, when coupled with Other Fund revenue, should constitute 34.62% of the program's costs, plus all "100% state" costs, including room and board. The Title XIX revenue generated should equal the remaining 65.38% of the program, less the "100% state" costs. The table below summarizes the expected revenue from these funding sources for FY 1998.

	FY 1998 Revenue Estimates
Title XIX Revenue (excludes central administration)	\$143,210,800
General Fund Appropriations	61,395,100
Client Billing Revenue	6,976,000
Reinsurance	1,400,000
Client Trust Funds	1,140,900
Third Party Liability	750,000
Interest from the Mesa Land Fund (Laws 1976, Ch. 140)	300,000
LTC System Fund Interest	250,000
PASARR (Total Funds)	<u>203,500</u>
Total - Long Term Care System Fund	\$215,626,300

Case Management — The approved amount, \$2,363,600 GF and \$8,846,300 TF, provides case management services to clients in the LTC program. The line item was created in FY 1998 through the transfer of \$2,291,600 GF and \$8,588,000 TF from the division's operating budget. The line item includes 268.3 FTE Positions, 56.5 of which are funded from the General Fund.

Home and Community Based Services — The approved amount, \$42,871,400 GF and \$148,669,800 TF, provides residential programs, day programs, and support services to clients in a broad range of settings, from those living independently or at home to those living in group homes. The line item was created for FY 1998 through the transfer of \$38,181,200 GF and \$133,881,200 TF from the operating budget and 3 line items: Fee for Service, LTC Foster Care, and LTC Purchase of Care. The line item includes 134.1 FTE Positions, 28.2 of which are funded from the General Fund.

The approved amount includes the following increases above the FY 1997 appropriation:

- An increase of \$3,216,100 GF and \$9,289,600 TF, reflecting an average caseload growth rate of 3.5%.
- An increase of \$262,900 GF and \$759,400 TF for annualization of services provided to clients aging out of Foster Care and public schools in FY 1997.
- An increase of \$1,213,400 GF and \$3,504,900 TF for a 3% provider rate increase (see discussion above).
- An increase of \$0 GF and \$1,213,400 TF for unallocated expenditure authority.

The approved amount is expected to provide the following number of member years of service in each category in FY 1998:

DEPARTMENT OF ECONOMIC SECURITY - LONG TERM CARE (Cont'd)

<u>Category</u>	<u>Member Years</u>
At Home with Family	4,703
Adult Developmental Foster Home	238
Group Home	1,723
Developmental Foster Home	205
Independent Living	3
State-Operated Group Homes	<u>102</u>
Total	6,973 ^v

^v Numbers do not add due to rounding.

Institutional Services — The approved amount, \$2,461,000 GF and \$8,835,300 TF, provides residential and day programs to clients with more severe developmental disabilities who reside in Intermediate Care Facilities for the Mentally Retarded (ICF-MRs) or other nursing facilities. The line item was created for FY 1998 through the transfer of \$2,390,100 GF and \$8,609,300 TF from the operating budget, LTC Foster Care line item, and LTC Purchase of Care line item. The approved amount includes an increase of \$34,400 GF and \$99,400 TF for expected caseload growth of 1.5%. The approved amount is expected to provide 197 member years of service at an average cost of \$44,900 per client. The line includes a total of 93.2 FTE Positions, 19.6 of which are funded from the General Fund.

The approved amount is expected to provide the following number of member years of service in each category in FY 1998:

<u>Category</u>	<u>Member Years</u>
Nursing Facility	61
ICF-MR	<u>136</u>
Total	197

Medical Services — The approved amount, \$8,196,400 GF and \$29,375,700 TF, provides Acute Care services to clients enrolled in the LTC program. The line item was created for FY 1998 through the transfer of \$7,679,300 GF and \$27,868,100 TF from the operating budget and the Acute Care line item. The approved amount includes an increase of \$504,200 GF and \$1,456,400 TF for expected caseload growth of 3.5%. The department expects to provide 8,334 member years of service in this line in FY 1998. The line includes a total of 64.6 FTE Positions, 13.2 of which are funded from the General Fund.

Arizona Training Program at Coolidge (ATP-C) — The approved amount is an increase of \$155,800 GF and \$501,700 TF from FY 1997. The components of this line item are identical to the line item in the FY 1997 appropriation, with the addition of the Stipends and Allowances line. The approved amount,

a total of \$2,785,200 GF and \$9,691,900 TF, funds an entire range of services for the estimated 91 clients who reside in ICF-MRs on the Coolidge campus and an additional 18 clients who reside in State-Operated Group Homes on the Coolidge campus and who are eligible for the LTC program. The approved amount does not include costs associated with case management and certain occupancy-related costs. The approximate blended cost per client for FY 1998 will be \$87,000. The total population at ATP-C, including non-Title XIX eligible clients, is estimated to be 176, a decrease of approximately 25% since FY 1993.

The approved amount also includes \$205,400 for Stipends and Allowances, which was located in its own line in FY 1997. The approved amount, unchanged from FY 1997, provides weekly allowances to Title XIX-eligible residents still residing in the Arizona Training Programs at Coolidge and Tucson. The total population eligible for these stipends is estimated to be 124.

Arizona Training Program at Tucson (ATP-T) — The approved amount is a decrease of \$96,900 GF and \$382,500 TF from FY 1997. The components of this line item are identical to the line item in the FY 1997 appropriation. The approved amount, a total of \$121,700 GF and \$253,300 TF, funds an entire range of services for the estimated 4 clients who will reside in ICF-MRs on the Tucson campus. The approved amount does not include costs associated with case management and certain occupancy-related costs. The approximate blended cost per client for FY 1998 will be \$63,400.

The ATP-T campus also provides day program services to clients residing in the community and is used for evaluation, training classes, and district offices. ATP-T is located on 30 acres of land which will be deeded to the state by the federal government on July 14, 1997.

Additional Legislation: Developmental Disabilities (Chapter 299) — Directs DES to operate an Electronic Benefits Transfer (EBT) pilot program in 2 counties from April 1, 1998 through July 31, 2000. The pilot program will provide payment for assorted developmental disabilities support services via EBT systems. It is understood that DES will not need an appropriation to implement this pilot program.

**DEPARTMENT OF ECONOMIC SECURITY -
BENEFITS & MEDICAL ELIGIBILITY**

A.R.S. § 41-1951

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	806.2	1,270.6	1,270.6 ^{1/}
Personal Services	18,254,900	26,195,700	32,273,000
Employee Related Expenditures	4,713,000	6,442,000	7,797,500
Professional and Outside Services	290,700	497,000 ^{2/}	432,600
Travel - In State	532,100	647,900	766,700
Other Operating Expenditures	3,368,700	4,910,100	4,673,900
Equipment	106,900	0	5,800
Operating Subtotal	27,266,300	38,692,700	45,949,500 ^{3/}
Aid to Families with Dependent Children	83,300,900	0	0
TANF Cash Benefits	0	187,318,400 ^{4/}	208,860,700 ^{5/}
TANF Stabilization Fund	0	0	5,141,000 ^{6/}
TANF Legislative Initiatives	0	0	7,500,000 ^{7/}
Outreach and Naturalization	0	0	250,000
Arizona Works Procurement Board	0	0	300,000
General Assistance	10,540,300	4,913,600	1,879,400
Tuberculosis Control	6,700	19,400	19,400
Institutional Support Payments	388,800	478,400	360,000
Full Employment Project	445,600	305,900	110,600 ^{8/}
Youth Support Research	14,000	14,000	14,000 ^{9/}
ALTCS Eligibility Pass-Through	0	0	550,600 ^{10/}
Total Appropriations	121,962,600	231,742,400 ^{11/}	270,935,200 ^{12/}
Fund Summary			
General Fund	121,961,900	88,576,900	88,321,900
Full Employment Demonstration Project Fund	700	200,000	0
Federal TANF Block Grant	0	142,965,500	182,613,300
Total Appropriations	121,962,600	231,742,400	270,935,200

- ^{1/} Includes 4 FTE Positions funded from Special Line Items in FY 1998.
- ^{2/} The amount shown reflects the Joint Legislative Budget Committee approved transfer in of \$77,400 from the Aid to Families with Dependent Children Special Line Item (now TANF Case Benefits) for modification of the eligibility determination system.
- ^{3/} The Operating Lump Sum appropriation may be expended on AHCCCS eligibility determinations based upon the results of the Arizona random moment sampling survey. (General Appropriation Act footnote)
- ^{4/} The amount shown reflects the Joint Legislative Budget Committee approved transfer out of a total of \$5,802,900 to other cost centers.
- ^{5/} Notwithstanding A.R.S. § 35-173C, any transfer to or from the \$208,860,700 appropriated for Temporary Assistance for Needy Families Cash Benefits shall require approval of the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{6/} The General Appropriation Act originally appropriated \$17,491,400 for this line. This was modified by Laws 1997, Chapter 300, leaving the amount shown. Further details can be found in the Welfare Reform section in this cost center and the Summary.
- ^{7/} The General Appropriation Act originally appropriated \$20,009,900 for this line. This was modified by Laws 1997, Chapter 300, leaving the amount shown. Further details can be found in the Welfare Reform section in this cost center and the Summary.
- ^{8/} The appropriated amount for the Full Employment Project shall be deposited into the Full Employment Demonstration Project Fund. (General Appropriation Act footnote)
- ^{9/} 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, 1998 regarding the design and results of the research program. (General Appropriation Act footnote)
- ^{10/} The monies appropriated for Arizona Long Term Care System Eligibility Pass-through shall revert to the state General Fund if the federal government determines that the legal non-citizen recipients of SSI who are enrolled in the Arizona Long Term Care System are eligible for matching federal monies. (General Appropriation Act footnote)
- ^{11/} Laws 1997, Chapter 7, 1st Special Session appropriated \$142,965,500 of federal TANF Block Grant monies. Further details can be found in the Welfare Reform section in this cost center and the Summary.
- ^{12/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

DEPARTMENT OF ECONOMIC SECURITY - BENEFITS & MEDICAL ELIGIBILITY (Cont'd)

Program Description — *The program develops policy and operating procedures, determines eligibility, pays benefits and carries out an evaluation and monitoring program for the following programs: Food Stamps; the new Temporary Assistance for Needy Families (TANF) program, which replaced the Aid to Families with Dependent Children (AFDC) program; General Assistance; Tuberculosis Control; Institutional Support Payments; and the Full Employment Demonstration Project.*

Welfare Reform — The approved amount reflects the legislatively approved Temporary Assistance for Needy Families (TANF) Block Grant and Child Care Block Grant (CCBG) dollars, as required by the new federal welfare reform law. The following table displays the distribution of these federal welfare block grant dollars for both FY 1997 and FY 1998 as modified by Laws 1997, Chapter 300.

<u>TANF Federal Block Grant Appropriation</u>		
	<u>FY 1997</u>	<u>FY 1998</u>
<u>TANF Block Grant</u>		
Operating Budget	\$10,996,700	\$16,441,600
FTE Positions	464.4	464.4
TANF Cash Benefits	131,968,800	158,671,700
TANF Legislative Initiatives	<u>0</u>	<u>7,500,000</u>
TANF Total	\$142,965,500	\$182,613,300
FTE Positions	464.4	464.4

In addition to these appropriations, Laws 1997, Chapter 300, the state's Welfare Reform bill, modified the original appropriations for the TANF Legislative Initiatives and TANF Stabilization Fund Special Line Items by reallocating and transferring monies therein. Two transfers of General Fund (GF) monies from the TANF Stabilization Fund have been placed in the Division of Benefits and Medical Eligibility (DBME) budget:

- \$250,000 for the purpose of implementing outreach and naturalization efforts targeted to legal immigrants losing food stamps and health coverage; and
- \$300,000 to be transferred to the Arizona Works Procurement Board for administrative expenses and to obtain technical assistance from experts in welfare programs and state government. These monies will be used to aid the board in developing a request for proposals for the Arizona Works privatization pilot scheduled to take effect on January 1, 1999.

Further details on the modifications are found in the discussions under the line items below. For further details on the Welfare Reform bill, please see other cost centers and the Summary.

TANF Cash Benefits — The approved amount, \$208,860,700, will provide cash assistance for families qualifying for the

state's EMPOWER Redesign program. The Special Line Item supersedes the AFDC line. The approved amount is expected to fund an average population of 154,200 recipients in the single parent program, at a monthly cost of \$110.25 per recipient, and 6,080 recipients in the 2-parent program, at a monthly cost of \$81.15 per recipient.

The approved amount is an increase of \$134,711,100 over the FY 1997 appropriation as modified by 3 General Fund transfers (but not including the FY 1997 supplemental appropriation discussed below). This increase was derived as follows:

- A decrease of \$3,816,600 GF associated with greater than anticipated caseload declines in FY 1997. The original FY 1997 appropriation (prior to any GF transfers or supplemental appropriation) provided funding for an average duplicated population of 177,700 recipients in the single-parent program, and 6,190 recipients in the 2-parent program.
- A decrease of \$2,652,600 GF associated with declines resulting from the implementation of "kid cap," 24-month time limit, and "diversion" provisions. The "kid cap" provision prohibits additional benefits paid for children born 9 months after the client starts receiving TANF benefits. The 24-month-limit prohibits paying benefits to clients for more than 24 months in any 60-month period. The "diversion" option provides an initial grant of up to 3 times the monthly assistance for which the applicant qualifies in lieu of a monthly grant and makes the applicant eligible for all other TANF-related services. These provisions, imposed by Laws 1994, Chapter 319 ("kid cap" and 24-month time limit) and Laws 1996, Chapter 193 ("diversion"), are expected to reduce caseloads by a total of 5,800 recipients.

These decreases would bring estimated total GF expenditures to \$67,680,400. The approved amount also includes:

- An increase of \$141,180,300 of previously non-appropriated TANF Block Grant monies to match the GF amount.

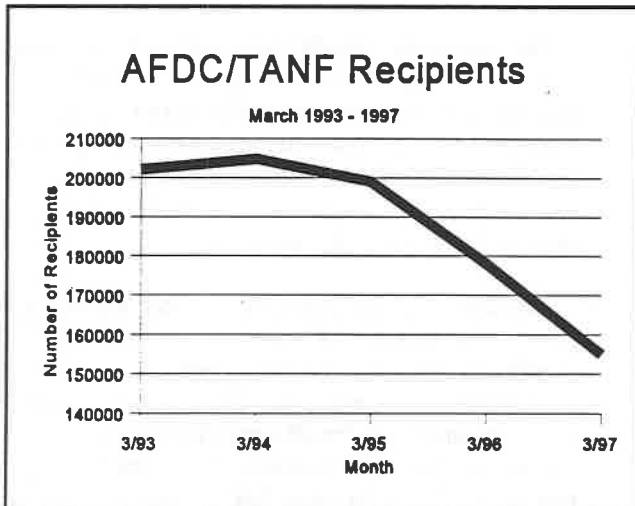
This amount was calculated by applying a "blended" state FY 1997 Federal Matching Assistance Percentage (FMAP) of 65.61% federal/34.39% state to the GF amount.

DEPARTMENT OF ECONOMIC SECURITY - BENEFITS & MEDICAL ELIGIBILITY (Cont'd)

Finally, due to federal prohibitions on placing TANF Block Grant funds in a state TANF Stabilization Fund and the need to place state funds in any such Stabilization Fund, the amount originally approved in the General Appropriation Act for the TANF Stabilization Fund, \$17,491,400 GF, was funded with GF monies moved from the TANF Cash Benefits line. TANF Block Grant monies then replaced GF monies moved out of the Cash Benefits line (*see discussion under TANF Stabilization Fund below*).

These changes yield a total of \$208,860,700 to be expended on TANF Cash Benefits in FY 1998, of which \$49,894,200 will be funded with GF monies, and \$158,966,500 will be funded with TANF Block Grant monies.

The following chart illustrates the decline in the number of AFDC/TANF recipients in recent years.



Laws 1997, Chapter 300 specifies that any monies appropriated from the TANF Block Grant in FY 1998 that are unexpended and unencumbered shall be used as a reversion against TANF Cash Benefits, subject to federal maintenance of effort requirements. The unexpended and unencumbered GF monies appropriated for TANF Cash Benefits shall revert to the TANF Stabilization Fund.

TANF Legislative Initiatives — The amount originally approved in the General Appropriation Act, \$20,009,900 of TANF Block Grant monies, was set aside for use in a Welfare Reform bill. Laws 1997, Chapter 300, the Welfare Reform bill, reallocated the entire amount in the line to other areas in the Department of Economic Security budget (DES). Of the amount, \$12,509,900 was reallocated to other portions of the DES budget, and \$7,500,000 will be transferred to the CCBG and then appropriated to the Day Care Subsidy line in Division of Employment and Rehabilitation Services. The \$7,500,000 to be transferred to the CCBG is “double-

counted;” that is, it is also reflected as an appropriation from the CCBG. Further details on these reallocations and transfers can be found in the Summary and other cost center narratives.

TANF Stabilization Fund — The approved amount, \$5,141,000 GF, is set aside for deposit into a TANF Stabilization Fund to supplement existing appropriations when caseloads for the TANF program exceed budgeted projections. Due to federal restrictions, the state cannot place federal TANF Block Grant monies in a state stabilization fund. Therefore, the amount originally approved in the General Appropriation Act for the TANF Stabilization Fund, \$17,491,400 GF, was funded with GF monies moved from the TANF Cash Benefits line. TANF Block Grant monies then replaced the GF monies moved out of the Cash Benefits line (*see discussion under TANF Cash Benefits above*). Laws 1997, Chapter 300, the Welfare Reform bill, modified that amount by transferring \$11,550,000 GF as discussed under **Welfare Reform** in the Summary. The original amount was also modified by transferring \$800,400 to other cost centers for FY 1998 salary adjustments for persons funded with TANF Block Grant monies. (*For further details, see footnote #6 in the Summary.*)

Laws 1997, Chapter 300 also authorizes the transfer of \$1,000,000 from the TANF Stabilization Fund into a new Technology System Fund in FY 1998 if DES enters into a contract with a private provider to establish an electronic eligibility system. Since that transfer is conditional upon DES actually signing a contract in FY 1998, the monies available for that transfer are shown in the TANF Stabilization Fund line.

The authority for the Stabilization Fund was originally found in a session law provision in Laws 1997, Chapter 3, 1st Special Session. Laws 1997, Chapter 300 established a TANF Stabilization Fund in permanent law (A.R.S. § 46-139.03).

General Assistance — This state-funded program provides financial aid to persons who are unemployable because of a physical or mental disability. Eligibility is limited to 12 months out of every 36-month period. Extensions of 6 months are allowed if a recipient is currently appealing an adverse decision by the Social Security Administration regarding federal benefits.

The approved amount of \$1,879,400, a reduction of \$3,034,200, is based upon the following:

- **Caseload** — The approved amount will provide for an average duplicated caseload of approximately 1,471 clients, receiving an average monthly benefit payment

DEPARTMENT OF ECONOMIC SECURITY - BENEFITS & MEDICAL ELIGIBILITY (Cont'd)

of \$142.50. The approved amount is based on annualization of caseload declines expected as a result of the Supplemental Security Income (SSI) "Bridge-Only" provision established by Laws 1996, Chapter 6, 5th Special Session. Caseload costs are expected to equal \$2,516,400.

- **Retroactive Recovery of SSI Payments** — The approved amount includes total savings of \$946,500 associated with federal reimbursement for General Assistance (GA) recipients found eligible for the federal SSI program. A total of 7,312 member months in GA are estimated to be reimbursed by the Social Security Administration. The savings estimate is net of monies paid to attorneys for assisting GA recipients to become eligible for SSI.
- **Application Assistance** — The approved amount of \$235,100, a decrease of \$42,800 from FY 1997, is based upon a projection that 180 recipients will be converted in FY 1998 to the SSI program through the Application Assistance program. Application Assistance should increase the likelihood that the recipients served by the program will be accepted into the SSI program.
- **Contracted Medical Examinations** — The approved amount of \$74,400, a decrease of \$226,200 from FY 1997, provides for 1,813 medical examinations at an average cost of \$40.37 per exam, and 27 medical consultation hours, at a cost of \$46.32 per hour.

Tuberculosis Control — The approved amount provides assistance to persons certified unemployable by the State Tuberculosis Control Office because of communicable tuberculosis, as outlined in A.R.S. § 36-716. The approved amount, \$19,400, the same as FY 1997, will fund monthly payments to 12 recipients at an average monthly cost of \$134.72.

Institutional Support Payments — Subject to legislative appropriation, A.R.S. § 46-252 directs the department to administer an optional state supplemental payments program. The program provides \$80 payments to low-income eligible recipients at least 65 years of age receiving care in a licensed private nursing home, \$174 to persons residing in a licensed county-operated nursing home, and \$50 to persons residing in a licensed supervisory care home, an adult foster care home, or a person who is seriously mentally ill and residing in a 24-hour residential treatment facility licensed by the Department of Health Services. The approved amount, a decrease of \$118,400 from FY 1997, will fund monthly payments to 600 recipients at an average monthly cost of \$50. No clients in private nursing homes are currently receiving this payment, and no county-operated nursing homes are currently operated in Arizona.

Full Employment Project — Laws 1994, Chapter 301 established a pilot Full Employment Demonstration Project. This program involves the conversion of Food Stamp and AFDC benefits to cash, which is used to subsidize recipient's wages paid by a public or private sector employer. The approved amount for FY 1998 is \$110,600. The entire appropriation is to be deposited into the Full Employment Demonstration Project Fund.

Laws 1994, Chapter 301 requires the department to present to the Governor, the President of the Senate, and the Speaker of the House of Representatives a report on the project's impacts on expenditures, caseload and individual duration of eligibility 24 months after implementation of the project, which will be in November 1997. If it appears that the project is not likely, at least, to be cost neutral over the course of 3 years, the department shall also present a plan for early project termination. If the project continues, the department shall submit to the Governor, the President of the Senate, and the Speaker of the House of Representatives a full and complete project analysis 6 months before the project completion date. Laws 1994, Chapter 301 is repealed after July 17, 1998. Therefore, the full and complete project analysis shall be presented by January 17, 1998.

Youth Support Research — The approved amount, the same as FY 1997, provides funding 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 issue a report by June 30, 1998 regarding the design and results of the research program.

ALTCS Eligibility Pass-Through — The approved amount, \$550,600, provides funding for Arizona Long Term Care System (ALTCS) benefits for current ALTCS recipients who are legal non-citizens losing their ALTCS eligibility as a result of losing their SSI from the federal welfare reform bill. Footnote #8 specifies that these monies in this new Special Line Item, which are intended to be passed through to AHCCCS, shall revert to the General Fund if the federal government determines that these legal non-citizen recipients of SSI are eligible for matching federal monies.

**DEPARTMENT OF ECONOMIC SECURITY -
CHILD SUPPORT ENFORCEMENT**

A.R.S. § 41-1951

General Fund and Child Support Enforcement Administration Fund ^v		FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	(GF)	88.0	0.0	0.0
	(TF)	724.0	716.2	716.2 ^{2/}
Personal Services	(GF)	1,873,000	0	0
	(TF)	15,325,700	17,185,900	17,435,800
Employee Related Expenditures	(GF)	480,400	0	0
	(TF)	3,844,100	4,200,600	4,292,600
Professional and Outside Services	(GF)	50,100	1,284,600	321,300
	(TF)	4,096,000	3,778,200	3,778,200
Travel - In State	(GF)	6,300	48,200	48,200
	(TF)	189,000	141,800	141,800
Other Operating Expenditures	(GF)	110,600	924,100	924,100
	(TF)	2,580,800	2,717,900	2,717,900
Equipment	(GF)	200	0	0
	(TF)	86,600	0	0
Operating Subtotal	(GF)	2,520,600	2,256,900	1,293,600
	(TF)	26,122,200	28,024,400	28,366,300 ^{2/}
Laws 1994, Ch. 374 Pilot Programs	(GF)	145,400	0	0
	(TF)	160,000	0	0
Automation Lease-Purchase	(GF)	0	88,500	78,600
	(TF)	0	88,500	88,500
Phase II Conversion	(GF)	311,000	753,600	753,600
	(TF)	5,857,900	2,216,500	2,216,500 ^{2/}
Assignment of Rights	(GF)	106,500	0	0
	(TF)	168,800	0	0
Paternity Establishment	(GF)	0	72,400	72,400
	(TF)	0	723,600	723,600
Total	(GF)	3,083,500	3,171,400	2,198,200
	(TF)	32,308,900	31,053,000	31,394,900
Additional Appropriations -				
Child Support; Omnibus, Ch. 219		0	0	816,400
Welfare Reform; Arizona Works Program, Ch. 300		0	0	200,000
Total Appropriations		32,308,900	31,053,000	32,411,300 ^{3/4/}
<u>Fund Summary</u>				
General Fund		3,083,500	3,171,400	3,214,600
Federal Funds		22,605,200	20,439,100	20,664,000
SSRE and Incentives		6,620,200	7,184,100	8,532,700
Application Fees		0	258,400	0
Total Appropriations		32,308,900	31,053,000	32,411,300

DEPARTMENT OF ECONOMIC SECURITY - CHILD SUPPORT ENFORCEMENT (Cont'd)

Program Description — *The Division of Child Support Enforcement (DCSE) program provides intake services; locates absent parents; assists in establishing paternity; 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.*

Total Funds Expenditure Authority — The division's budget is again being appropriated on a Total Funds (TF) Expenditure Authority basis. Laws 1996, Chapter 335 specified that the Child Support Enforcement Administration Fund is subject to legislative appropriation in FY 1998. This budget reflects the appropriation of State Share of Retained Earnings (SSRE) and federal incentive payments in the fund. The division receives funds from several sources. These sources and FY 1998 revenue projections are as follows: 1) General Fund (GF) appropriations - \$3,214,600; 2) SSRE and federal incentive payments - \$8,532,700; and 3) federal matching dollars - \$20,664,000. The GF appropriation, SSRE, and federal incentive payments together constitute 34% of the program's funds. These funds are then matched by federal dollars equaling 66% of the program's funds (except for Paternity Establishment and Automation Lease-Purchase, which have different match rates. Please see below.) The Total Expenditure Authority does not include funds passed through to participating counties or expended in the Administration Division. SSRE to be expended in the Administration Division for overhead and pooled costs in FY 1998 is estimated at \$2,200,000. If the division is able to collect more SSRE and earn more federal incentives than the above estimates, all amounts over these estimates are appropriated to the operating budget. (See footnote #2 below.) For FY 1998, all Personal Services and Employee Related Expenditures associated with FTE Positions are funded from Other Funds (OF). Since the OF portion of the Child Support Enforcement Administration Fund is appropriated for the first time in FY 1998, the FTE Positions funded from OF are also appropriated for the first time.

\$50 Disregard — The approved amount includes an increase of \$963,300 OF and a corresponding decrease of \$963,300 GF associated with the elimination of the \$50 disregard in

child support payments; overall funding for the division is unchanged by this provision. The federal welfare reform law permitted states to eliminate this disregard, under which the first \$50 of any child support payments collected by state on behalf of public assistance recipients had to be passed through to the custodial parent. A footnote in the General Appropriation Act specifies that the approved amount contains no funding for such a pass-through. (See footnote #3 below). The elimination of the disregard is expected to increase the amount of SSRE and incentive payments to the state by \$963,300. The increased SSRE and incentive payments are not expected to be subject to distribution to counties pursuant to intergovernmental agreements.

Application Fees — The approved amount includes a decrease of \$258,400 OF and \$760,000 TF associated with the elimination of the \$25 application fee for all applicants not receiving Temporary Assistance for Needy Families. Legal questions concerning the implementation of this fee have been raised; it appears the division cannot impose this fee without explicit statutory language. The monies generated from the fee were expected to be used for reclassifications, training, and incentive programs.

Automation Lease-Purchase — The approved amount, \$78,600 GF and \$88,500 TF, includes a decrease of \$9,900 GF associated with increased federal funding available to match some of the spending. Aside from this exception, these monies are for the division's lease-purchase interest payment for previously purchased automation equipment, which is not eligible for federal matching funds.

Phase II Conversion — The approved amount previously provided funding for Phase II of the Arizona Tracking and Locate Automated System (ATLAS). Level I federal

- 1/ The Child Support Enforcement Administration Fund contains State Share of Retained Earnings (SSRE) from child support collections and federal incentives, as outlined in A.R.S. § 46-406. This fund will become subject to legislative appropriation in FY 1998 per Laws 1996, Chapter 335. The following chart displays the Total Expenditures Authority (TF) of this division, not including monies passed through to participating counties and expended in the Administration cost center.
- 2/ All State Share of Retained Earnings and federal incentives above \$8,325,200 and federal enhanced 90/10 computer monies above \$1,462,900 received by the Division of Child Support Enforcement are appropriated for operating expenditures and to the Phase II Conversion Special Line Item, respectively. New full time equivalent positions may be authorized with the increased funding. The Division of Child Support Enforcement 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. (General Appropriation Act footnote) The original amount appropriated for State Share of Retained Earnings and federal incentives was modified by the FY 1998 salary adjustment.
- 3/ The above amount contains no funding for a pass-through to a custodial parent for the first \$50 of child support payments made to the custodial parent while that parent is receiving Temporary Assistance for Needy Families cash benefits. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

DEPARTMENT OF ECONOMIC SECURITY - CHILD SUPPORT ENFORCEMENT (Cont'd)

certification of the system was granted March 7, 1996. Final Level II certification is expected by the end of the 1997 federal fiscal year. The approved amount, \$753,600 GF and \$2,216,500 TF, is appropriated for ongoing system maintenance.

Paternity Establishment — The approved amount, \$72,400 GF and \$723,600 TF, provides funding for DNA testing and blood testing for the estimated 50% of child support cases which are subject to the establishment of paternity through testing. The division attempts to collect testing costs from legally determined fathers. Paternity establishment receives enhanced 90% funding from the federal government. Therefore, testing debts which are recovered are reimbursed 90% to the federal government and 10% between the division and the contracting counties. In FY 1995, the division recovered a total of \$68,800 of the genetic testing debts. DNA testing costs an average of \$55 per individual; blood tests cost an average of \$65 per individual.

Contracting Counties — The division contracts with several Arizona counties to run the Title IV-D (child support) 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 following table outlines who enforces Title IV-D activities:

<u>County</u>	<u>Title IV-D Enforcement</u>
Apache	DCSE
Cochise	County Attorney/Clerk of the Court
Coconino	DCSE
Gila	County Attorney/Clerk of the Court/Family Law Commissioner
Graham	DCSE
Greenlee	DCSE
La Paz	County Attorney
Maricopa	DCSE
Mohave	DCSE
Navajo	County Attorney/Clerk of the Court/Family Law Commissioner/Sheriff
Pima	County Attorney/Clerk of the Court/Family Law Commissioner
Pinal	County Attorney/Clerk of the Court/Family Law Commissioner
Santa Cruz	DCSE - privatized
Yavapai	DCSE - privatized
Yuma	DCSE

The division is required by federal regulation to pass federal incentives earned on to contracting counties. By agreement since 1992, the division also passes 50% of all SSRE earned over the 1990 base amount to contracting counties. The

division expects to pass \$1,359,600 in SSRE and federal incentives on to contracting counties in FY 1997. In addition, the division expects to pass \$11,768,600 in federal matching dollars on to contracting counties in FY 1998. County appropriations for Title IV-D services for FY 1998 are estimated at \$2,300,000. In addition to the amounts listed above, the division expects to expend \$275,700 in SSRE and \$535,200 in federal dollars on clearinghouse functions in FY 1998.

Additional Appropriations: Child Support: Omnibus (Chapter 219) — Adds \$600,000 GF in FY 1998 to make automation changes in ATLAS associated with new enforcement provisions required by the federal welfare reform bill, including the design and implementation of a system to provide receipting and posting services in post 1994 non-Title IV-D cases, a state case registry of child support orders and establishment of a state directory of new hires. It is expected that the federal government will provide an additional \$2,400,000 to implement these automation changes. This appropriation is exempt from lapsing.

In addition, the bill adds \$216,400 GF in FY 1998 and \$164,300 GF in FY 1999 to transfer processing of non-Title IV-D child support payments for cases established before January 1, 1994 and spousal maintenance payments from counties to the Department of Economic Security. The cost of this transfer is expected to decrease in future years. The federal government may provide additional monies to implement these changes. This appropriation is also exempt from lapsing.

Welfare Reform: Arizona Works Program (Chapter 300) — Adds \$200,000 GF in FY 1998 for programs designed to expand and enhance paternity establishment efforts through private sector involvement. Though not reflected in the Appropriations table, it is expected that this appropriation will be available for matching Federal Funds at a 66% federal/34% state ratio. This will result in an additional \$388,200 in federal monies for the same purpose, providing \$588,200 TF for expanded paternity establishment efforts.

Additional Legislation: Maternity: Paternity: Proceedings: Visitation: Support (Chapter 250) — Among other provisions, limits the child support a non-custodial parent is responsible for to no more than 3 years prior to the proceedings determining child support. In future years, this could reduce slightly the amount of funds the division receives from SSRE and federal incentive payments.

**DEPARTMENT OF ECONOMIC SECURITY -
AGING & COMMUNITY SERVICES**

A.R.S. § 41-1951

General Fund and Temporary Assistance for Needy Families Block Grant Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	85.8	89.6	89.6 ^{1/}
Personal Services	2,658,100	2,774,200	2,970,200
Employee Related Expenditures	591,300	597,600	644,500
Professional and Outside Services	13,400	14,000	14,000
Travel - In State	144,800	155,400	156,000
Other Operating Expenditures	213,300	235,300	241,600
Operating Subtotal	3,620,900	3,776,500	4,026,300
Emergency Assistance	828,600	2,522,100	3,350,500
Food Distribution Information	24,200	24,800	0
Homeless Shelter	1,160,400	1,779,700	1,873,000 ^{2/}
Information and Referral	112,100	115,400	115,400 ^{2/}
Rural Food Bank Project	365,300	1,061,800 ^{2/}	1,086,600 ^{2/}
Adult Services	8,375,000	9,716,300 ^{2/}	9,182,100 ^{2/}
LTC Ombudsman	116,600	118,200	119,200
Respite Care	32,500	185,000	0
Domestic Violence Prevention	965,000	1,562,100	2,022,700
Total	15,600,600	20,861,900	21,775,800
Additional Appropriations -			
Respite Care; Elderly; Appropriation, Ch. 162	0	0	185,000
Total Appropriations	15,600,600	20,861,900 ^{2/}	21,960,800 ^{2/}
<u>Fund Summary</u>			
General Fund	15,600,600	18,161,600	17,806,500
Federal TANF Block Grant	0	2,700,300	4,154,300
Total Appropriations	15,600,600	20,861,900	21,960,800

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. It includes statewide programs of advocacy, social services, nutrition services, program development services, adult protective services, nursing home ombudsman services, volunteer services, and employment opportunities.*

The program also provides for an array of services primarily through contracts with community-based organizations, in the following programmatic areas: social services community action; food and nutritional assistance to persons and families in hunger-related crises; a variety of services for homeless persons and families; emergency services networks; refugee resettlement, including medical assistance; domestic violence victim assistance; and utility assistance.

- 1/ Includes 0.5 FTE Positions funded from Special Line Items in FY 1998.
- 2/ It is the intent of the Legislature that the \$115,400 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. (General Appropriation Act footnote)
- 3/ The amount shown reflects the Joint Legislative Budget Committee approved transfer in of \$550,400 from the TANF Cash Benefits Special Line Item in the Division of Benefits and Medical Eligibility.
- 4/ It is the intent of the Legislature that a state General Fund amount of \$250,000 in Adult Services be matched with \$250,000 from the federal Social Services Block Grant for non-medical home and community based services. (General Appropriation Act footnote)
- 5/ Laws 1997, Chapter 7, 1st Special Session appropriated \$2,700,300 federal TANF dollars.
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

DEPARTMENT OF ECONOMIC SECURITY - AGING & COMMUNITY SERVICES (Cont'd)

Welfare Reform — The approved amount includes \$4,154,300 and 4.1 FTE Positions associated with the appropriation of the Temporary Assistance for Needy Families (TANF) Block Grant. Laws 1997, Chapter 7, 1st Special Session, the FY 1997 Supplemental Bill, also appropriated \$2,700,300 TANF Block Grant monies and 4.1 FTE Positions. The following table displays the appropriation of these TANF block grant dollars for both FY 1997 and FY 1998.

<u>TANF Federal Block Grant Appropriation</u>		
	<u>FY 1997</u>	<u>FY 1998</u>
<u>TANF Block Grant</u>		
Operating Budget	\$133,200	\$204,900
FTE Positions	4.1	4.1
Emergency Assistance	1,538,600	2,367,000
Homeless Shelter	466,400	717,600
Domestic Violence	<u>562,100</u>	<u>864,800</u>
TANF Total	\$2,700,300	\$4,154,300
FTE Positions	4.1	4.1

Emergency Assistance — The approved amount reflects \$2,367,000 TANF Block Grant and \$983,500 General Fund (GF). The GF dollars are part of the base for the state's maintenance of effort in drawing down the federal TANF Block Grant dollars. The appropriation provides temporary financial aid in emergency situations without reference to certain eligibility factors required for other welfare programs. The approved amount will fund approximately 12,886 households annually, at an average annual cost of \$260 per household.

Food Distribution Information — The approved amount has been moved into the Rural Food Bank Project Special Line Item.

Homeless Shelter — The approved amount reflects \$717,600 TANF Block Grant and \$1,155,400 GF. The GF dollars are part of the base for the state's maintenance of effort in drawing down the federal TANF Block Grant dollars. These funds, along with private sector, city, and county funds, address the emergency and transitional shelter needs of the homeless. The agency has divided the program into:

- TANF/Homeless Shelter - This program provides emergency shelter and services to eligible families for a period of up to 3 months from the date of application. Estimates for FY 1998 are that \$1,180,800 in Total Funds will be available.
- Homeless Shelter - This program previously served both homeless families and individuals. With the federal program for families, this program now serves

homeless individuals or families that are not eligible for the federal program. Estimates for FY 1998 are that \$692,200 of the approved amount will be used for this program.

Information and Referral — The approved amount provides information and referral services on a 24-hour toll-free, statewide telephone system. This system serves all individuals requesting specific information regarding available resources.

Rural Food Bank Project — Monies in this Special Line Item fund the Arizona Gleaning Project, which is a coordinated program with the Arizona Department of Agriculture, the State Department of Corrections, and state food banks to deliver surplus farm produce to those in need. In addition, monies provide rural food banks in Flagstaff, Willcox, Yuma, Nogales and southeastern Arizona operating costs and outreach to high need populations or geographic areas. The department will continue to utilize \$45,000 of the federal Social Services Block Grant (SSBG) toward the Statewide Gleaning Project.

Another \$24,800 is for the Food Distribution Information program, which has been moved into this Special Line Item. These monies are used to a) inform the hungry about potential sources of food and b) operate a toll-free telephone line for donors to notify food banks of the availability of food. A.R.S. § 41-1954 requires the department to coordinate and assist public and private nonprofit organizations that aid the hungry throughout the state.

Adult Services — The approved amount provides for a community-based continuum of care and services for abused, neglected, and exploited adults. In addition to the state GF dollars, the Department of Economic Security (DES) receives federal dollars from Title III and Title XX SSBG. The approved amount is distributed as follows:

- Adult Protective Contracted Services - Provides \$176,100 for services to elderly who are abused or neglected.
- Supplemental Payments - Provides \$2,156,300 for a continuation of care and services, such as housekeeper, home health aide, and visiting nurse services for Supplemental Security Income (SSI)-eligible households. DES provides services to their clientele based upon severity of need. Program costs are borne fully by the state. Any funds not expended on SSI recipients may be reallocated to pay for housekeeper, home health aide, and visiting nurse services provided to non-SSI recipients who are eligible for the Home Care services component of the Adult Services Special

DEPARTMENT OF ECONOMIC SECURITY - AGING & COMMUNITY SERVICES (Cont'd)

Line Item. The SSI-eligible population receiving Supplemental Payment services will continue to be the priority target group. The following reflects FY 1998 caseload estimates.

	Average # of Monthly Clients	Average Monthly Cost
Home Health Aide	233	\$92.12
Housekeeping Payments	2,455	59.86
Visiting Nurse	172	65.66

- **Home Care** - Provides \$4,868,200 for supplemental payment services, plus personal care to non-SSI recipients who are disabled, elderly, and do not qualify for the federal Medicaid Arizona Long Term Care System. Another \$4,187,300 will be provided by federal and local contributions. Included in the \$4,187,300 is \$250,000 from federal SSBG dollars, as required by a General Appropriation Act footnote and another \$1,200,000 of new SSBG dollars committed by the Governor to this program as a way to address a shortfall created in FY 1997. The appropriation will fund an average of 50 hours of services for 7,593 individuals at an average cost of \$22.79 per hour.
- **Older Americans Act** - Reflects an increase of \$16,200 to draw down an additional \$643,000 in federal Older Americans Act funding. A total of \$879,800 of state dollars is match for Federal Funds for congregate and home-delivered meals, as well as other social services. The approved amount includes the total state match of \$879,800 for the federal cost sharing requirements of Title III and \$100,000 of 100% state funds for the 8 Area Agencies on Aging to provide support services, senior centers, and nutrition services. Other funding sources include \$10,339,300 in Federal Funds and \$21,721,600 in local contributions.
- **Assessments and Case Management** - Provides \$1,001,700 through contracted agencies to assess the service needs of the person by measuring ability to perform activities of daily living, family support, and financial status. A contracted case manager assists the client in matching needs to available resources. The approved amount will provide case management services to an average monthly caseload of 10,504 persons. Each person averages 13.8 hours of service at an estimated cost of \$27.08 per hour. In addition to the state share, an additional \$2,935,900 is provided through federal and local contributions.

Long-Term Care (LTC) Ombudsman — The approved amount funds the administrative costs and a 0.5 FTE Position of the Office of State Long-Term Care Ombudsman (Laws 1989,

Chapter 215). The office was established during FY 1990 in accordance with the requirements of the federal Older Americans Act. The 0.5 FTE Position is for legal services provided by the Attorney General.

Respite Care — The General Appropriation Act did not include funding for this program. However, Laws 1997, Chapter 162 adds \$185,000. (See *Additional Appropriations.*)

Domestic Violence Prevention — The approved amount reflects \$864,800 TANF Block Grant and \$1,157,900 GF dollars. The program provides for domestic violence prevention and shelter services, which also will receive an estimated \$876,200 from the non-appropriated Domestic Violence Shelter Fund.

Additional Appropriations: Respite Care: Elderly: Appropriation (Chapter 162) — Adds \$185,000 to implement the respite care for care givers of the elderly. DES shall establish guidelines for the distribution of these monies and the short-term care and supervision services provided to an individual to relieve the care giver. DES is also required to submit an efficacy report on the program to the Governor, the President of the Senate, and the Speaker of the House of Representatives by March 31, 1998.

Additional Legislation: Emergency Health Care: Crisis Fund (Chapter 257) — Transfers \$500,000 annually from the Medically Needy Account of Tobacco Tax money to this division for low income elderly persons.

**DEPARTMENT OF ECONOMIC SECURITY -
CHILDREN, YOUTH AND FAMILIES**

A.R.S. § 41-1951

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	<u>591.6</u>	<u>749.4</u>	<u>754.4</u> ^{1/}
Personal Services	16,370,600	22,328,800	22,950,600
Employee Related Expenditures	3,692,900	4,991,400	5,115,900
Professional and Outside Services	305,500	254,800	254,800
Travel - In State	719,900	805,100	854,500
Travel - Out of State	1,200	6,200	5,200
Other Operating Expenditures	1,069,500	1,298,400	1,360,200
Equipment	<u>2,800</u>	<u>597,400</u>	<u>398,300</u>
Operating Subtotal	22,162,400	30,282,100	30,939,500
Adoption Services	12,878,400	15,145,600	13,478,500
Children Services	43,370,600	47,662,100	51,776,100
High Risk Infant Services	602,900	686,300	686,300
Intensive Family Services	2,362,900	2,435,600	2,435,600
Child Severance Project	463,200	649,900	649,900
Comprehensive Medical and Dental	2,794,900	2,794,900	2,794,900
Child Abuse Prevention Fund	0	0	737,800
Videotaping	153,700	104,700	107,600
Healthy Families Pilot	3,000,000	3,000,000	3,000,000
CPS Incentive Pay Program	<u>0</u>	<u>0</u>	<u>240,000</u> ^{3/}
Total	87,789,000	102,761,200	106,846,200
Additional Appropriations -			
Family Builders Pilot Program, Ch. 223	0	0	800,000
Adoption; Church Programs, Ch. 225	<u>0</u>	<u>0</u>	<u>100,000</u>
Total Appropriations	87,789,000	102,761,200	107,746,200 ^{4/}
Fund Summary			
General Fund	87,741,500	95,266,300	95,897,900
Federal TANF Block Grant	0	7,338,900	10,954,500
Child Abuse Prevention Fund	0	0	737,800
Children and Family Services Training Fund	<u>47,500</u>	<u>156,000</u>	<u>156,000</u>
Total Appropriations	87,789,000	102,761,200	107,746,200

Program Description — *The program provides staff resources, such as Child Protective Services workers, an array of contracted services for abused, neglected or abandoned children, and medical and dental care for foster children. In addition, training resources are provided for Child Protective Services investigators, case managers and employees of child welfare agencies and community treatment programs.*

Technical Issues — The approved amount reflects a \$597,400 decrease for one-time equipment expenditures made in

FY 1997 and a transfer of \$93,400 to the Department of Economic Security's (DES) Division of Administration.

^{1/} Includes 2 FTE Positions funded from Special Line Items in FY 1998.

^{2/} Appropriated \$3,000,000 General Fund by Laws 1996, Chapter 247.

^{3/} The \$240,000 for the CPS Incentive Pay Program Special Line Item shall be used for Personal Services and Employee Related Expenditures to implement a performance based incentives pilot program for eligible Child Protective Services I, II, and III workers in accordance with Laws 1995, Chapter 43. (General Appropriation Act footnote)

^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

DEPARTMENT OF ECONOMIC SECURITY - CHILDREN, YOUTH AND FAMILIES (Cont'd)

Welfare Reform — The approved amount includes \$10,954,500 Temporary Assistance for Needy Families (TANF) Block Grant dollars. Laws 1997, Chapter 300 reallocated monies in the General Appropriation Act's TANF Legislative Initiatives Special Line Item. (See *Welfare Reform narrative in the Summary Section.*) Laws 1997, Chapter 7, 1st Special Session, the FY 1997 Supplemental Bill, also appropriated TANF monies. The revised approved amount for FY 1997 includes \$7,338,900 and 118.8 FTE Positions. The following table displays the final appropriation of these federal welfare block grant dollars for both FY 1997 and FY 1998.

<u>TANF Federal Block Grant Appropriation</u>		
	<u>FY 1997</u>	<u>FY 1998</u>
<u>TANF Block Grant</u>		
Operating Budget	\$5,643,800	\$4,669,700
FTE Positions	118.8	118.8
Children Services	<u>1,695,100</u>	<u>6,284,800</u>
Total TANF Appropriation	\$7,338,900	\$10,954,500
FTE Positions	118.8	118.8

CPS Staff Increase — The approved amount adds \$1,409,700 and 22 FTE Positions to this division's operating budget for increasing Child Protective Services (CPS) staff. The 22 FTE Positions will consist of CPS IIIs and CPS Supervisors. This increase will aid the department in establishing equitable staffing standards based on a department developed case weighting methodology, which is anticipated to improve CPS staff productivity, quality, and retention.

Child Protective Services Training — The approved amount reflects the transfer of the Child Protective Services Training Program from its own cost center to be incorporated into this division's operating budget. The 7 FTE Positions and \$360,000 General Fund (GF) and \$156,000 Other Funds (OF) from the Children and Family Services Training Fund is added to the other training provided in this division.

CHILDS' Efficiencies — The approved amount reflects a decrease of \$424,000 and 17 support staff FTE Positions, such as clerical or Information Processing Specialists. This decrease reflects the efficiencies anticipated to be achieved with the introduction of the Children Information and Library Data System (CHILDS).

Adoption Services — The approved amount reflects a \$2,142,800 decrease based on the department's ability to lower the average state cost per client. The approved amount 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 be otherwise difficult to place in adoption. In addition, the appropriation includes a transfer in of \$475,700 from Foster Care in the Children Services Special Line Item to follow those children moving from foster care to adoption status. The approved amount will fund services for an average of 2,936 children per year. The approved amount is also based upon an average annual cost per child of \$6,720 and Title IV-E non-appropriated Federal Funds of \$6,250,400. The amount includes another \$146,800 for non-recurring adoption expenses.

Children Services — The approved amount reflects \$6,284,800 TANF and \$45,491,300 GF dollars. Included in the TANF dollars is \$2,607,800 that consists of the base amount of federal dollars used for Children Services prior to welfare reform and the appropriation requirement. In addition, an increase of \$3,677,000 TANF dollars was reallocated from the FY 1998 General Appropriation Act Legislative Initiatives Special Line Item by Laws 1997, Chapter 300 to cover increasing costs and caseload growth. The approved amount also reflects a transfer out of \$475,700 GF to follow the foster children moving into adoption status and who qualify for the adoption subsidy. The program is projected to receive \$24,705,600 from non-appropriated Federal Funds and \$890,000 from other Non-Appropriated Funds, for an estimated FY 1998 total expenditure of \$77,371,700.

The appropriation funds a range of contracted services to ensure the well-being of children who are abused or neglected. These contracted services consist of: (1) in-home services for resolving family problems through the use of counseling, day support and parent aides while the child remains in the home; (2) out-of-home services (foster care), which require removal of the child from the home and his/her placement in family foster care or other residential setting; and (3) child protective services, which provide support services, such as assessments and transportation, related to removing abused children from the home. The department plans to continue to provide \$200,000 for community-based services to homeless and runaway youth and their families.

High Risk Infant Services — The program will serve a total of 335 families whose children are exposed to substance abuse. Contracted counselors/parent aides provide in-home services including parent education. Services per family will be limited to 6 months. The contracted counselors/parent aides will also work closely with the Department of Health Services and county public health nurses, who will provide medical services for the infant and behavioral services and substance abuse treatment for the parent. An underlying assumption of this program is that these children are being kept out of the more costly out-of-home (foster care)

DEPARTMENT OF ECONOMIC SECURITY - CHILDREN, YOUTH AND FAMILIES (Cont'd)

program, thereby, lowering the demand for additional out-of-home services funding. The cost per family is estimated to be \$2,049.

Intensive Family Services — The program provides services to 734 families whose children are at imminent risk of out-of-home placement due to abuse, neglect, or dependency. Cost per family is projected to be \$3,318. A team consists of 1 Parent Aide, 1 Counselor, and 1 Coordinator. A team will respond within 24 hours to the child abuse report and to family emergencies, as well as provide services to the family within its home. The services are to be intensive, time-limited (6 to 8 weeks), and geared toward keeping the child in the home. The program will emphasize in-home crisis intervention and parent education. An underlying assumption of this program is that these children are being kept out of the more costly out-of-home (foster care) program, thereby lowering the demand for additional out-of-home services funding.

Child Severance Project — Based upon Laws 1986, Chapter 205 this project is designed to expedite the procedures for making a child eligible for adoption after the original parent-child relationship has been severed. 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 program will receive another \$745,000 in non-appropriated Federal Funds. The approved amount will provide for the completion of 540 severance cases filed at a cost per case of approximately \$2,004.44 and the completion of 540 social studies at an approximate \$578.70 cost per study.

Comprehensive Medical and Dental — The appropriation provides full coverage of the medical and dental expenses of foster children under the jurisdiction of the DES, Juvenile Probation Offices, and the State Department of Corrections. The approved amount will fund medical and dental services annually for 10,707 children at an average annual cost of \$1,000.46 per child. The total estimated program is expected to cost \$10,711,900, which includes \$232,800 in Independent Profession Review Team fees. In addition to the dollars from the state General Fund, the program will receive \$7,549,000 for reimbursement from the Arizona Health Care Cost Containment System for those children eligible for federal assistance; \$340,900 for reimbursement of children eligible for disabled long-term care through the Arizona Long Term Care System; and \$27,100 in third party liability payments, which is the private insurance share of a child's medical costs.

1 Program Authorization Review — Creation of Study Committee — The Joint Legislative Budget Committee and Office for Strategic Planning and Budgeting Staffs conducted a **Program Authorization Review (PAR)** of the Comprehensive Medical and Dental Program (CMDP) in 1996. As a result of that review, the Legislature, through a General Appropriation Act footnote for the Arizona Health Care Cost Containment System (AHCCCS), established a study committee. This study committee is to investigate the transferring of the CMDP from DES to AHCCCS. This committee will determine the feasibility of such a transfer while maintaining or improving the current level and quality of services to eligible foster children. This committee's findings will be reported to the Speaker of the House of Representatives, the President of the Senate, and the Governor by October 1, 1997.

Child Care Administration and Programs, Transitional Extension Pilot — The approved amount reflects the transfer of the Child Care Administration and Programs and related General Appropriation Act footnote and the Transitional Extension Pilot from this division to the Division of Employment and Rehabilitation Services as requested by DES.

Child Abuse Prevention Fund — The approved amount includes a base adjustment of \$737,800 to reflect the first-time appropriation of the Child Abuse Prevention Fund. This fund provides financial assistance to community treatment programs benefitting abused children and their parents or guardians. Federal law mandates that the state establish a child abuse prevention fund in accordance with federal guidelines in order to receive federal dollars. Laws 1997, Chapter 168 modified this fund's statutes to include the authorization of expenditures for the Family Resources services. The \$737,800 is projected to be expended on the following programs: \$635,000 for Healthy Start; \$2,800 for Child Abuse Prevention; and \$100,000 for Regional Prevention Councils.

Videotaping — The approved amount provides for 2 FTE Positions to videotape investigative interviews of child sex abuse victims. To lessen the number of such interviews, the department is to coordinate all such interviews with law enforcement officials and the county attorneys' office.

Healthy Families Pilot — Funding for this program was not provided in the General Appropriation Act. Laws 1996, Chapter 247 appropriated \$3,000,000 in FY 1997 and \$3,000,000 in FY 1998 for this pilot. The pilot program provides services to children under 5 years of age and members of their families and is designed to prevent child

DEPARTMENT OF ECONOMIC SECURITY - CHILDREN, YOUTH AND FAMILIES (Cont'd)

abuse or neglect and to promote child development and wellness. Services include parenting skills training, counseling, nutrition and preventative health care education, developmental and health assessments, and community resources information for such items as immunization, school readiness programs, social, employment and other assistance programs. Laws 1994, Chapter 1, 9th Special Session required the Auditor General to conduct an annual programmatic evaluation of this program. The approved amount will serve 1,683 families at a cost of \$1,783 per family.

CPS Incentive Pay Program — The approved amount of \$240,000 is to be used to implement a performance based incentives pilot program for eligible CPS I, II, and III workers. The program is to be established in accordance with Laws 1995, Chapter 43.

Additional Appropriations: Family Builders Pilot Program (Chapter 223) — Adds \$800,000 in FY 1998 and \$2,267,700 in FY 1999 for a Family Builders Pilot. DES shall establish this program by January 1, 1998 in at least 2 locations. Through this program, community-based providers will offer preservation and support services to families of children who, after initial assessment by DES's CPS workers, are determined not to be in immediate danger. The Office of the Auditor General shall prepare an outcome evaluation report by January 1, 2000. DES shall provide an annual report to the Chairmen of the Joint Legislative Committee on Children and Family Services by January 1, 1999 and 2000.

Adoption: Church Programs (Chapter 225) — Adds \$100,000 for DES to establish and administer a child placement program that uses community organizations to inform communities about the adoption process and need for adoptive homes. This legislation specifies that religiously affiliated organizations may qualify as community organizations, provided that no state funding may be used for religious purposes.

**DEPARTMENT OF ECONOMIC SECURITY -
EMPLOYMENT AND REHABILITATION SERVICES**

A.R.S. § 41-1951

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	<u>115.2</u>	<u>336.9</u>	<u>334.4</u>
Personal Services	4,573,800	9,321,400	10,518,600
Employee Related Expenditures	1,069,700	2,024,700	2,335,700
Professional and Outside Services	59,900	103,600	217,100
Travel - In State	152,600	217,100	316,400
Other Operating Expenditures	455,000	693,200	1,025,500
Equipment	<u>8,500</u>	<u>0</u>	<u>32,600</u>
Operating Subtotal	6,319,500	12,360,000	14,445,900
JOBS	4,898,300	8,678,200	14,942,100 ^{1/2/}
Work-Related Transportation	0	0	2,000,000 ^{2/}
Teen Pregnancy Prevention	0	0	2,000,000 ^{2/}
Job Search Stipends	173,900	173,900	173,900
Day Care Subsidy	18,319,900	49,568,900	79,278,200 ^{2/2/}
Transitional Child Care Extension Pilot	482,200	3,026,900	6,509,400
Child Care Legislative Initiatives	0	0	0 ^{4/}
Vocational Rehabilitation Services	3,189,400	3,285,100	3,285,100
Employment Support Services	6,443,000	7,381,700 ^{5/}	7,381,700
Independent Living Rehabilitation Services	526,400	575,000	575,000
Special Administration Fund, Ch. 312	0	4,904,300	0
Other Receipts	0	(500,000)	0
UI Employer Reimbursement	0	0	85,000
Summer Youth Program (Fund)	1,000,000	1,000,000 ^{6/}	1,000,000
Project Intervention	<u>0 ^{7/}</u>	<u>0</u>	<u>1,000,000</u>
Total Appropriations	41,352,600	90,454,000 ^{8/}	132,676,300 ^{9/}
Fund Summary			
General Fund	41,352,600	39,476,900	49,464,400
Special Administration Fund	0	4,904,300	5,585,000
Federal TANF Block Grant	0	7,924,200	18,398,500
Federal Child Care Block Grant	<u>0</u>	<u>38,148,600</u>	<u>59,228,400</u>
Total Appropriations	41,352,600	90,454,000	132,676,300

- ^{1/} It is the intent of the Legislature that the \$10,109,200 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 Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote) The original amount appropriated for JOBS was modified by Laws 1997, Chapter 300. Further details can be found in the Welfare Reform section in this cost center and the Summary.
- ^{2/} Original appropriation modified by Laws 1997, Chapter 300. Further details can be found in the Welfare Reform section in this cost center and the Summary.
- ^{3/} Of the \$48,124,700 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 on an officer, agent or employee of the 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. (General Appropriation Act footnote) The original amount appropriated for Day Care Subsidy was modified by Laws 1997, Chapter 300. Further details can be found in the Welfare Reform section in this cost center and the Summary.
- ^{4/} Original appropriation of \$13,653,500 modified by Laws 1997, Chapter 300. Further details can be found in the Welfare Reform section in this cost center and the Summary.
- ^{5/} The amount shown reflect the Joint Legislative Budget Committee approved transfer of \$680,000 from the Aid to Families with Dependent Children Special Line Item (now Temporary Assistance for Needy Families [TANF] Cash Benefits) in the Division of Benefits and Medical Eligibility.
- ^{6/} Laws 1997, Chapter 7, 1st Special Session added \$1,000,000 for the Summer Youth Program Fund.
- ^{7/} Laws 1996, Chapter 309 appropriated \$1,000,000 in non-lapsing monies, but monies were not spent in FY 1996.
- ^{8/} Laws 1997, Chapter 2, 1st Special Session added \$7,924,200 of federal TANF Block Grant monies. Laws 1997, Chapter 7, 1st Special Session also added \$38,148,600 of federal Child Care Block Grant monies to the Division of Children, Youth and Families.
- ^{9/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

DEPARTMENT OF ECONOMIC SECURITY - EMPLOYMENT AND REHABILITATION SERVICES (Cont'd)

Program Description — *This program provides: rehabilitative services to individuals with disabilities; job training opportunities to economically disadvantaged adults and youth; child care subsidy programs; and employability services to Temporary Assistance for Needy Families (TANF) recipients through the Job Opportunity and Basic Skills Training (JOBS) program. Several 100% federally funded programs are located in this division, such as the unemployment insurance benefit program and the Job Training Partnership Act (JTPA) program.*

Welfare Reform — The approved amount reflects the legislatively approved TANF Block Grant and Child Care Block Grant (CCBG) dollars, as required by the new federal welfare reform law. The following table displays the distribution of these federal welfare block grant dollars for both FY 1997 and FY 1998 as modified by Laws 1997, Chapter 300.

<u>Federal Block Grants Appropriation</u>		
	<u>FY 1997</u>	<u>FY 1998</u>
<u>TANF Block Grant</u>		
Operating Budget	\$3,631,100	\$4,841,500
FTE Positions	129.5	129.5
JOBS		
Work-Related	4,293,100	9,557,000
Transportation	0	2,000,000
Teen Pregnancy Prevention	0	2,000,000
TANF Subtotal	\$7,924,200	\$18,398,500
FTE Positions	129.5	129.5
<u>Child Care Block Grant</u>		
Operating Budget	\$2,454,400	\$3,033,100
FTE Positions	81.3	81.3
Day Care Subsidy	33,084,100	51,939,500
TCC Extension Pilot	<u>2,610,100</u>	<u>4,255,800</u>
CCBG Subtotal	\$38,148,600 ^{1/}	\$59,228,400
FTE Positions	81.3	81.3
Total Block Grants	\$46,072,800	\$77,626,900
FTE Positions	210.8	210.8

^{1/} CCBG monies appropriated to the Division of Children, Youth, and Families in FY 1997 are shown for comparison purposes.

The amount of CCBG monies appropriated for Day Care Subsidy include \$7,500,000 of TANF Block Grant monies appropriated in the TANF Legislative Initiatives Special Line Item in the Division of Benefits and Medical Eligibility and transferred to the CCBG. As a result, the amount of block grant funds appropriated for the department as a whole includes \$7,500,000 of "double-counted" monies.

Further details on the modifications are found in the discussions under the line items below. For further details on

the Welfare Reform bill, please see other cost centers and the Summary.

Transfer of Child Care Administration — The approved amount includes \$2,477,100 and 18.3 FTE Positions resulting from the transfer of the Child Care Administration (CCA) from the Division of Children, Youth, and Families (DCYF). The approved amount also includes \$20,332,500 associated with the transfer of the 2 child care-related subsidy line items, Day Care Subsidy and Transitional Child Care Extension Pilot. For comparability purposes, CCA funding and its Special Line Items are reflected in this budget for FY 1996 and FY 1997. For further details on those appropriations, please see the individual line item discussions.

Special Administration Fund — Laws 1996, Chapter 102, as modified by Laws 1996, Chapter 312, made this fund subject to legislative appropriation in FY 1997, but how the monies would be allocated was not specified until FY 1998. In this division, the Special Administration Fund funds \$1,114,900 of the Employment Support Services line, \$4,385,100 of the JOBS line, and \$85,000 of the UI Employer Reimbursement line. For further details on those appropriations, please see the individual line item discussions. Of these appropriations, approximately \$4,500,000 are one-time replacements of General Fund (GF) funding as a result of a one-time surplus in the fund.

Internal Reorganization — The approved amount reflects an increase of \$103,800 GF and 3 FTE Positions resulting from the transfer of support staff from the Administration cost center.

Foster Care Child Care — The approved amount reflects a decrease of \$189,300 GF and 5.5 FTE Positions associated with additional Federal Funds for child care for children in the Child Protective Services (CPS) program. These FTE Positions were located in the DCYF budget in FY 1997. In addition, a decrease of \$740,200 is reflected in Day Care Subsidy as a result of these additional Federal Funds. In both cases, overall service levels will remain unchanged.

JOBS — The approved amount, \$14,942,100, reflects an increase of \$10,557,000 above the original FY 1997 appropriation. The approved amount funds services under the Job Opportunity and Basic Skills, or JOBS, program.

DEPARTMENT OF ECONOMIC SECURITY - EMPLOYMENT AND REHABILITATION SERVICES (Cont'd)

FY 1998 Child Care Programs					
Day Care Subsidy					
Category	Average Children Served	Avg. Monthly Subsidy	Funding Source		
			Federal	State	Total
TANF-related	10,897	\$182.12	\$11,405,300	\$12,409,600	\$23,814,900
Transitional (1st year only)	6,298	195.00	7,058,600	7,680,100	14,738,700
Low-Income Work-Related	18,726	192.41	34,987,800	8,249,000	43,236,800
Quality Set-Aside	--	--	3,002,600	0	3,002,600
Total	35,921	--	\$56,454,300 ^{1/}	\$28,338,700	\$84,793,000

^{1/} Includes \$5,514,800 of non-appropriated Social Service Block Grant Funds

Services include development of employment plans, literacy tests, employment search, and vocational training.

This increase includes \$5,724,100 of TANF Block Grant monies; this same amount was previously expended as non-appropriated Federal Funds prior to the creation of the block grants. The increase also includes \$2,832,900 TANF Block Grant and \$1,000,000 GF for job placement and training, and \$1,000,000 TANF Block Grant for life skills training; these amounts were reallocated to JOBS by Laws 1997, Chapter 300. The approved amount includes an increase of \$3,885,100 Other Funds resulting from the appropriation of the Special Administration Fund; associated with this increase is a corresponding \$3,885,100 GF decrease. The total funding for JOBS in FY 1998 is allocated as follows:

General Fund	\$ 1,000,000
Special Administration Fund	4,385,100
TANF Block Grant	<u>9,557,000</u>
Total	\$14,942,100

The approved amount includes \$2,800,000 for operating costs. The Department of Economic Security (DES) expects to provide direct client services to approximately 26,980 clients in FY 1998 at an average cost of \$450 per client.

In addition to these FY 1998 approved amounts, the FY 1997 Supplemental Bill appropriated a total of \$4,293,100 TANF Block Grant monies for the JOBS line. This is expected to maintain current levels of service for the 9 months of FY 1997 in which the TANF Block Grant is subject to legislative appropriation.

Job Search Stipends — The approved amount provides for the state's share of the federal food stamp statute requirement for states to pay allowances to recipients searching for a job. The state amount is estimated to be matched by \$173,900 in Federal Funds. The program provides \$25 per participant for up to 2 months. The approved amount will fund 4,730 participants for 1 month and 4,591 for 2 months.

Day Care Subsidy — The approved amount, \$79,278,200, reflects an increase of \$59,362,500 above amounts appropriated for the line item in the original FY 1997 appropriation. The sum of \$20,332,500 was transferred from the CCA within DCYF. The General Appropriation Act included the following changes from the original FY 1997 appropriation:

- An increase of \$34,258,000 in previously non-appropriated CCBG monies, maintaining FY 1997 service levels;
- A decrease of \$1,836,800 GF and \$3,472,000 in CCBG monies resulting from caseload declines in the state Day Care Subsidy program; and
- A decrease of \$740,200 GF associated with increased federal funding for CPS-related child care.

In addition to these changes, Laws 1997, Chapter 300, the Welfare Reform bill, made several modifications to child care funding. These changes included the following:

- An increase of \$11,719,300 CCBG monies for TANF-related child care;
- An increase of \$2,000,000 CCBG monies for education and training-related child care for TANF recipients or low-income work-related child care;
- An increase of \$9,920,000 for low-income work-related child care;
- An increase of \$80,000 GF and \$220,000 CCBG monies for a quality set-aside;
- An increase of \$3,938,700 for transitional child care;
- An increase of \$2,729,300 to complete the equalization of reimbursement rates for low-income work-related child care. The \$2,729,300 is in addition to the \$4,470,100 base adjustment the department will make for the same purpose in FY 1998 and the \$1,700,000 base adjustment the department will make for CPS child care in FY 1998.

Under the provisions of Laws 1997, Chapter 300, DES will provide services to 3 broad categories of clients in the Day Care Subsidy program: TANF-related child care, for current

DEPARTMENT OF ECONOMIC SECURITY - EMPLOYMENT AND REHABILITATION SERVICES (Cont'd)

participants in the EMPOWER Redesign program; transitional child care, for EMPOWER Redesign participants who have found employment and need child care for up to 12 months; and low-income, work-related child care, which replaces and expands the old state Day Care Subsidy program. The table above provides the estimated number of children served, average monthly subsidy, and estimated funding for each of the 3 programs. The table also highlights funding mandated by the federal welfare reform bill to be set aside to fund quality enhancement programs.

In addition to these FY 1998 approved amounts, the FY 1997 Supplemental Bill appropriated a total of \$29,653,200 CCBG monies for the Day Care Subsidy line in DCYF. For comparability purposes, these monies are reflected in the Division of Employment and Rehabilitation Services (DERS) budget in FY 1997.

Transitional Child Care (TCC) Extension Pilot — The approved amount, an increase of \$6,092,600 above the original FY 1997 appropriation, will provide child care for former TANF recipients in their second year after leaving the EMPOWER Redesign program due to gaining employment. The increase consists of the following modifications to the original FY 1997 appropriation:

- An increase of \$783,800 of previously non-appropriated CCBG monies to maintain FY 1997 service levels; and
- An increase of \$1,836,800 GF and \$3,472,000 in CCBG monies resulting from expected caseload increases in FY 1998.

The approved amount is expected to serve approximately 1,766 former TANF recipients by providing child care to 2,825 children at an average monthly rate of \$192.

In addition to these FY 1998 approved amounts, the FY 1997 Supplemental Bill appropriated a total of \$2,610,100 CCBG monies for the Transitional Child Care Extension Pilot line in DCYF. For comparability purposes, these monies are reflected in the DERS budget in FY 1997.

Vocational Rehabilitation Services — The approved amount provides for individually planned services for the disabled. Services include personal and social adjustment, rehabilitation technology, physical or mental restoration (e.g. prosthetics), and vocational training and placement. The federal government matches the state funds at a 78.7/21.3% rate. To maximize the use of available federal dollars, DES has secured other sources of state match through Intergovernmental Agreements and Interagency Service Agreements (ISA). For direct client services, these sources of match include the Industrial Commission of Arizona, City

of Phoenix, various school districts, the Department of Health Services/Behavioral Health Services, the Arizona State Schools for the Deaf and the Blind, and the Department of Juvenile Corrections to serve paroled youth with physical/mental impairments. In addition to the approved amount, other match sources for services to individuals are estimated at \$1,140,400. The federal share is estimated to be \$16,853,900. The sources will permit the department to serve 20,324 individuals at an average cost of \$1,047. In addition, a total of \$738,700 in matching monies generated by the Business Enterprise Program, Arizona Industries for the Blind, and establishment grants with public and non-profit community rehabilitation programs to establish/expand service capacity allow DES to draw down \$2,729,300 of federal monies to benefit groups of individuals served in these programs.

Employment Support Services (ESS) — The approved amount provides long-term support services to persons with severe disabilities who need additional assistance (e.g., job coaching) to maintain employment. In addition to the approved amount, appropriated specifically for persons with developmental disabilities (DD) requiring ESS, the federal SSBG provides \$1,210,200. The program will serve 1,350 developmentally disabled clients at an annual average cost per client of \$6,323. For persons with other types of disabilities (other than DD or seriously mentally ill), federal SSBG monies totaling \$543,300 are used to serve approximately 150 persons at an average annualized cost of \$3,622. In addition, Arizona Industries for the Blind employs 50 blind/multiply disabled persons who require long-term supports. Revenues generated by sales of goods and services are used to offset the cost of providing ESS.

Independent Living Rehabilitation Services — The approved amount will allow severely disabled individuals to live more independently. Federal Funds and other Non-Appropriated Funds, such as the Spinal and Head Injuries Trust, provide another \$1,056,100. These funds are used to purchase technology assistance, adaptive aids and devices, home modifications, independent living skills training; the funds also provide eye exams and glasses through the Sight Conversation program. The program consists of:

- Services to Individuals - Provides \$355,500 GF (\$1,411,600 Total Funds) for an estimated 6,312 total clients who will receive independent living services during the year, including case management, counseling or contracted services.
- Medical Services for Clients - Provides \$219,500 for 8,976 eye examinations and 6,518 pairs of eye glasses and other eye appliances for eligible low-income individuals at an average cost of \$24.64 per person.

DEPARTMENT OF ECONOMIC SECURITY - EMPLOYMENT AND REHABILITATION SERVICES (Cont'd)

UI Employer Reimbursement — The approved amount, \$85,000, is used to reimburse, in case of administrative error by DES, employers who have elected to make payments in lieu of contributions pursuant to A.R.S. § 23-750, relating to unemployment benefits. The approved amount is funded with monies from the Special Administration Fund and is unchanged from FY 1997 when the Special Administration Fund was non-appropriated.

Summer Youth Program — The approved amount, \$1,000,000, is appropriated to the Summer Youth Program Fund established by Laws 1996, Chapter 309. Monies in the fund are to be used for a summer school youth employment, education and gang prevention program for youths from economically disadvantaged areas. DES is expected to negotiate an ISA with the Governor's Office of Community and Family Programs, which will administer the \$1,000,000 within counties, based on population characteristics specified by law. Monies in the fund are exempt from A.R.S. § 35-190, relating to the lapsing of appropriations.

In addition, Laws 1997, Chapter 7, 1st Special Session appropriated \$1,000,000 to the Summer Youth Program Fund in FY 1997 for the purposes described above.

Project Intervention — The approved amount, \$1,000,000, is appropriated to the Project Intervention Fund established by Laws 1996, Chapter 309. Monies in the fund are to be distributed to private, non-profit, locally-initiated, community-based organizations representing the following categories: community residents, business and civic leaders, educators, religious organizations, other public agencies, and youth-serving organizations or agencies. Grants from this fund shall be used for neighborhood rehabilitation projects, such as housing rehabilitation, community cleanup efforts, graffiti abatement, drug and gang prevention, after-school programs, and job creation programs. DES is expected to negotiate an ISA with the Governor's Office of Community and Family Programs, which will manage the grant process. Monies in the fund are exempt from A.R.S. § 35-190, relating to the lapsing of appropriations.

DEPARTMENT OF EDUCATION - SUMMARY

A.R.S. § 15-201

The Honorable Lisa Graham Keegan, Superintendent

JLBC Analyst: Steve Schimpp/Justin Garosi

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
<u>Program Summary</u>			
General Services Administration	9,016,200	8,500,900	12,089,600
Assistance to Schools	1,782,560,200	1,966,647,300	2,180,093,500
Total Appropriations	1,791,576,400	1,975,148,200	2,192,183,100
<u>Expenditure Detail</u>			
FTE Positions	227.4	200.2	201.7 ^{1/}
Personal Services	4,512,800	4,408,000	4,625,700
Employee Related Expenditures	1,010,800	934,200	972,800
Professional and Outside Services	106,600	12,600	12,600
Travel - In State	43,500	52,200	51,200
Travel - Out of State	24,700	34,400	33,400
Other Operating Expenditures	1,446,300	1,598,900	1,544,900
Equipment	19,400	0	0
Operating Subtotal	7,164,100	7,040,300	7,240,600
Special Line Items	1,784,412,300	1,965,626,700	2,151,142,500
Additional Appropriations	0	2,481,200	33,800,000
Total Appropriations	1,791,576,400	1,975,148,200	2,192,183,100 ^{2/}
<u>Fund Summary</u>			
General Fund	1,791,576,400	1,975,148,200	2,121,643,100
Permanent State Common School Fund	0	0	38,040,000
Assistance to Build Classrooms Fund	0	0	32,500,000
Total Appropriations	1,791,576,400	1,975,148,200	2,192,183,100

Agency Description — *The Department of Education is headed by the Superintendent of Public Instruction, an elected constitutional officer. For FY 1998 it is anticipated that the department will oversee 226 school districts and at least 124 State Board-sponsored charter schools in their provision of public education from preschool through 12th grade.*

^{1/} Includes 69.3 FTE Positions funded from Special Line Items in FY 1998.
^{2/} General Appropriation Act appropriation format varies by program.

DEPARTMENT OF EDUCATION - GENERAL SERVICES ADMINISTRATION

A.R.S. § 15-201

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	<u>160.3</u>	<u>143.9</u>	<u>143.9</u> ^{1/}
Personal Services	4,512,800	4,408,000	4,625,700
Employee Related Expenditures	1,010,800	934,200	972,800
Professional and Outside Services	106,600	12,600	12,600
Travel - In State	43,500	52,200	51,200
Travel - Out of State	24,700	34,400	33,400
Other Operating Expenditures	1,446,300	1,598,900	1,544,900
Equipment	<u>19,400</u>	<u>0</u>	<u>0</u>
Operating Subtotal	7,164,100	7,040,300	7,240,600
Achievement Testing	1,396,100	432,400 ^{2/}	3,035,200 ^{3/}
Charter Schools Administration	140,600	346,600	203,000
Education Commission of the States	54,400	57,200	56,100
Special Education Audit	100,300	230,100	234,300
State Board for Charter Schools	0	0	172,900
State Board of Education	160,700	144,300	147,500
Student Accountability Info. System	<u>0</u>	<u>250,000</u>	<u>1,000,000</u> ^{4/}
Total Appropriations	9,016,200	8,500,900	12,089,600 ^{5/}

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.*

Achievement Testing — The approved amount funds Norm Referenced (NRT) Testing, which compares achievement of Arizona students to that of students nationwide, and Arizona Student Assessment Program (ASAP) testing, which assesses student mastery of Arizona-established "essential skills." Both are mandated by A.R.S. § 15-741, and both test reading, language arts and mathematics. NRT testing is required for grades 3 through 12; essential skills testing is required for at least 4 grades designated by the State Board of Education. Of the appropriated amount, at least \$1,313,300 is for NRT, with the remainder being available for ASAP.

ASAP testing has been suspended for FY 1996 and FY 1997 because the department determined that the test was invalid. It plans to reinstate ASAP testing in FY 1998, using revised tests, but projects that the appropriated amount for achievement testing as a whole will not be adequate to fully fund both NRT and ASAP testing, if all statutorily required grades are tested. Given the difficulty in implementing ASAP, however, the approximately \$1,700,000 for essential skills testing should be sufficient to determine if full funding is warranted in future years. Laws 1997, Chapter 4, 1st Special Session suspends the requirement that at least 4 grades be ASAP tested, if the appropriated amount for achievement testing is not sufficient to cover the costs of full NRT and ASAP testing.

- ^{1/} Includes 11.5 FTE Positions funded from Special Line Items in FY 1998.
- ^{2/} Laws 1997, Chapter 7, 1st Special Session reduced the amount appropriated by Laws 1996, Chapter 1, 5th Special Session from \$2,640,600 to \$432,400 due to a delay in reinstating essential skills (ASAP) testing.
- ^{3/} The appropriated amount includes at least \$1,313,300 for statewide nationally standardized norm-referenced testing of all pupils in grades three through twelve. The remainder of the monies shall be available for essential skills testing. (General Appropriation Act footnote)
- ^{4/} Monies appropriated for the Student Accountability Information System (SAIS) shall be spent primarily on costs associated with developing a system by which school districts can transmit student count information to the Department of Education on the Internet. It is the intent of the Legislature that major Internet connectivity costs of the project be deferred until after its technical feasibility has been confirmed through pilot testing of the automated student count reporting system with school districts that already have Internet access. It is also the intent of the Legislature that school districts and charter schools cover the cost of computer workstations, peripheral hardware, leased line charges and other items that are required locally to connect to the SAIS, with state SAIS funding only being used to cover such costs in cases of severe hardship. (General Appropriation Act footnote)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

DEPARTMENT OF EDUCATION - GENERAL SERVICES ADMINISTRATION (Cont'd)

Charter Schools Administration — The approved amount reflects the transfer of 3 FTE Positions and \$152,900 to a new State Board for Charter Schools Special Line Item in this cost center. A total of 4 FTE Positions remains in the Charter Schools Administration Special Line Item, which funds state-level administration of the charter schools program.

Education Commission of the States (ECS) — The \$56,100 appropriation (a decrease of \$1,100) represents dues for Arizona's membership in the ECS. The State Commission consists of 7 members, with 2 being appointed by the President of the Senate, 2 by the Speaker of the House of Representatives, and 3 by the Governor.

Special Education Audit — The approved amount includes 2.5 FTE Positions in order to conduct program and fiscal audits of special education programs. The audits are designed to determine the degree of school district compliance with existing statutes and regulations pertaining to special education, and to ensure the appropriate placement of students in special education programs [A.R.S. § 15-236].

State Board for Charter Schools — The approved amount includes 3 FTE Positions and \$152,900 transferred from the Charter Schools Administration Special Line Item, and \$16,200 transferred from the operating budget of the General Services Administration cost center. The State Board for Charter Schools is established by A.R.S. § 15-182, and exercises general supervision over charter schools that it sponsors. (It can sponsor up to 25 new schools each year.) Charter schools also may be sponsored by the State Board of Education or by a school district.

State Board of Education — The approved amount includes 2 FTE Positions and \$145,500 transferred from the formerly-separate State Board of Education cost center. The State Board of Education is being funded as a Special Line Item rather than as its own separate cost center starting in FY 1998 due to its relatively small size, and in order to help reduce the number of cost centers maintained in state government in preparation for program budgeting.

Student Accountability Information System — The approved amount includes \$1,000,000 (an increase of \$750,000) for the continued development and implementation of an on-line data reporting system that will enable the department to provide more timely and accurate student count data (*see footnote 4 above*).

DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS

A.R.S. § 15-231

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	<u>67.1</u>	<u>56.3</u>	<u>57.8</u> ^{1/}
Statutory Formula Programs			
Basic State Aid	1,575,988,700	1,772,501,600 ^{2/3/}	1,919,968,100 ^{4/5/6/}
Additional State Aid	148,095,900	144,031,800 ^{7/8/}	164,871,500
Assistance to School Districts for Children of State Employees	66,100	23,000	23,000
Certificates of Educational Convenience	1,830,800	4,142,400	2,291,500
Perm. Spec. Ed. Inst. Voucher Fund	6,727,100	7,339,100	10,269,500 ^{9/}
Spec. Ed. Plcmt & Resid. Education Voucher Fund	<u>2,103,800</u>	<u>2,245,400</u>	<u>2,606,200</u> ^{10/}
Subtotal	1,734,812,400	1,930,283,300	2,100,029,800
Non-Formula Programs			
Academic Contest Fund	50,000	50,000	50,000
Academic Decathlon	84,300	85,200	82,400
Adult Education Assistance	3,556,600	3,558,500	4,568,700 ^{11/}
Arizona Geographic Alliance	50,000	50,000	50,000
Arizona Humanities Council	40,000	40,000	40,000
Arizona Principals' Academy	25,200	25,200	25,200
AZ School Service through Education Technology	234,000	234,000	234,000
Arizona Teacher Evaluation	195,600	191,200	194,600
Career Ladder Administration	0	131,000	131,100
Charter Schools Stimulus Fund	1,000,000	1,000,000	1,000,000
Chemical Abuse	849,200	849,900	854,900
County Jail Education Start-up	242,200	0	0
Extended School Year	490,100	500,000	500,000
Family Literacy Pilot	1,013,200	1,000,000	1,000,000 ^{12/}
Gifted Support	0	1,290,600	1,294,300 ^{13/}
Optional Performance Incentive Programs	100,000	200,000	300,000
Residential Placement	0	100,000	100,000
School Report Cards	296,900	300,000	302,900
School Safety Program	4,998,900	5,000,000	5,000,000 ^{14/}
Scotopic Sensitivity Irlen Syndrome	0	90,000	0 ^{15/}
State Block Grant - Early Childhood	27,230,200	14,466,000	19,475,300 ^{16/}
State Block Grant - Vocational Education	1,325,800	7,202,400	11,045,300 ^{17/}
Tuition Fund	100,000	0	0
Vocational Education Assistance	2,832,300	0	0 ^{18/}
Vocational Education Program Support	1,033,300	0	0 ^{18/}
Vocational - Technological Education	2,000,000	0	0 ^{18/}
Youth Support Research	<u>0</u>	<u>0</u>	<u>15,000</u>
Subtotal	47,747,800	36,364,000	46,263,700
Total	1,782,560,200	1,966,647,300	2,146,293,500
Additional Appropriations -			
Education Finance, Ch. 4	0	0	32,500,000 ^{19/}
Juv. Justice; Implement Proposition 102, Ch. 220	0	0	1,000,000
Education Omnibus, Ch. 231	<u>0</u>	<u>0</u>	<u>300,000</u>
Total Appropriations	1,782,560,200	1,966,647,300	2,180,093,500 ^{20/}

DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS (Cont'd)

Fund Summary			
General Fund	1,782,560,200	1,966,647,300	2,109,553,500
Permanent State Common School Fund	0	0	38,040,000
Assistance to Build Classrooms Fund	0	0	32,500,000
Total Appropriations	1,782,560,200	1,966,647,300	2,180,093,500

Program Description — Assistance to Schools includes the 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.

- 1/ All FTE Positions relate to Special Line Items.
- 2/ Laws 1996, Chapter 2, 7th Special Session appropriated \$59,214,400 for FY 1997 Basic State Aid.
- 3/ Laws 1997, Chapter 7, 1st Special Session appropriated \$6,937,000 for FY 1997 Basic State Aid.
- 4/ The above appropriation provides basic state support to school districts for maintenance and operations funding as provided by A.R.S. § 15-973, and includes an estimated \$38,040,000 in expendable income derived from the Permanent State Common School Fund. (General Appropriation Act footnote)
- 5/ Receipts derived from the Permanent State Common School Fund and any other non-state General Fund revenue source that is dedicated to fund Basic State Aid will be expended, whenever possible, prior to expenditure of state General Fund monies. (General Appropriation Act footnote)
- 6/ All monies received during the fiscal year from national forests, interest collected on deferred payments on the purchase of state lands, the income from the investment of permanent funds as prescribed by the Enabling Act and the Constitution and all monies received by the Superintendent of Public Instruction from whatever source, except monies received pursuant to A.R.S. § 15-237, when paid into the State Treasury are appropriated for apportionment to the various counties in accordance with law, except that the first \$30,000,000 in expendable income derived from the Permanent State Common School Fund is appropriated to the School Capital Equity Fund in accordance with the requirements of A.R.S. § 37-521. No expenditures shall be made except as specifically authorized above. (General Appropriation Act footnote)
- 7/ Laws 1996, Chapter 2, 7th Special Session reduced the FY 1997 Additional State Aid appropriation by \$10,921,300.
- 8/ Laws 1997, Chapter 7, 1st Special Session reduced the FY 1997 Additional State Aid appropriation by \$2,247,600.
- 9/ The appropriated amount shall be deposited into the fund for special education costs of students attending the Arizona State Schools for the Deaf and the Blind and developmentally disabled programs operated by the Department of Economic Security in accordance with A.R.S. § 15-1202. It is expected that the appropriated amount, when combined with prior year monies of \$194,900, will result in total expenditures of \$10,464,400. (General Appropriation Act footnote)
- 10/ The appropriated amount shall be deposited into the fund for education costs of students placed in private institutions by the Department of Economic Security, Department of Health Services, Department of Corrections, the Juvenile Courts or other state placing agency, as provided by A.R.S. § 15-1182. It is expected that the appropriated amount, when combined with prior year monies of \$335,300, will result in total expenditures of \$2,940,000. (General Appropriation Act footnote)
- 11/ It is the intent of the Legislature that no more than 10% of the \$4,568,700 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. (General Appropriation Act footnote)
- 12/ Appropriated by Laws 1996, Chapter 247.
- 13/ Included in the State Block Grant Special Line Item for FY 1996.
- 14/ Does not include \$1,000,000 appropriated by Laws 1997, Chapter 220. See Additional Appropriations below.
- 15/ Laws 1995, Chapter 145 appropriated \$90,000 for a 2-year program beginning in FY 1997. Any FY 1997 carryforward from this non-lapsing appropriation is available to fund the program in FY 1998.
- 16/ The appropriated amount is for block grants to charter schools and school districts that offer instructional programs for students in preschool through grade 3. Monies appropriated in the FY 1998 General Appropriation Act for the State Block Grant for Early Childhood Education shall be used to promote improved student achievement by providing flexible supplemental funding for early childhood programs, including preschool programs for economically disadvantaged children, and programs that serve all public school pupils statewide who are in grades K-3. It is the intent of the Legislature that any FY 1998 funding for the State Block Grant for Early Childhood that is not devoted to preschool services be used to promote improved student achievement in grades K-3, such as through reducing class sizes in grades K-3 or providing full-day kindergarten programs. A maximum of 2% 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. (General Appropriation Act footnote)
- 17/ The appropriated amount is for block grants to charter schools and school districts that have vocational education programs. It is the intent of the Legislature that monies appropriated in the FY 1998 General Appropriation Act for the State Block Grant for Vocational Education be used to promote improved student achievement by providing vocational education programs with flexible supplemental funding that is linked both to numbers of pupils in such programs and to numbers of program completers who enter jobs in fields directly related to the vocational education program that they completed. It is the intent of the Legislature that the amount of State Block Grant for Vocational Education funding that is used for state-level administration of the program be limited to no more than the amount used for such costs during the prior fiscal year plus the applicable amount of any pay raise that may be provided for state employees through legislative appropriation. (General Appropriation Act footnote)
- 18/ Funding for programs pertaining to vocational education are funded in FY 1998 through the State Block Grant for Vocational Education Special Line Item.
- 19/ Estimated cost under the "Assistance to Build Classrooms" (ABC) funding formula. These funds are continuously appropriated as a direct transfer of sales tax revenues by the State Treasurer into an "Assistance to Build Classrooms Fund" administered by the department.
- 20/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS (Cont'd)

STATUTORY FORMULA PROGRAMS

Basic State Aid (BSA) — K-12 Education funding in Arizona is based on a statutory formula enacted in 1980 and substantially modified in 1985. This formula "equalizes" maintenance and operation (M&O) funding among school districts by enabling them all to spend approximately the same amount of M&O money per pupil from state and local sources combined, and by capping at such levels the amount of per pupil M&O funding allowed for wealthy districts. A few districts with extremely strong local property tax bases are able to generate all of their formula funding entitlement from local property taxes only. Most school districts, however, receive state funding called "Basic State Aid" in order to provide them with the portion of their formula funding entitlement that is not generated from local property taxes when a uniform statewide property tax rate for computational purposes is applied.

The Basic State Aid formula consists of 4 elements: the "Base Support Level" (BSL), Transportation Support Level (TSL), "Capital Outlay Revenue Limit" (CORL), and "Capital Levy Revenue Limit" (CLRL). All but the TSL are computed by multiplying a school district's student count (adjusted for various "weights") by a specific dollar amount; the TSL, however, is computed by multiplying pupil transportation route miles by a specific dollar amount. BSL, TSL and CORL funds may be used for M&O or capital expenditures. CLRL funds may only be used for capital items. The sum of the 4 formula components equals what is referred to as a school district's "equalization base," which is its total funding entitlement under the K-12 funding formula.

After a school district's equalization base is determined, a statutory "Qualifying Tax Rate" (QTR) is multiplied by the net assessed property value of the district to determine the share of formula funding that must be provided by local taxpayers. (The QTR for unified districts and elementary districts not located in high school districts is \$4.40 per \$100 primary net assessed property value. The QTR for elementary districts and high school districts is \$2.20 per \$100 primary net assessed value. [These QTR levels were \$4.72 and \$2.36, respectively, prior to their being reduced by Laws 1996, Chapter 2, 7th Special Session.] The actual tax rate may be lower than the QTR, or higher if the district is allowed to budget for items outside of its "Revenue Control Limit" (RCL) under A.R.S. §15-910, or if it participates in a Career Ladder program pursuant to A.R.S. § 15-918.) The result, which is called the qualifying levy, is subtracted from the equalization base. If the result is positive, the district is entitled to that amount in equalization assistance. If the result is negative (hypothetical QTR collections exceed the equalization base), the district is not entitled to receive

equalization assistance. Of the 226 school districts in Arizona, 17 receive no equalization assistance due to their high relative property wealth.

Arizona school districts are projected to receive approximately \$4,300,000,000 in combined state, federal and local funding in FY 1998, including Basic State Aid funding. Total state funding (\$2,210,093,500 = \$2,180,093,500 projected Assistant to Schools appropriation + \$30,000,000 from the School Capital Equity Fund) is expected to account for approximately 51% of this total. The estimated 41% local share includes \$973,338,000 for the qualifying levy, \$132,106,800 for county equalization (pursuant to A.R.S. § 15-994), \$595,400,000 in secondary taxes for school construction and overrides, and \$64,255,200 for miscellaneous items such as the local share of funding for career ladder programs.

	FY 1998 Estimated \$	FY 1998 Estimated %
State	\$2,210,093,500	51%
Local	1,765,100,000	41%
Federal	<u>329,900,000</u>	<u>8%</u>
TOTAL	\$4,305,093,500	100%

The approved amount is based on the computations shown in Table 1 at the end of this section.

Major Changes to Basic State Aid

Student Growth (including "Sudden Growth") — The approved amount includes an increase of \$101,409,800 for estimated growth in the number of Average Daily Membership (ADM) students qualifying for Basic State Aid (BSA) funding in FY 1998. Of this increase, \$78,439,100 is for estimated growth in the statewide "prior year" ADM count (i.e., FY 1997 versus FY 1996), and \$22,970,700 is for estimated growth in the statewide "current year" ADM count (i.e., FY 1998 versus FY 1997). Under the BSA formula, a school district or charter school's BSA entitlement initially is based on its prior year ADM count (due to delays in receiving accurate current year ADM counts), but may be increased later with "Sudden Growth" funding if it ends up having a higher ADM count in the current year than it had in the prior year.

FY 1998 will be the first year in which a school district or charter school will receive Sudden Growth funding for any increase in its current year ADM count above the prior year. This is because "current year funding" will become fully phased in for the first time pursuant to Laws 1996, Chapter 8, 5th Special Session. Prior to FY 1998, a school district or charter school's BSA funding entitlement was based on its prior year student count plus only that portion of growth in

DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS (Cont'd)

its current year ADM count that exceeded certain thresholds. For FY 1998, such Sudden Growth thresholds are eliminated. If the FY 1997 Sudden Growth threshold of 2% were to remain in effect for FY 1998, a \$5,670,000 decrease in required Sudden Growth funding would be anticipated due to a lower projected rate of student growth, rather than the \$22,970,700 increase cited above. Thus the net cost of eliminating the 2% FY 1997 Sudden Growth threshold in order to complete the 2-year phase-in of "current year funding" is estimated at \$28,640,700.

It should be noted that "current year funding" applies only to the BSL portion of BSA, and will not affect the CORL, CLRL and TSL portions, which still will be based on prior year data. Furthermore, "current year funding" will not penalize school districts that have fewer ADM students in a current year than in a prior year. Their BSA entitlements will continue to be based on prior year data only.

Table 2 at the end of this section compares estimated "current year" ADM counts for the 1996 through 1998 academic years, excluding charter schools.

State-Sponsored Charter Schools — The projected formula cost of BSA in FY 1998 includes a funding requirement of \$89,581,500 for State board-approved charter schools operation. This represents a \$23,187,500 increase over the requirement assumed in the FY 1997 Basic State Aid appropriation, but a \$28,839,100 increase over the current estimate of the FY 1997 actual requirement. The FY 1997 appropriation assumed that 15,000 ADM students would attend state-sponsored charter schools in FY 1997, but current estimates indicate that only about 14,100 pupils are attending such schools during the current year. The projected appropriation is based upon an estimated count of 20,500 students in charter schools in FY 1998, which would yield an average cost per charter school pupil of approximately \$4,370. The Education Omnibus Reconciliation Bill (ORB) (Chapter 4, 1st Special Session) sets FY 1998 charter school transportation funding at \$174 per pupil, as in FY 1997. The statewide average per pupil total formula funding requirement for charter schools is higher than for non-charter schools (projected at approximately \$3,880 for FY 1998) primarily because most charter schools qualify for the "small school weight" allowed in A.R.S. § 15-943. The projected requirement of \$89,581,500 includes the base level increase, Group B weight increase, and Bureau of Indian Affairs (BIA) charter school deduction discussed below. It also includes an estimated \$4,000,000 in capital funding for charter schools pursuant to Section 2 of the 1996 Education ORB. Chapter 4 entitles charter schools to capital funding of \$146 per K-8 pupil and \$219 per high school pupil in addition to the capital (CORL and CLRL) funding that they already receive under the BSA formula. School districts are not eligible for

this funding, since additional capital assistance for them is available through the "Assistance to Build Classrooms" program (see "Additional Appropriations" below). District sponsored charter schools are eligible for this funding only if at least 90% of their pupils were not enrolled in the school district that sponsors them in the year before they open. Without these changes, the projected cost of these schools would be \$88,416,500, or \$4,313 per student.

District-Sponsored Charter Schools — District-sponsored charter schools are projected to cost the state \$5,785,500 based on a student count of 2,560. This is a \$5,785,500 increase over the appropriated amount for FY 1997, since that budget assumed that no students would attend district-sponsored charter schools during the year. Current estimates for FY 1997, however, indicate that about 2,560 students are attending such schools at a cost of approximately \$8,621,300. (Thus, the FY 1997 appropriation was based on an overestimate of the number of pupils to be served by state-sponsored charter schools and an underestimate of the number to be served by district-sponsored charter schools.) The appropriated amount for FY 1998, therefore, represents a decrease of \$2,835,800 relative to the revised estimated requirement for FY 1997. This decrease is due to a BSA reduction required for some BIA grant/charter schools in FY 1998 (see "BIA Charter Schools" narrative below). The number of pupils in district-sponsored charter schools is expected to remain the same for FY 1998, largely because reductions in the funding entitlements of BIA grant/charter schools is expected to dampen growth in the chartering of such schools (which tend to be sponsored by school districts).

Base Level Increase — The Education ORB increased the per pupil base level amount defined in Subsection B of A.R.S. § 15-901 from \$2,459.64 to \$2,499.53. This per pupil amount is used in computing in school district or charter school's BSL. The JLBC Staff estimated cost of this change is \$40,004,700.

Group B Weight Increases — The Education ORB also increased special education "Group B" weights defined in A.R.S. § 15-943. These weights are applied to a school district's or charter school's unweighted ADM student count prior to multiplying that count by the base level amount discussed above. The JLBC Staff estimated cost of this change is \$9,999,100 (after a \$674,900 reduction in the Arizona State Schools for the Deaf and the Blind (ASDB) agency budget--see the ASDB budget pages for a further explanation of this offset). Approximately \$9,528,000 of this increase is for BSA. The remaining \$471,100 is for increases in Permanent Special Education Institutional Vouchers (see below), which also are based on special education Group B weights. These increases are in addition to approximately \$7,000,000 provided by Laws 1996, Chapter 8, 5th Special Session for increasing special

DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS (Cont'd)

education Group B weights (as part of the \$20,000,000 appropriated for increases in BSA; with the remaining \$13,000,000 being dedicated to a partial phasing in of "current year funding"). Together these increases compensate for about \$17,000,000 of the approximately \$42,000,000 special education funding level suggested by the December 1995 "Special Education Cost Study" published by the department pursuant to A.R.S. § 15-236A. Table 3 at the end of the section summarizes the authorized changes in individual special education Group B weights.

Transportation Funding Formula — Under current law, the transportation funding formula allows a school district to be funded on the highest annual route mileage of the 3 previous years. The Education ORB, however, changes the formula on a session law basis so that in FY 1998 all districts will be funded based on their route mileage from the prior year. This provision is projected to save \$4,853,400 in FY 1998. The savings is partially attributable to the fact that some districts recently have increased their use of city buses for pupil transportation (for which they are reimbursed separately under the transportation funding formula), but have continued to generate transportation formula funding based on route mileage from years in which they transported a higher proportion of their students with the school district's own buses.

BIA Charter Schools — The FY 1998 Basic State Aid appropriation reflects a \$6,945,500 estimated savings for Section 15 of the Education ORB. This section of law implements A.R.S. § 15-185D, which deducts from a charter school's BSA entitlement any monies that it receives from a federal or state agency for the basic maintenance and operation of the school (to the extent that such monies provide more funding per pupil than is provided under the state's BSA formula). Monies that must be deducted under this provision include "Indian Schools Equalization Program" (ISEP) formula funding received by charter schools that also are BIA grant schools, 10 of which are operating during FY 1997. Under the Education ORB, 8 of these schools would experience the deduction in FY 1998, with the other 2 experiencing it starting in FY 1999. Based on FY 1996 ISEP data from the BIA and data from BIA grant/charter school applications, a savings of \$6,945,500 in BSA is anticipated for FY 1998 as a result of implementing the A.R.S. § 15-185D deduction.

Career Ladders — The approved amount includes an additional \$930,000 for Career Ladder programs. This additional funding will be used to cover step increases as districts move to higher phases of the program. A.R.S. § 15-918 allows Career Ladder districts to increase their Base Level by percentages stated in statute, depending on the implementation phase the district is in:

<u>Phase</u>	<u>Increase</u>
Development	0.5%
Evaluation	1.0%
Placement I	2.5%
Placement II	4.0%
Effective Career Ladder	5.5%

Total Career Ladder spending is estimated to be \$43,447,000, with \$30,213,500 funded from State Aid and \$13,233,500 from the local QTR levy. The Career Ladder program is an optional program, with 29 districts currently participating. The approved amount includes no funding for additional districts to participate in the program.

5.35% Growth in School District Assessed Valuation — Growth in school district net assessed valuation (NAV) increases the amount of formula funding that is generated locally, thereby reducing the need for Basic State Aid. The approved amount includes a reduction of \$58,396,700 (including county equalization) based upon a projected 5.35% increase in school district valuation for FY 1998. This 5.35% NAV growth compares to a projected 2.3% growth in the districts' combined student count for FY 1998.

Additional State Aid to Schools — Funds the "homeowner's rebate" program, whereby the state pays 1) 35% [up to \$500] of every homeowner's primary property tax levy for school districts [A.R.S. § 15-972], and 2) that portion of any homeowner's overall primary property tax levy that exceeds 1% of the property's full cash value [Arizona Constitution, Article IX, § 18]. Projected costs of the 35% rebate account for \$163,956,400 of the total appropriation (an increase of \$18,268,900), while projected costs of the 1% constitutional cap account for \$915,100 of the total (an increase of \$323,200). This is based on projected increases of 13.2% in class 5 NAV and 0.5% in the average primary tax rate.

Assistance to School Districts for Children of State Employees — Supplements BSA funding for school districts that educate pupils whose parents are employed and domiciled at certain state institutions located within the school district's boundaries, pursuant to A.R.S. § 15-976. This funding is intended to compensate 2 school districts for reductions in per pupil funding that they experienced when "open enrollment" laws were implemented pursuant to Laws 1994, Chapter 2, 9th Special Session. One effect of these laws was that students funded under A.R.S. § 15-976 no longer had to be paid for through Certificates of Educational Convenience (CEC's), since they now would receive direct funding through BSA. Higher per pupil funding levels had been allowed, however, for some of these students under CEC funding. In order to partially compensate school districts for funding losses associated with a switch to BSA funding, A.R.S. § 15-976 was modified by Laws 1996, Chapter 358 so that supplemental funding would be provided to eligible districts in some situations. The appropriated amount is

DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS (Cont'd)

based on the JLBC Staff estimated cost of such supplemental funding for FY 1998, which represents no change from its estimated cost for FY 1997.

Certificates of Educational Convenience (CEC's) — Decreases by \$1,850,900 the amount appropriated for projected cost of CEC's, based on department projections. (Due to "open enrollment" laws [A.R.S. § 15-816.01], many students who formerly were funded through CEC's now are funded directly through BSA.) CEC's allow students to attend school in a district other than the one they live in if they are placed by an authorized state or federal agency into 1) a rehabilitative or corrective institution, 2) a foster home or child care agency or institution which is licensed and supervised by the Arizona Department of Economic Security (DES) or the Arizona Department of Health Services (DHS), or 3) a residential facility operated or supported by DES or DHS [A.R.S. § 15-825].

Permanent Special Education Institutional Voucher Fund — The appropriated amount includes an increase of \$2,930,400 based on JLBC Staff estimates of FY 1998 voucher requirements for projected special education costs of students from 1) ASDB, 2) Arizona State Hospital (ASH), or 3) developmentally disabled programs operated by DES [A.R.S. § 15-1202]. Of this increase, \$1,146,100 is the estimated cost of increasing special education "Group B" weights pursuant to Section 7 of the Education ORB. The remaining \$1,784,300 increase is attributable to 1) an estimated increase of 60 pupils participating in existing ASDB Cooperative Programs; 2) the opening of 2 new ASDB Cooperative Program sites serving an estimated 40 new pupils; and 3) a \$772,500 increase in the estimated FY 1997 cost of the program (based on department data; to be paid for with carry-forward funds), which is added to the base funding requirement for the program for FY 1998.

Special Education Placement and Residential Education Voucher Fund — The appropriated amount includes 1 FTE Position and an increase of \$360,800, to a total of \$2,606,200 (\$59,600—operating; \$2,546,600—pass through funding to schools), for projected costs of residential education for students who require a private residential special education placement, or who are placed in a residential education facility by a state placing agency (Department of Juvenile Corrections [DJC], DES, DHS, or the administrative offices of the court) [A.R.S. § 15-1182]. Of the increase, \$244,300 is due to a revised cost estimate for the program for FY 1997 (based on department data; to be paid for with carry-forward funds), which is added to the base funding requirement for the program for FY 1998, and \$116,500 is for increased costs relative to the revised FY 1997 cost estimate.

NON-FORMULA PROGRAMS

Academic Contest Fund — Maintains funding at the FY 1997 level for sending state level winners of academic contests, and their chaperons, to the national levels of these contests.

Academic Decathlon — The approved amount reflects a \$2,800 decrease due Employee Related Expenditures (ERE) savings associated with eliminating the 1 FTE Position dedicated to the program in FY 1997, since it now is administered through a county school superintendent's office. The appropriation is for administrative and material costs incurred in support of the Academic Decathlon and other such academic events.

Adult Education Assistance — The approved amount includes 5.8 FTE Positions and \$4,568,700 (\$326,600—operating; \$4,242,100—Assistance to Schools), an increase of \$1,012,200, for immigrant education and adult basic education programs offered by school districts.

Arizona Geographic Alliance — Maintains funding at the FY 1997 level for the Geographic Alliance program of the National Geographic Society (which provides \$50,000 in matching funds). The goal of this program is to increase the geographic and social studies literacy of students in grades K-12.

Arizona Humanities Council — Maintains funding at the FY 1997 level for assisting the Arizona Humanities Council in providing educational outreach services to Arizona school districts. (The National Endowment for the Humanities provides \$40,000 in matching funds.)

Arizona Principals' Academy — Maintains funding at the FY 1997 level for administrative and instructional costs of the annual Principals' Institute (a summer workshop for school administrators). A.R.S. § 15-561 establishes a principals' institute advisory committee and authorizes this committee to plan and monitor the annual institute.

Arizona School Services Through Educational Technology (ASSET) — Maintains funding at the FY 1997 level for this program, which assists school districts in enhancing educational instruction through television course work. Approximately \$160,000 of the approved amount is for transmission costs and \$74,000 is for shipping printed materials.

Arizona Teacher Evaluation — The approved amount includes 2 FTE Positions and a total of \$194,600 (all for operating expenditures; an increase of \$3,400) for administration of the following programs: 1) the Arizona Teacher Proficiency

DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS (Cont'd)

Examination (ATPE) [A.R.S. § 15-533], 2) the State of Arizona and United States Constitutions examination [A.R.S. § 15-532], and 3) the Alternative Secondary Certification Program [Arizona Administrative Code R7-2-602].

Career Ladder Administration — The approved amount includes 1 FTE Position and \$131,100 (an increase of \$100) for state-level administration of the Career Ladder program, pursuant to Laws 1990, Chapter 319.

Charter Schools Stimulus Fund — Maintains funding at the FY 1997 level for charter school start-up costs, including costs associated with renovating or remodeling existing buildings and structures (A.R.S. § 15-188).

Chemical Abuse — The approved amount includes 3 FTE Positions and \$854,900 (\$186,900—operating; \$668,000—Assistance to Schools), an increase of \$5,000, to fund chemical abuse prevention programs for students in grades K-12 [A.R.S. § 15-712].

County Jail Education Start-up — Laws 1995, Chapter 158 provided a one-time appropriation of \$250,000 to this Special Line Item for start-up costs associated with establishing education programs for eligible pupils incarcerated in county jails.

Extended School Year — Maintains funding at the FY 1997 level to pay for extended school year programs for handicapped students, as required by A.R.S. § 15-881.

Family Literacy Pilot — Laws 1996, Chapter 247 appropriated \$1,000,000 per year in FY 1997 and FY 1998, in order to extend funding for the program, which is authorized by A.R.S. § 15-191.01. The 0.5 FTE Position approved for FY 1997 is eliminated for FY 1998, as requested by the department. Therefore the entire \$1,000,000 appropriated for the program for FY 1998 will be allocated to participating school districts.

Gifted Support — This approved amount includes 2 FTE Positions and an increase of \$3,700, resulting in total funding of \$1,294,300 (\$101,800—operating; \$1,192,500—pass through funding to schools). This program is authorized by A.R.S. § 15-772, which allows school districts to apply for funding for gifted programs equal to \$55 per pupil for 3% of the district's student count, or \$1,000, whichever is more.

Optional Performance Incentive Programs — Increases funding by \$100,000 for this program, which serves as an alternative to the Career Ladder program [A.R.S. § 15-919.02]. Optional Performance Incentive Programs utilize measures of quality including parental satisfaction or rating

of educational quality, teacher job satisfaction or rating of support, and pupil satisfaction with the quality of education being received.

Residential Placement — Maintains funding at the FY 1997 level for providing training to school districts in identifying students requiring residential placement and to establish a "Residential Emergency Fund" for use when DES or DHS lacks funds to place students (Laws 1991, Chapter 173).

School Report Cards — Increases funding by \$2,900 for costs associated with the School Report Card program [A.R.S. § 15-746], whereby each school supplies annual information to parents and the Arizona Department of Education (ADE) regarding school goals and student achievement. As requested by the department, 3 FTE Positions are authorized for the program for FY 1998. None were authorized for FY 1997. The new FTE Positions are funded through a reduction in "Other Operating Expenditure" funding for the program.

School Safety Program — Maintains funding at the FY 1997 level for placing peace officers and juvenile probation officers in schools (as authorized by Laws 1994, Chapter 201). An additional \$1,000,000, however, was appropriated for the program for FY 1998 by Laws 1997, Chapter 220 (the "Implement Proposition 202" bill), as cited under "Additional Appropriations" in the summary table for this cost center.

Scotopic Sensitivity Irlen Syndrome — Laws 1995, Chapter 145 appropriated \$90,000 for FY 1997 to fund 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. This appropriation is non-lapsing, so any carry-forward monies remaining from FY 1997 are available to fund the program in FY 1998.

State Block Grant for Early Childhood Education — The approved amount includes 5.7 FTE Positions and \$19,475,300 (an increase of \$5,009,300) for programs related to early childhood education. Prior to FY 1996, funding related to early childhood education programs was appropriated to separate Full Day Kindergarten, K-3 Support, and Preschool At-Risk Special Line Items. Starting in FY 1996, however, such was consolidated into a State Block Grant Special Line Item, along with funding for formerly-separate Dropout Prevention and Gifted Support programs, in order to streamline administrative requirements, increase the proportion of funding passed on to schools, and increase program flexibility at the local level. For FY 1997, Dropout Prevention funding was eliminated, Gifted Support was restored as a separate program and a new State Block

DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS (Cont'd)

Grant for Early Childhood Education was established, in order to provide block grant funding in support of early childhood education programs.

For FY 1998, the State Block Grant for Early Childhood Education program is continued, but with additional guidance regarding the intent of the Legislature regarding the program, as provided in Section 9 of the Education ORB and in a footnote in the General Appropriation Act. Such language specifies that funding for the program is intended to fund preschool programs for economically disadvantaged 4 year olds or programs that promote improved student achievement for all pupils in grades K-3. It also requires school districts and charter schools to allow the program's preschool children to be served by a licensed child care provider of their parent or guardian's choosing. The General Appropriation Act footnote limits the amount of funding that may be used for state level administration of the program to 2% of the total appropriation. The appropriation for the program reflects a \$5,000,000 increase in order to compensate for a temporary base reduction of the same amount for the program for FY 1997 due to the availability of \$5,000,000 in carry-forward monies from FY 1996.

State Block Grant for Vocational Education — The approved amount includes 34.3 FTE Positions and \$11,045,300 (an increase of \$3,842,900) for programs related to vocational education. This Special Line Item consolidates personnel and funding from a separate Vocational Education cost center and 3 separate Special Line Items in this cost center (i.e., "Vocational Education Assistance," "Vocational Education Program Support" and "Vocational-Technological Education") that received separate appropriations prior to FY 1997. The goals of implementing a block grant approach to Vocational Education funding are to streamline administrative requirements, increase the proportion of funding passed on to schools, and increase program flexibility at the local level.

Of the \$3,842,900 funding increase for the program for FY 1998, \$3,635,100 is from the transfer of Basic State Aid monies formerly generated through the Vocational Education "Group B" weight defined in A.R.S. § 15-943 (and set to zero for FY 1998 in the Education ORB). This funding is being transferred into the block grant for FY 1998 in order to consolidate state funding for vocational education programs. Of the remaining \$207,800 increase, \$146,400 is to compensate school districts that do not receive Basic State Aid (because of their extremely strong local tax bases) for the loss of vocational education funding that they would have been able to generate locally had the Vocational Education Group B weight remained in effect for FY 1998. The remaining \$61,400 funding increase is for legislatively authorized pay raises.

The Education ORB requires that 95% of allocations under this program be based on student counts in vocational education programs and 5% based on placement data for vocational education program completers.

Tuition Fund — Laws 1990, Chapter 348 established this fund in order to facilitate the most appropriate placement of sensory impaired pupils. For FY 1998 (as is true in FY 1997), funding for this program is appropriated directly to the ASDB, which is the sole user of Tuition Fund monies.

Youth Support Research — The appropriated amount is for a K-12 pilot program to increase school performance and reduce gang activity.

Additional Appropriations: Education Finance (Chapter 4) — This bill provides "Assistance to Build Classrooms" (ABC) funding to school districts if they qualify under a formula that favors property-poor and fast-growing districts. This formula is being implemented in response to the 1994 Arizona Supreme Court ruling in Roosevelt v. Bishop, which declared the state's statutory system for financing public education unconstitutional because a school district's ability to generate capital funding depends upon its property wealth (which varies widely by district).

To determine its entitlement under the ABC formula, a school district multiplies its "growth weighted" K-8 pupil count by \$350 and its "growth weighted" high school pupil count by \$525, where "growth weighting" is used to adjust upward the student counts for fast-growing districts. Deducted from the result of this computation is an amount based on either 1) the school district's secondary assessed valuation or 2) the percentage of its BSA funding that comes from local primary property taxes, whichever amount is greater. Both of these deductions reduce or eliminate entirely the ABC entitlements of districts with relatively strong property tax bases.

ABC funding is continuously appropriated through a direct transfer by the State Treasurer of sales tax revenues to the Assistance to Build Classrooms Fund established by Chapter 4. The \$32,500,000 in estimated FY 1998 funding for the program is reflected in the Other Appropriated Funds line in the summary table for the department. The department is responsible for administering monies in the ABC Fund under Chapter 4.

Juvenile Justice: Implement Proposition 102 (Chapter 220) — Appropriates \$1,000,000 for the School Safety program (in addition to the \$5,000,000 appropriated in the General Appropriation Act). The School Safety program places peace officers and juvenile probation officers in schools.

DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS (Cont'd)

Education Omnibus (Chapter 231) — Appropriates \$300,000 to enable the Lake Havasu Unified School District to begin transporting its non-special education pupils for the first time. Under the state K-12 transportation funding formula, only school districts that transported pupils in a prior year have “route mileage” data that entitle them to receive transportation funding in a current year.

Two other provisions included in Chapter 231 are expected to have a fiscal impact in FY 1998, but did not receive an appropriation: 1) a requirement that charter schools conduct annual audits pursuant to A.R.S. § 15-914, and 2) a modification of A.R.S. § 15-101 that allows accommodation schools for homeless pupils or alternative education programs to be set up in counties that previously were not eligible to establish accommodation schools. The JLBC Staff estimates that these 2 provisions will cost \$136,400 and \$16,800 respectively in FY 1998, and that the accommodation school provision will cost \$33,600 in FY 1999. The JLBC Staff has not estimated a FY 1999 cost for charter school audits.

Welfare Reform: Arizona Works Program (Chapter 300) — This law allows the East Valley Institute of Technology (EVIT- a public school devoted to vocational education that is sponsored by the Tempe Union, Mesa, Gilbert, Scottsdale, Chandler, Queen Creek, Fountain Hills and Apache Junction school districts) to serve eligible “welfare-related” students, regardless of age, and for more than the 175 day school year under which most public schools operate. Chapter 300 did not provide an appropriation for this purpose; furthermore, the cost of this provision is uncertain because Chapter 300 did not specify a formula by which EVIT would be paid for the additional students. (The BSA formula under which most public school students are funded assumes a minimum 175 day school year, but does not provide additional funding for a longer school year. Also, BSA entitlements are derived from ADM counts that are defined for K-12 pupils only.)

Taxation: Residential Property Tax Deferral (Laws 1996, Chapter 2, 7th Special Session) — Appropriated an additional \$59,214,400 to the Department of Education for FY 1997 increases in Basic State Aid required due to a reduction in the QTR assessed on local property owners under the bill, pursuant to A.R.S. § 15-971. In addition, Chapter 2 decreased by \$10,921,300 the department’s FY 1997 appropriation for Additional State Aid, since a lowering of the QTR reduces local property tax obligations which, in turn, reduces the cost of Additional State Aid.

Table 1

Total Equalization Base	\$ 2,814,690,400
Subtract: Qualifying Levy	<u>(973,338,000)</u>
FY 1998 Base Equalization Requirement	\$ 1,841,352,400
Add:	
Sudden Growth (“Current Year Funding”, A.R.S. § 15-948)	66,513,300
State-sponsored Charter School Operation	88,416,500
District-sponsored Charter School Operation	8,621,300
Career Ladder Step Increases	930,000
Rapid Decline (A.R.S. § 15-942)	1,279,100
Dept. of Corrections and Dept. of Juvenile Corrections Education (A.R.S. § 15-1371 and 15-1372)	2,248,900
Certificates of Educational Convenience and Transportation - Unorganized Districts (A.R.S. § 15-825)	1,822,200
Other Adjustments	2,792,500
County Equalization	<u>(132,106,800)</u>
Subtotal - Requirement before Legislative Changes	\$1,881,869,400
Changes in Ch. 4, 1st SS:	
Base Level/Group B Weight Increases	49,532,700
Charter School Capital	4,000,000
Fund Transportation on Prior Year Miles Only	(4,853,400)
Charter Schools - Deduction for BIA Formula Funding	(6,945,500)
Shift Vocational Education Weight to Vocational Education Block Grant	<u>(3,635,100)</u>
FY 1998 Basic State Aid Appropriation	<u>\$1,919,968,100</u>
General Fund	1,881,928,100
Permanent State School Fund	38,040,000

DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS (Cont'd)

Table 2

	<u>1995-96</u> <u>Actual ADM</u>	<u>1996-97</u> <u>Estimated ADM</u>	<u>% Change</u> <u>from 1996</u>	<u>1997-98</u> <u>Projected ADM</u>	<u>%</u> <u>Change</u>
PSD	2,092	2,144	2.50%	2,252	5.00%
K-8	523,428	537,822	2.75	548,041	1.90
9-12	<u>190,993</u>	<u>198,633</u>	4.00	<u>205,287</u>	3.35
TOTAL	716,513	738,599	3.08%	755,579	2.30%

Table 3

<u>Funding Category</u>	<u>Current Weight</u>	<u>Revised Weight</u>	<u>Cost Study</u> <u>Recommendation</u>
Hearing Impairment	2.707	3.169	4.385
Severe Mental Retardation-Resource	1.297	1.995	NA*
Severe Mental Retardation-Self Contained	2.950	3.550	7.005
Multiple Disabilities-Severe Sensory Impairment	4.476	4.923	7.165
Orthopedic Impairment-Resource	1.099	1.744	3.529
Orthopedic Impairment-Self Contained	3.231	3.951	6.941
Preschool Severe Delay	2.890	3.398	6.253
Emotional Disabilities-Separate Facility, Private School	2.014	2.633	5.344
Moderate Mental Retardation	2.398	2.808	4.896
Visual Impairment	3.531	4.315	5.992

* Schools audited did not have any SMR-R pupils.

DEPARTMENT OF HEALTH SERVICES - SUMMARY

A.R.S. § 36-103

Dr. Jack Dillenberg, D.D.S., M.P.H, Director

JLBC Analyst: Jennifer Vermeer

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
<u>Program Summary</u>			
Administration	18,260,200	18,480,600	19,057,600
Public Health	14,193,700	17,439,700	16,817,200
Family Health	23,478,100	25,456,600	24,537,000
Behavioral Health	134,243,100	141,582,900	144,063,400
Arizona State Hospital	30,180,500	30,707,800	30,182,200
Total Appropriations	220,355,600	233,667,600	234,657,400
<u>Expenditure Detail</u>			
FTE Positions	1,614.2	1,167.1	1,073.1 ^{1/}
Personal Services	29,105,600	26,154,600	24,740,700
Employee Related Expenditures	7,225,200	5,832,900	5,620,100
Professional and Outside Services	7,202,100	7,791,600	8,329,000
Travel - In State	291,600	335,300	329,800
Travel - Out of State	84,600	62,200	56,500
Food	165,500	0	0
Other Operating Expenditures	7,345,400	7,250,800	8,196,500
Equipment	495,700	236,200	198,900
Operating Subtotal	51,915,700	47,663,600	47,471,500
Special Line Items	168,439,900	186,004,000	187,185,900
Total Appropriations	220,355,600	233,667,600	234,657,400 ^{2/3/4/5/}
<u>Fund Summary</u>			
General Fund	204,743,200	216,247,400	215,319,700
EMS Operating Fund	2,815,100	2,581,600	2,893,800
Poison Control Fund	0	1,250,000	1,550,000
Child Fatality Review Fund	98,600	94,700	100,000
Alcohol Abuse Treatment Fund	0	0	800,000
Substance Abuse Services Fund	0	0	500,000
Arizona State Hospital Fund ^{6/}	11,870,900	11,993,900	13,493,900
Special Revenue Fund	827,800	1,500,000	0
Total Appropriations	220,355,600	233,667,600	234,657,400

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.*

1/ Includes 209.3 FTE Positions funded from Special Line Items in FY 1998.

2/ General Appropriation Act funds are appropriated as a Modified Lump Sum for the Program.

3/ 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 (1) potential shortfalls in programs, (2) 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 (3) total expenditure authority of the month and year-to-date for Seriously Mentally Ill Services, Regional Residential/Psychiatric Beds, Children's Behavioral Health Services, Children's Behavioral Health State Match for Title 19, Mental Health Non-Title 19, Substance Abuse Non-Title 19, Children's Respite Care, Geriatric Residential Beds, Psychotropic Drugs, Seriously Emotionally Handicapped Children, and Children's Rehabilitative Services. (General Appropriation Act footnote)

DEPARTMENT OF HEALTH SERVICES - SUMMARY (Cont'd)

Capital Outlay: Chapter 2, 1st Special Session — Appropriates \$80,600 from the Southern Arizona Mental Health Center (SAMHC) Fund to the department for building renewal projects at SAMHC. This bill also appropriates \$14,800,000 from the Department of Health Services (DHS) Construction account of the Tobacco Tax and Health Care Fund to the Department of Administration for the construction of a new State Health Laboratory. (*See the Department of Administration for further information.*)

Supplemental Appropriations: Adjustments (Chapter 7, 1st Special Session) — Appropriates \$79,900 from the SAMHC Fund in FY 1997 to the department for building renewal projects at SAMHC.

- 4/ Notwithstanding A.R.S. § 35-173C, any transfer to or from the amounts appropriated for Seriously Mentally Ill Services, Regional Residential/Psychiatric Beds, Children's Behavioral Health Services, Children's Behavioral Health State Match for Title 19, Mental Health Non-Title 19, Substance Abuse Non-Title 19, Community Therapeutic Substance Abuse Treatment, Mental Health/Substance Abuse State Match for Title 19, Seriously Emotionally Handicapped Children, Children's Rehabilitative Services, AHCCCS - Children's Rehabilitative Services, EMS Provider Contracts, State EMS Special Projects, Tuberculosis Provider Care and Control, Kidney Program, Adult Cystic Fibrosis, Adult Sickle Cell Anemia, Regional Contamination, High Risk Perinatal Services, County Prenatal Services Grant, Nutrition Services, Geriatric Residential Beds, Psychotropic Drugs, Children's Respite Care, Community Placement Treatment, Community Treatment Contingency, University of Arizona Poison Control Center Funding, and Poison Control Center Funding shall require approval of the Joint Legislative Budget Committee. 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 Joint Legislative Budget Committee. No monies shall be used from these appropriated amounts for any other expenses of the state Department of Health Services. (General Appropriation Act footnote)
- 5/ 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. (General Appropriation Act footnote)
- 6/ In FY 1996 and FY 1997, the fund was the ASH Disproportionate Share Fund.

DEPARTMENT OF HEALTH SERVICES - ADMINISTRATION

A.R.S. § 36-103

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	383.3	348.3	347.3 ^{1/}
Personal Services	6,176,200	6,520,400	7,073,800
Employee Related Expenditures	1,446,400	1,436,700	1,546,300
Professional and Outside Services	335,800	540,500	491,700
Travel - In State	61,500	68,800	66,200
Travel - Out of State	22,300	23,000	20,700
Other Operating Expenditures	4,189,800	4,859,500	5,130,300
Equipment	364,100	187,700	150,400
Operating Subtotal	12,596,100	13,636,600	14,479,400
Morton and Black Canyon Buildings Management	379,400	180,600	0
Assurance and Licensure	5,284,700	4,663,400	4,578,200
Total Appropriations	18,260,200	18,480,600	19,057,600 ^{2/}

Program Description — *The Administration program encompasses most centralized functions including the Director's Office, business and financial services, and information technology services. The program also provides Assurance and Licensure services which include the monitoring and enforcement of statutes and rules concerning home and community-based adult health care, behavioral health and child care facilities.*

Technical Issues — The approved amount includes a decrease of 3 FTE Positions and \$110,900 due to agency reorganization. The Public Health Library was transferred from the Assurance and Licensure program to the Public Health division because the functions of the Public Health Library are more related to those of the Public Health division. The net General Fund change for the agency as a whole is \$0.

The approved amount also includes \$87,000 for replacement computer equipment for the Administration division and \$92,500 for the Assurance and Licensure program for a total of \$179,500. The \$92,500 for the Assurance and Licensure program includes \$27,500 for replacement computer equipment and \$65,000 for the General Fund share of a new telephone system. The remaining \$60,000 for the telephone system will be charged to Federal and other fund sources for a total cost of \$125,000.

Information Technology Project — The approved amount includes a reduction of \$60,200 in one-time Professional and Outside Services and Other Operating Expenditures and an increase of \$63,400 for Equipment, for a net increase of \$3,200. These one-time costs are associated with the ongoing conversion from a mainframe to a wide area network computer system which was initiated in FY 1996. Including the above changes, \$260,800 remains in the base

budget for the continuation of the information technology project.

DDD Licensure Transfer — Laws 1996, Chapter 191 transferred the powers and duties of the Division of Developmental Disabilities (DDD) in the Department of Economic Security (DES) relating to the licensing and regulation of group homes for the developmentally disabled to the Department of Health Services (DHS) Assurance and Licensure program. The law also established the Developmental Disabilities Transfer Transition Committee to determine the amount of resources to be transferred from DES to DHS. Based on the Committee's recommendation, the approved amount includes an increase of 1 FTE Position and \$35,000 for the Assurance and Licensure program to be transferred from DES.

Medicaid Licensure Transfer — The approved amount includes the transfer of \$42,600 from the Assurance and Licensure program to the AHCCCS budget. This change will allow all Medicaid-related costs to be represented in the AHCCCS budget.

Morton and Black Canyon Buildings Management — Previously, this line item provided funding for the operations and maintenance of the Morton and Black Canyon buildings. The approved amount includes the transfer of this funding

^{1/} Includes 114.8 FTE Positions funded from Special Line Items in FY 1998.

^{2/} General Appropriation Act funds are appropriated as a Modified Lump Sum for the Program.

DEPARTMENT OF HEALTH SERVICES - ADMINISTRATION (Cont'd)

from a Special Line Item to Other Operating Expenditures because operations and maintenance is included in Other Operating Expenditures in most other agency budgets and the amount no longer needs to be budgeted in a separate line item.

Assurance and Licensure — Provides assurance and licensure services which include the monitoring and enforcement of statutes and rules concerning home and community-based adult health care, behavioral health, and child care facilities. The approved amount includes 114.8 FTE Positions and \$4,578,200. Assurance and Licensure has been moved from its own free-standing budget program to a Special Line Item within the Administration division to allow the agency greater flexibility in managing assurance and licensure services.

DEPARTMENT OF HEALTH SERVICES - PUBLIC HEALTH

A.R.S. § 36-103

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	<u>180.7</u>	<u>214.2</u>	<u>218.2</u> ^{1/}
Personal Services	2,472,600	3,269,900	3,537,200
Employee Related Expenditures	587,200	747,400	798,200
Professional and Outside Services	87,900	157,400	157,400
Travel - In State	82,400	97,800	102,400
Travel - Out of State	19,300	16,700	15,100
Other Operating Expenditures	400,000	643,300	699,500
Equipment	<u>0</u>	<u>24,500</u>	<u>24,500</u>
Operating Subtotal	3,649,400	4,957,000	5,334,300
Tuberculosis Provider Care and Control	873,700	1,082,000	1,082,000
Direct Grants	578,000	578,000	578,000
Vaccines	1,808,700	1,915,100	1,915,100
Reimbursement to Counties	396,300	396,300	396,300
Loan Repayment Services	8,900	100,000	100,000
Regional Contamination	227,500	250,000	250,000
Kidney Program	101,000	101,000	101,000
STD Control Subventions	49,700	52,500	52,500
AIDS Reporting and Surveillance	121,200	125,000	125,000
Border Health Office	0	50,000	0
Laboratory Services	2,512,400	2,577,900	2,696,200
Disease Control Research Commission	1,051,800	1,423,300	0
U of A Poison Control Center Funding	562,500	750,000	900,000
Poison Control Center Funding	250,000	500,000	650,000
EMS Operations	1,535,200	1,582,200	1,637,400
EMS Provider Contracts	224,700	331,200	481,200
State EMS Special Projects	145,000	170,000	170,000
Ambulance Replacement	7,700	150,000	0
EMS Regional Coordinating System	90,000	98,200	98,200
Trauma Advisory Board	<u>0</u>	<u>250,000</u>	<u>250,000</u>
Total Appropriations	14,193,700	17,439,700	16,817,200 ^{6/}
<u>Fund Summary</u>			
General Fund	11,378,600	13,608,100	12,630,400
Poison Control Fund	0	1,250,000	1,550,000
Emergency Medical Services Operating Fund	<u>2,815,100</u>	<u>2,581,600</u>	<u>2,636,800</u>
Total Appropriations	14,193,700	17,439,700	16,817,200

1/ Includes 90.5 FTE Positions funded from Special Line Items in FY 1998.

2/ The appropriation for Direct Grants is to provide for local health work and a portion of the cost of employing 1 public health nurse and 1 sanitarian in each county and is to be divided equally among the 15 counties on a non-matching basis. All monies received by a county under this appropriation that are not used for the prescribed purposes shall revert to the State General Fund. (General Appropriation Act footnote)

3/ The \$396,300 appropriated for reimbursement to counties is to provide matching monies to counties for local health work on an equal matching basis and shall be distributed in the following manner: \$174,790 of the monies shall be distributed to counties with populations of less than 500,000 persons based on amounts received in FY 1997. The distribution for counties with a population of 500,000 persons or more but less than 1,000,000 persons shall be \$57,750 and for counties with a population of 1,000,000 persons or more the distribution shall be \$163,760. (General Appropriation Act footnote)

4/ The \$900,000 appropriated for the University of Arizona Poison Control Center shall not be utilized to support any poison control center other than the one at the University of Arizona. The State Department of Health Services shall transmit all of the appropriated amount to the University of Arizona for this purpose. (General Appropriation Act footnote)

5/ The \$650,000 appropriated for Poison Control Center funding shall only be expended for poison control services in counties with a population of more than 1,500,000 persons according to the most recent decennial census.

6/ General Appropriation Act funds are appropriated as a Modified Lump Sum for the Program.

DEPARTMENT OF HEALTH SERVICES - PUBLIC HEALTH (Cont'd)

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, as well as maintaining vital records services for birth and death certificates. The program also includes the State Health Laboratory which provides laboratory testing for other state agencies, water testing, contagious disease testing and other public health related testing. The laboratory also monitors and evaluates the quality of laboratory testing statewide.*

Technical Issues — The approved amount includes an increase of 3 FTE Positions and \$110,900 due to agency reorganization. The Public Health Library was transferred from the Assurance and Licensure program to the Public Health division because the functions of the Public Health Library are more related to those of the Public Health division. The net General Fund change for the agency as a whole is \$0.

The approved amount also includes \$24,500 for replacement computer equipment for the Public Health program and \$150,000 for replacement laboratory equipment for the State Health Laboratory.

Tuberculosis Provider Care and Control — Provides reimbursement to hospitals and physicians for the care of hospitalized tuberculosis patients, and for assistance to all county health departments for local tuberculosis control programs. The program also provides directly-observed therapy to tuberculosis patients deemed most at-risk not to complete treatment, and therefore, possibly to develop drug-resistant tuberculosis. (It costs \$3,000 to treat a patient with active tuberculosis; it costs \$200,000 to treat a patient with drug-resistant tuberculosis.)

Direct Grants — See footnote 2 for a description of the program.

Vaccines — This Special Line Item provides funding for the purchase of vaccines for the state immunization program.

Reimbursement to Counties — See footnote 3 for a description of the program.

Loan Repayment Services — The monies are used to pay physician and mid-level practitioner student loans in order to encourage providers to practice in rural areas. Psychiatrists and for-profit clinics are also eligible.

TCE Contamination — Prior to FY 1997, this line item was called TCE Contamination. In FY 1997, it was renamed "Regional Contamination" which allowed the department to disburse the monies for treatment of persons living in areas contaminated with trichlorethylene (TCE) or other types of contamination. The name of the line item has been changed back to "TCE Contamination."

Kidney Program — Reimburses provider hospitals and licensed dialysis centers for the transportation and medication costs of patients ineligible for other public assistance programs.

Sexually Transmitted Disease Control Subventions — Provides assistance to local venereal disease control programs.

AIDS Reporting and Surveillance — Provides a database system to track the incidence of AIDS and AIDS-related conditions.

Border Health Office — Previously, provided funding for a Border Health Office to assist in developing health policy and training programs affecting Arizona and Sonora, Mexico border populations. This funding has been moved from a Special Line Item to the operating budget which will consolidate the funding for this function.

Laboratory Services — Provides laboratory testing for other state agencies, water testing, contagious disease testing and other public health related testing. The laboratory also monitors and evaluates the quality of private laboratory testing statewide. The approved amount includes 56.5 FTE Positions and \$2,696,200. The State Health Laboratory has been moved from its own free-standing budget program to a Special Line Item within the Public Health program to allow the agency greater flexibility in managing the Laboratory.

Disease Control Research Commission — Previously, provided grants for medical research on diseases such as cancer and heart disease. In FY 1995, funding for new contracts was not approved. However, since the contracts were traditionally granted on a 3-year cycle, monies from the General Fund were appropriated to complete these ongoing contracts through FY 1997. As all contracts have now been completed, funding from the General Fund for the program has been eliminated. The Disease Control Research Commission will continue to receive their allocation of 5% of the Tobacco Tax and Health Care Fund revenues in the Health Research Account.

DEPARTMENT OF HEALTH SERVICES - PUBLIC HEALTH (Cont'd)

POISON CONTROL FUND

The programs below are funded entirely through Poison Control Fund monies. Laws 1996, Chapter 5, 5th Special Session established the Poison Control Fund and allocated 0.3% of the revenues from the Telecommunication Services Excise Tax to the fund. Laws 1997, Chapter 5, 1st Special Session continued this allocation for FY 1998 and FY 1999. The Telecommunication Services Excise Tax is a surcharge on local telephone bills and is currently levied at a total rate of 1.1%. The remainder of the tax, 0.8%, is allocated to the Telecommunication Devices for the Deaf (TDD) Fund administered by the Council for the Hearing Impaired.

University of Arizona Poison Control Center Funding — Provides 24-hour poison education services and treatment information. The center receives approximately 77,000 calls annually, many concerning children, and a sizeable number from medical personnel seeking treatment advice for their patients. The approved amount includes an increase of \$150,000 to address increased call volume and staff salary increases. A General Appropriation Act footnote specifies that the entire \$900,000 must be passed through to the University of Arizona Poison Information Center.

Poison Control Center Funding — This Special Line Item provides \$650,000 for provision of poison control services in Maricopa County. An existing center, currently located at Good Samaritan Hospital, receives approximately 69,000 calls annually. The approved amount includes an increase of \$150,000 to address increased call volume and staff salary increases.

EMERGENCY MEDICAL SERVICES OPERATING FUND

The programs below are funded entirely through Emergency Medical Services (EMS) Operating Fund monies. The EMS Operating Fund receives 48.9% of the Medical Services Enhancement Fund revenues, which in turn receives monies from a 13% surcharge on fines charged for criminal offenses and traffic violations. The purpose of the EMS Operating Fund is to provide a variety of statewide emergency medical services.

EMS Provider Contracts — Provides state grants for emergency receiving facilities, ambulance services, and rescue services. The approved amount includes \$150,000 transferred from the Ambulance Replacement Special Line Item for a total of \$481,200. The 2 line items have been consolidated to provide a larger, more flexible pool of resources for rural EMS grants. If a provider's highest need is for an ambulance, this could still be provided through the new program, and if other needs have a higher priority, the monies will not be restricted for ambulances only.

State EMS Special Projects — Provides funding at the regional level to upgrade EMS training, documentation and evaluation of clinical performances of pre- and post-hospital phases of EMS delivery.

Ambulance Replacement — Previously, provided funding to upgrade and maintain ambulance services in the rural areas through the purchase of new ambulances. The funding has been consolidated with the Provider Contracts Special Line Item to provide a larger more flexible pool of resources for rural EMS grants (*see the Provider Contracts discussion*).

EMS Regional Coordinating System — Provides funding of \$24,550 for each of the 4 local Regional Coordinating Councils that coordinate and plan for the provision of the local EMS programs.

Trauma Advisory Board — Provides funding for operating expenses of the Trauma Advisory Board. The Trauma Advisory Board was established in 1994 (A.R.S. § 36-2222) to recommend standards for a statewide trauma system, for maintaining the confidentiality of information throughout the quality assurance process, and for uniform data collection for a statewide trauma registry.

Additional Legislation: Health Omnibus Reconciliation Bill (Chapter 5, 1st Special Session) — Transfers \$14,800,000 from the balance remaining in the Medically Needy Account of the Tobacco Tax and Health Care Fund at the end of FY 1997 to the Department of Health Services (DHS) Construction Services Account for use in the construction of a health laboratory.

Tobacco Tax Monies (Chapter 123) — For FY 1997, increases the expenditure limit from \$15,000,000 to \$25,000,000 for the Health Education Account of the Tobacco Tax and Health Care Fund. Beginning in FY 1998, limits the expenditures from the Health Education Account to 90% of the previous fiscal year's new revenue allocation. After an estimate of the FY 1998 expenditures from the Health Education Account is made, allows 95% of the remaining balance to be spent over the next 3 fiscal years subject to the limitations on the account. Transfers \$7,500,000 from the Medically Needy Account to DHS for public health education programs approved by the Joint Legislative Oversight Committee on the Tobacco Tax and Health Care Fund.

Medically Underserved Areas (Chapter 157) — For FY 1998, transfers \$111,200 from the Medically Needy Account to DHS to implement a Rural Private Primary Care Provider Loan Repayment Program to assist physicians and providers with current or prospective rural primary care practices in medically underserved areas.

DEPARTMENT OF HEALTH SERVICES - PUBLIC HEALTH (Cont'd)

AHCCCS: Tobacco Tax: Kidney Disease (Chapter 188) — Beginning FY 1998, increases from \$150,000 to \$250,000 annually, the amount transferred from the Medically Needy Account to DHS for contracts with non-profit organizations that primarily assist in the management of end-stage renal disease and related problems.

Emergency Health Care: Crisis Fund (Chapter 257) — Establishes a Health Crisis Fund for expenses incurred as the result of health crisis or a potential health crisis declared by Executive Order. Transfers \$1,000,000 from the Medically Needy Account to the Health Crisis Fund and requires that the Health Crisis Fund balance be maintained at \$1,000,000 annually. Increases from \$5,000,000 to \$6,000,000 the annual allocation from the Medically Needy Account to DHS for Primary Care Programs and expands Primary Care Programs to include mobile medical clinics. Extends for 1 year (FY 1998), the \$500,000 allocation for the Detoxification Pilot Program. For FY 1998, transfers an additional \$2,500,000 from the Medically Needy Account to DHS for grants to community health centers. Also for FY 1998, transfers \$2,500,000 from the Medically Needy Account to DHS for capital project grants to non-profit entities that provide medical care in rural or medically underserved areas. Increases from 2% to 4%, the amount of funds that may be transferred to DHS for administration of Tobacco Tax-funded program. Finally, transfers \$65,000 to DHS for primary care services for Salome, Arizona.

Liver Disease Research: U of A (Chapter 262) — For FY 1998, transfers \$500,000 from the DHS Health Research Account of the Tobacco Tax and Health Care Fund to the University of Arizona-College of Medicine for the establishment of a Liver Research Institute.

Tobacco Tax Distribution — Although tobacco tax revenues derived from the voter-approved 40¢ per pack cigarette/tobacco tax increase are spent by several agencies, a consolidated statement is presented in the AHCCCS section. The monies administered by DHS are shown in the table on the following page.

DEPARTMENT OF HEALTH SERVICES - PUBLIC HEALTH (Cont'd)

DHS Health Education Account

Funds Available

Balance Forward	\$ 12,938,400	\$ 30,322,100	\$ 34,314,300
Transfer In - Tobacco Tax and Health Care Fund	27,093,000	28,992,200	28,526,100
Total Funds Available	\$ 40,031,400	\$ 59,314,300	\$ 62,840,400

Allocation

Operating Subtotal	\$ 9,709,300	\$ 25,000,000	\$ 36,809,000
Balance Forward	\$ 30,322,100	\$ 34,314,300	\$ 26,031,400

DHS Health Research Account

Funds Available

Balance Forward	\$ 0	\$ 7,996,100	\$ 9,231,600
Transfer In - Tobacco Tax and Health Care Fund	8,404,000	6,302,700	6,201,300
Total Funds Available	\$ 8,404,000	\$ 14,298,800	\$ 15,432,900

Allocation

Disease Control Research Commission	\$ 407,900	\$ 5,067,200	\$ 5,037,100
Transfer to U of A - Liver Research Institute	0	0	500,000
Total Allocation	\$ 407,900	\$ 5,067,200	\$ 5,537,100
Balance Forward	\$ 7,996,100	\$ 9,231,600	\$ 9,895,800

DHS Medically Needy Allocations

Funds Available

Balance Forward	\$ 0	\$ 637,200	\$ 0
Transfer In - AHCCCS-Medically Needy	12,082,000	21,422,000	36,480,400
Total Funds Available	12,082,000	\$ 22,059,200	\$ 36,480,400

Allocation

Primary Care Programs	\$ 3,600,000	\$ 5,100,000	\$ 6,240,000 ^{1/}
Qualifying Community Health Centers	3,600,000	5,100,000	5,200,000 ^{1/}
Telemedicine	255,000	255,000	260,000 ^{1/}
Mental Health Programs for Non-Title 19	3,489,800	5,000,000	5,000,000
Detoxification Services	500,000	500,000	500,000
Renal Disease Management	0	150,000	250,000
Basic Children's Medical Services Program	0	5,100,000	5,200,000 ^{1/}
Evaluations	0	854,200	854,200
Public Health Education	0	0	7,800,000 ^{1/}
Rural Private Primary Care Provider Loan Repay Program	0	0	111,200
Community Health Center Grants	0	0	2,500,000
Primary Care Capital Construction Projects	0	0	2,500,000
Salome Health Services	0	0	65,000
Total Allocation	\$ 11,444,800	\$22,059,200	\$ 36,480,400
Balance Forward	\$ 637,200	\$ 0	\$ 0

^{1/} Pursuant to A.R.S. § 36-2921C, as amended by Laws 1997 Chapter 257, these amounts include an additional 4% for administrative costs associated with each program.

DEPARTMENT OF HEALTH SERVICES - FAMILY HEALTH

A.R.S. § 36-103

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	<u>68.6</u>	<u>68.6</u>	<u>68.6</u> ^{1/}
Personal Services	1,727,000	1,849,900	1,944,000
Employee Related Expenditures	415,300	413,200	432,200
Professional and Outside Services	143,200	144,200	144,200
Travel - In State	51,700	74,600	70,900
Travel - Out of State	9,400	2,700	2,400
Other Operating Expenditures	359,200	362,700	368,700
Equipment	<u>800</u>	<u>0</u>	<u>0</u>
Operating Subtotal	2,706,600	2,847,300	2,962,400
Children's Rehabilitative Services	6,471,500	6,491,800	5,351,800 ^{2/}
AHCCCS-Children's Rehabilitative Services (GF)	8,410,100	8,451,400	8,551,400 ^{2/}
(TF)	23,416,700	24,451,400	25,065,900
Adult Cystic Fibrosis	223,600	223,600	223,600
Adult Sickle Cell Anemia	70,100	70,100	70,100
Newborn Intensive Care	2,912,900	0	0
Perinatal Care Services	231,300	0	0
High Risk Perinatal Services	0	4,016,500	4,016,500
Medical Malpractice/Obstetrical Services	99,300	0	0
Nutrition Services	290,200	330,100	330,100
Prenatal Outreach	106,000	0	0
Teen Prenatal Express	868,900	0	0
County Prenatal Services Grant	0	1,281,100	1,281,100 ^{3/}
Teenage Pregnancy Prevention Task Force	156,100	250,000	250,000
Health Start	832,800	1,400,000	1,400,000 ^{4/}
Child Fatality Review Team	<u>98,600</u>	<u>94,700</u>	<u>100,000</u> ^{5/}
Total Appropriations	(GF) 23,379,400	25,361,900	24,180,000
	(TF) 38,484,700	41,456,600	41,051,500
Fund Summary			
General Fund	23,379,500	25,361,900	24,180,000
Emergency Medical Services Operating Fund	0	0	257,000
Child Fatality Review Fund	98,600	94,700	100,000
Federal Title 19 Funds	<u>15,006,600</u>	<u>16,000,000</u>	<u>16,514,500</u>
Total Appropriations	38,484,700	41,456,600	41,051,500

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.*

^{1/} Includes 2 FTE Positions funded from Special Line Items in FY 1998.

^{2/} The amounts appropriated for Children's Rehabilitative Services, AHCCCS-Children's Rehabilitative Services, and for federal expenditure authority 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. (General Appropriation Act footnote)

^{3/} The 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. (General Appropriation Act footnote)

^{4/} Appropriated by Laws 1996, Chapter 247.

^{5/} General Appropriation Act funds are appropriated as a Modified Lump Sum for the Program.

DEPARTMENT OF HEALTH SERVICES - FAMILY HEALTH (Cont'd)

Children's Rehabilitative Services (CRS) — CRS provides comprehensive health care to children suffering from handicapping or potentially handicapping conditions. The goal of the program is to provide early diagnosis and treatment including surgical intervention to prevent or substantially ameliorate medical conditions which, if left untreated, would lead to permanent handicaps. The program also serves children suffering from non-preventable handicaps.

The CRS Program has claims presented for payment following the end of each fiscal year. This extension of bills into the next year is commonly referred to as the "tail." It is the intent of the Legislature that the department properly allocate funding to pay for this "tail" and all other program requirements. In other words, the department must manage the program within the appropriation, including the payment of the "tail." The Legislature expressed this intent in a General Appropriation Act footnote (*see prior page*).

The AHCCCS-CRS Special Line Item represents the Title 19 portion of the CRS program. In the past only the state matching monies from the General Fund were shown. The approved amount includes both the state General Fund and the Federal Funds in order to reflect the total cost of the Title 19 portion of the CRS program.

The approved amount also includes a realignment of funds within the CRS program to reflect actual expenditures. A greater number of CRS clients are qualifying for Title 19 coverage and fewer numbers are qualifying for Non-Title 19 coverage. As a result, the Children's Rehabilitative Services Special Line Item (Non-Title 19) has been decreased \$900,000 and the AHCCCS-Children's Rehabilitative Services Special Line Item (Title 19) has been increased \$100,000, for a net General Fund decrease of \$800,000. The movement of clients from the Non-Title 19 program, which receives state funds only, to the Title 19 program results in a net General Fund decrease because these clients now qualify for Federal matching funds under the Title 19 program. As a result, the approved Total Funds (TF) amount includes an increase of \$514,500 in Federal Title 19 funds.

The approved amount for the Children's Rehabilitative Services Special Line Item also includes a General Fund decrease of \$240,000 as these costs will be shifted to the Federal Title V Maternal and Child Health (MCH) Block Grant. These monies are dedicated for children with special health care needs by the MCH funding requirements and in the past were used for the department's contract for a CRS data system at an annual cost of \$480,000. The department has determined that it will allow the CRS data system contract to expire half-way through FY 1998 and will provide data processing in-house, freeing up \$240,000 in

MCH Block Grant monies in FY 1998 and an additional \$240,000 in FY 1999. The following table represents the net change for the CRS program overall.

	FY 1998	
CRS Non-Title 19	\$(1,140,000)	GF
AHCCCS CRS - State Match	100,000	GF
AHCCCS CRS - Federal Funds	<u>514,500</u>	FF
Total	\$ (525,500)	TF

Adult Cystic Fibrosis — Provides contracted care and treatment services for adult residents of the state suffering from cystic fibrosis through the CRS program.

Adult Sickle Cell Anemia — Provides contracted treatment for adults suffering from sickle cell anemia through the CRS program.

Newborn Intensive Care — Previously, provided contracted physician consultation, transport, hospital care, and nursing follow-up services for uninsured newborns in intensive care centers. This program has been transferred to the High Risk Perinatal Services line item (*see discussion below*).

Perinatal Care Services — Previously, provided contracted transport services for high risk expectant mothers. This program has been transferred to the High Risk Perinatal Services line item (*see discussion below*).

High Risk Perinatal Services — Provides contracted transport services for high risk expectant mothers and contracted physician consultation, transport, hospital care and nursing follow-up services for uninsured newborns in intensive care centers. The approved amount includes a change in the funding source for the maternal transport portion of the program in which the \$257,000 funding allocated for this function will now be supported by the Emergency Medical Services (EMS) Operating Fund rather than the state General Fund. The emergency transport of high risk expectant mothers often takes place from a rural to an urban setting by either an ambulance or an EMS helicopter and therefore falls under the purpose of the EMS Operating Fund (*see the Public Health section for further description of the EMS Operating Fund*).

Medical Malpractice/Obstetrical Services — Previously, provided \$255,000 to offset the cost of malpractice premiums for rural providers and community health centers. This program has been eliminated as a result of the 1996 Program Authorization Review (PAR). The PAR finding was that due to the substantial drop in medical malpractice premiums and the availability of additional subsidies through the Federally Supported Health Centers Assistance Act of 1992, this program is no longer needed.

DEPARTMENT OF HEALTH SERVICES - FAMILY HEALTH (Cont'd)

Nutrition Services — Provides support to rural counties participating in the Nutritional Assessment Program, which provides screening, education, counseling and referrals to persons identified as needing nutrition services.

Prenatal Outreach — Previously, provided funding to county health departments and community organizations to create neighborhood outreach programs staffed with lay health workers who assist high risk pregnant women to obtain prenatal care services. This program has been transferred to the County Prenatal Services Grant (*see discussion below*).

Teen Prenatal Express — Previously, this line item provided funding for prenatal care, hospital delivery and nursing case management for low-income pregnant adolescents not enrolled in AHCCCS. This program has been transferred to the County Prenatal Services Grant (*see discussion below*).

County Prenatal Services Grant — Provides block grants to counties for programs that focus on increasing prenatal care among women at high risk of not seeking or receiving prenatal care. Block granting the monies allows counties greater flexibility in planning and coordinating prenatal programs which directly target the needs in their regions. A General Appropriation Act footnote requires the formula for distributing the funds to be based on population, need, and the amount received in prior years.

Teenage Pregnancy Prevention Task Force — Provides \$140,000 from the General Fund to implement a statewide media campaign to reduce the incidence of teenage pregnancy, and \$110,000 to contract with local communities to develop different teenage pregnancy prevention programs and strategies.

Health Start — Laws 1996, Chapter 247 appropriated \$1,400,000 from the General Fund to continue the Health Start program which provides funding to county health departments and community organizations to create neighborhood outreach programs staffed with lay health workers who assist high risk (low-income, minority and teen) pregnant women obtain prenatal care services.

CHILD FATALITY REVIEW FUND

The program below is funded entirely from the Child Fatality Review Fund. The Child Fatality Review Fund receives revenues from a \$1 surcharge on fees collected on all certified copies of death certificates.

Child Fatality Review Team — The program provides funding to organize child fatality review teams in all 15 counties and to study data collected by the 15 teams to determine ways to

reduce the state's child mortality rate. The approved amount includes an increase of \$5,300 for the operating costs of the program.

DEPARTMENT OF HEALTH SERVICES - BEHAVIORAL HEALTH

A.R.S. § 36-103

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	<u>143.6</u>	<u>69.5</u>	<u>69.5</u> ^{1/}
Personal Services	1,517,600	1,731,900 ^{2/}	1,956,100
Employee Related Expenditures	361,400	394,900 ^{2/}	436,300
Professional and Outside Services	842,700	835,500	1,875,500
Travel - In State	55,000	75,300	71,500
Travel - Out of State	26,800	15,000	13,500
Other Operating Expenditures	628,700	494,100	565,800
Equipment	<u>77,900</u>	<u>0</u>	<u>0</u>
Operating Subtotal	3,510,100	3,546,700	4,918,700
Client Satisfaction Incentive Program	37,700	100,000	100,000
RBHA Client Encounter Reports	1,601,800	1,848,900	1,848,900
Data Processing Debt Retirement	1,315,400	1,500,000	595,100
Computer Hardware Lease	821,300	996,000	996,000
Managed Care and Actuarial Services	1,420,800	1,695,000	0
HUD Grants Compliance	34,800	70,000	0
Children's Behavioral Health Services	12,758,900	13,264,400	13,264,400 ^{3/}
Seriously Emotionally Handicapped Children	4,375,300	4,375,300	4,375,300
CBH State Match for Title 19 (GF)	15,110,500	18,110,900	18,692,600
(TF)	45,093,500	56,610,900	58,692,600
Children's Respite Care	252,500	252,500	252,500
Seriously Mentally Ill Services (GF)	57,174,500	59,669,600	60,493,600
(TF)	85,673,100	91,669,600	95,493,600
Geriatric Residential Beds	2,211,800	2,211,800	2,211,800
Regional Residential/Psychiatric Beds	5,770,300	5,770,300	5,770,300
Psychotropic Drugs	1,244,600	1,257,100	1,257,100
Mental Health Non-Title 19	7,893,600	9,862,100	9,862,100
Substance Abuse Non-Title 19	10,896,500	10,935,400	13,235,400
Mental Health and Substance Abuse State Match for Title 19 (GF)	2,706,300	4,065,700	4,203,500
(TF)	7,924,900	11,065,700	12,203,500
Community Therapeutic Substance Abuse Treatment	1,700,000	1,700,000	1,700,000
SAMHC	3,363,700	0	0
Psychiatric Review Board	42,700	76,900	80,400
Court Monitoring	<u>0</u>	<u>274,300</u>	<u>205,700</u>
Total Appropriations (GF)	134,243,100	141,582,900	142,763,400 ^{4/}
(TF)	197,943,300	219,082,900	227,063,400
Fund Summary			
General Fund	134,243,100	141,582,900	142,763,400
Alcohol Abuse Treatment Fund	0	0	800,000
Substance Abuse Services Fund	0	0	500,000
Federal Title 19 Funds	<u>63,700,200</u>	<u>77,500,000</u>	<u>83,000,000</u>
Total Appropriations	197,943,300	219,082,900	227,063,400

1/ Includes 2 FTE Positions funded from Special Line Items in FY 1998.

2/ The FY 1997 estimate for Personal Services and Employee Related Expenditures has been adjusted to reflect transfers approved by the Joint Legislative Budget Committee on April 25, 1997. The transfers include \$130,200 from Personal Services and \$18,000 from Employee Related Expenditures to the Arizona State Hospital (ASH) operating budget. See the ASH discussion for further detail.

3/ 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. (General Appropriation Act footnote)

4/ General Appropriation Act funds are appropriated as a Modified Lump Sum for the Program.

DEPARTMENT OF HEALTH SERVICES - BEHAVIORAL HEALTH (Cont'd)

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. Most services are provided through contracts with 5 Regional Behavioral Health Authorities (RBHAs) which then subcontract for provision of services with a provider network. Native American tribes have also begun to establish intergovernmental agreements for services through the RBHAs and also directly with the department.*

Client Satisfaction Incentive Program — Provides small monetary awards to provider and RBHA employees that have very high client satisfaction scores according to monthly client surveys. The goal of this program is to increase emphasis on client outcomes and satisfaction. The program is currently being implemented as a pilot program for the Pinal Gila Behavioral Health Authority (PGBHA). Data from the first year of implementation has shown that current provider performance standards have been set too low. DHS and PGBHA are taking steps to "raise the bar" in order to better recognize providers who excel at quality service delivery.

RBHA Client Encounter Reports — Previously, this Special Line Item was named "Third Party Payor Costs" and covered the payments made to a private contractor for the processing and payment of behavioral health providers' claims. This function is now being transferred to the RBHAs which will generate monthly reports to track service utilization and the composition of behavioral health clients. As a result, the line item has been renamed "RBHA Client Encounter Reports".

Data Processing Debt Retirement — Provides funding to make required payments on outstanding debts charged to a revolving line of credit. The approved amount includes a decrease of \$904,900 due to declining payments required under the amortization schedule for the Client Information System (CIS). The FY 1998 payment of \$595,100 is the final payment and no future payments will be required.

Computer Hardware Lease — Provides funds to lease hardware to operate the CIS in the Behavioral Health program.

Managed Care and Actuarial Services — Provides funding for contracts with private consultants to perform a number of projects as required by the Federal Health Care Financing Administration (HCFA). Among these projects are reviews of capitation rates, operational and financial reviews of RBHAs, quality reviews of case files, validation of service data and one-third of the FY 1997 allocation for information systems consulting. This last amount has been retained to complete the transition of reporting behavioral health client data from a private contractor responsibility to a RBHA responsibility. The approved amount includes a decrease of \$655,000. The remaining funding now reflects only those projects required by federal law and a 25% contingency factor to account for unforeseen needs. In addition, the

funding has been transferred to the Behavioral Health operating budget, as separate oversight of these monies is no longer required.

HUD Grants Compliance — Previously, provided administrative support for approximately \$14,000,000 of grants from the federal Department of Housing and Urban Development (HUD) for housing needs of seriously mentally ill clients. The funding for this program has been transferred to the Department of Commerce in order to consolidate all assisted housing and community development programs within that agency.

Children's Behavioral Health Delivery System (CBHDS) — The funding provided by the Special Line Items shown below represents the appropriations for the CBHDS. The goal of these programs is to provide comprehensive behavioral health care to all eligible children. The following chart depicts funding for this program.

	FY 1998
CBH Services (Non-Title 19)	\$13,264,400 GF
Seriously Emotionally Handicapped Children	4,375,300 GF
CBH State Match for Title 19	18,692,600 GF
	40,000,000 FF
Children's Respite Care	<u>252,500 GF</u>
TOTAL	\$36,584,800 GF
	<u>\$76,584,800 TF</u>

Children's Behavioral Health Services — Provides funding for prevention programs and for treatment of Non-Title 19 eligible children. The monies are not available to serve Title 19 eligible children unless a transfer of monies is approved by the JLBC.

Seriously Emotionally Handicapped Children — These funds provide for a portion of the cost of residential treatment and educational services for children referred by school districts. Referrals are based on the inability to educate the children in a conventional school environment due to a serious emotional handicap. Funding is also provided for this program through the state Department of Education and local school districts.

DEPARTMENT OF HEALTH SERVICES - BEHAVIORAL HEALTH (Cont'd)

Children's Behavioral Health State Match for Title 19 — Provides the General Fund share of the cost of providing behavioral health treatment to Title 19 eligible children. State monies provide a 34.67% match to the federal monies received. Any appropriated funds in excess of the required state match amount will be used to fund non-federally reimbursed services for Title 19 eligible children. The approved funding includes an increase of \$581,700 from the General Fund for population growth and an increase in the capitation rate.

In the past only the state matching monies from the General Fund were shown. Under Total Funds (TF), the approved amount also includes the federal matching monies in order to reflect the total cost of the Title 19 portion of the Children's Behavioral Health program. The TF amount includes an increase of \$1,500,000 in federal funding for a total of \$40,000,000 in Federal Funds.

Children's Respite Care — Respite care provides temporary in-home counseling and supervision of clients with the goal of keeping children with the family and avoiding residential care.

The total expenditures on Children's Behavioral Health programs by the state may exceed the amounts shown above. The Courts, the Department of Juvenile Corrections, the Department of Economic Security, and some counties also expend funds directly for Children's Behavioral Health Services in addition to those children referred to DHS. Although the table shows most of the expenditures of these agencies for Title 19 services, the expenditures for Non-Title 19, or subvention services, are not reflected. In addition, the numbers shown above reflect only contracted costs, while there are substantial administrative expenses within the department that are not included. Substance abuse programs and other such programs with a mental health component are also not included.

Seriously Mentally Ill (SMI) Funding — SMI is a population of adult patients with more long-term or on-going mental illness than those funded through the General Mental Health Special Line Items. These adults require frequent treatment and case management services. SMI determination is made based upon a "SMI checklist" developed by the department. SMI funding is divided into several Special Line Items

The following table depicts state expenditures and estimated federal revenue for SMI programs. The counties also directly expend considerable funds for SMI treatment; however, these amounts are not shown.

	<u>FY 1998</u>
Seriously Mentally Ill Services	\$60,493,600 GF
	35,000,000 FF
Geriatric Residential Beds	2,211,800 GF
Regional Residential/Psychiatric Beds Program	5,770,300 GF
Psychotropic Drugs	<u>1,257,100 GF</u>
TOTAL	\$69,732,800 GF
	<u>\$104,732,800 TF</u>

Seriously Mentally Ill Services — Provides treatment to both Title 19 and Non-Title 19 eligible adults that enter the state mental health system. State monies provide a 34.67% match to the federal monies received. The approved amount includes an increase of \$824,000 from the General Fund for population growth and an increase in the capitation rate for the Title 19 portion of the program. For FY 1998, the approved amount includes \$17,424,000 for the state match for Title 19 and \$43,069,600 for the Non-Title 19 population.

In the past only the state matching monies from the General Fund were shown. Under Total Funds (TF), the approved amount also includes the federal matching monies in order to reflect the total cost of the Title 19 portion of the SMI program. The TF amount includes an increase of \$3,000,000 in federal funding for a total of \$35,000,000 in Federal Funds.

Geriatric Residential Beds — The approved amount is for approximately 42 community geriatric psychiatric treatment beds.

Regional Residential/Psychiatric Beds Program — The approved amount includes funding for the regional beds program which is designed to reduce growth in the Arizona State Hospital (ASH) census by developing secure residential/in-patient alternatives in local areas. These smaller facilities allow for short-term crisis stabilization which eliminates the need for transportation to metropolitan areas or long-term commitment. Statewide, these facilities currently provide 156 treatment beds at sites closer to the patients' homes than ASH. These small Psychiatric Hospital Facilities (PHFs) have traditionally been referred to as "Puffs" based on their original acronym.

Psychotropic Drugs — Provides funding for psychotropic or atypical antipsychotic medications shown to produce dramatic results in certain patients who suffer from long-term schizophrenia.

DEPARTMENT OF HEALTH SERVICES - BEHAVIORAL HEALTH (Cont'd)

In addition to the amounts shown above, the department may receive other Federal Funds, other agencies may expend additional amounts on similar services, and the counties also provide services which are not included in the table.

General Mental Health and Substance Abuse Funding — The General Mental Health and Substance Abuse funding assists adults who do not qualify as SMI. These persons typically require less frequent and less intensive treatment or experience mental illness that is more temporary in nature. The following table depicts state expenditures and estimated federal revenues for the treatment of non-SMI adults for general mental health and substance abuse:

	FY 1998
Mental Health (Non-Title 19)	\$9,862,100 GF
Substance Abuse (Non-Title 19)	11,935,400 GF
	1,300,000 OF
Mental Health/Substance Abuse	4,203,500 GF
State Match for Title 19	8,000,000 FF
Community Therapeutic Treatment	1,700,000 GF
General Mental Health Block Grant	3,870,300 FF
Substance Abuse Block Grant	<u>20,008,800</u> FF
TOTAL	\$27,701,000 GF
	<u>\$60,880,100</u> TF

Mental Health - Non-Title 19 — Provides funding for mental health treatment services for non-SMI adults who are not eligible for the Title 19 program.

Substance Abuse - Non-Title 19 — Provides funding for drug and alcohol abuse services. The approved amount includes an increase of \$1,000,000 from the General Fund to reduce waiting lists for substance abuse services in the state.

The approved amount also includes \$800,000 from the Alcohol Abuse Treatment Fund and \$500,000 from the Substance Services Fund for a total of \$1,300,000 in Other Appropriated Funds (OF). The funds provide monies for drug and alcohol abuse treatment for Non-Title 19 eligible persons and receive 14.2% and 9.4% respectively of the Medical Services Enhancement Fund (MSEF) revenues. The MSEF receives monies from a 13% surcharge on fines charged for criminal offenses and traffic violations. The funds became newly appropriated in FY 1998 by Laws 1996, Chapter 335.

Mental Health and Substance Abuse State Match for Title 19 — Provides funding for mental health and substance abuse treatment services for Title 19 eligible individuals. State

monies provide a 34.67% match to the federal monies received. The approved amount includes an increase of \$137,800 for population growth and an increase in the capitation rate.

In the past only the state matching monies from the General Fund were shown. Under Total Funds (TF), the approved amount also includes the federal matching monies in order to reflect the total cost of the Title 19 portion of the Mental Health and Substance Abuse program. The TF amount includes an increase of \$1,000,000 in federal funding for a total of \$8,000,000 in Federal Funds.

Community Therapeutic Substance Abuse Treatment — Community therapeutic treatment is a long-term substance abuse treatment model used for the most chronic substance abusers. Over time, the RBHAs have increasingly directed funding toward lower cost, short-term substance abuse treatment. While this has allowed more individuals to receive treatment, it has also begun to create a shortage of placements for the most chronic abusers.

General Mental Health Block Grant — Provides non-appropriated Federal Funding for comprehensive mental health services for children and adults including treatment, rehabilitative services, and activities to reduce hospitalization rates among the mentally ill.

Substance Abuse Block Grant — Provides non-appropriated Federal Funding for drug and alcohol abuse prevention and treatment. The Block Grant requires certain percentages of the funding to be spent in the following broad categories: 35% for drug abuse services; 35% for alcohol abuse services; 20% for primary prevention programs targeting at-risk populations; and 5% for HIV/AIDS services. The Block Grant also requires the department to maintain the current level of services for pregnant women and women with dependent children.

In addition to the amounts shown above, the department may receive Tobacco Tax monies, other Federal Funds, other agencies may expend additional amounts on similar services, and the counties also provide services which are not included in the table.

Southern Arizona Mental Health Center (SAMHC) — In FY 1997 the Legislature finalized the privatization of SAMHC and transferred all funding for the center to the General Mental Health and Substance Abuse, Seriously Mentally Ill and Children's Behavioral Health Special Line Items. These transfers are intended to remain for treatment services for residents of southern Arizona.

DEPARTMENT OF HEALTH SERVICES - BEHAVIORAL HEALTH (Cont'd)

Psychiatric Review Board — Includes 2 FTE Positions and \$80,400 to review the cases of those persons committed to ASH as “Not Guilty By Reason of Insanity.” The approved amount includes an increase of \$3,500 for technical adjustments.

Court Monitoring — Provides funding for the state share of expenses incurred by the Office of the Court Monitor, established as a result of the Arnold v. Sarn lawsuit. The approved amount includes a decrease of \$68,600 to reflect the decreasing responsibilities of the court monitor as the state moves toward compliance with the exit criteria.

DEPARTMENT OF HEALTH SERVICES - ARIZONA STATE HOSPITAL

A.R.S. § 36-103

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate ^{1/}	FY 1998 Approved ^{1/}
FTE Positions	<u>838.0</u>	<u>466.5</u>	<u>369.5</u>
Personal Services	17,212,200	13,092,300	10,229,600
Employee Related Expenditures	4,414,900	2,902,700	2,407,100
Professional and Outside Services	5,792,500	6,114,000	5,660,200
Travel - In State	41,000	18,800	18,800
Travel - Out of State	6,800	4,800	4,800
Food	165,500	0	0
Other Operating Expenditures	1,767,700	2,171,200	1,432,200
Equipment	<u>52,900</u>	<u>24,000</u>	<u>24,000</u>
Operating Subtotal	29,453,500	24,327,800	19,776,700
Community Placement Treatment	627,000	6,380,000	10,405,500
Community Placement Development	100,000	0	0 ^{2/}
Community Treatment Contingency	<u>0</u>	<u>0</u>	<u>0</u> ^{2/}
Total Appropriations	30,180,500	30,707,800	30,182,200 ^{3/}
Fund Summary			
General Fund	17,481,800	17,213,900	16,688,300
Disproportionate Share Fund	11,870,900	11,993,900	0
Special Revenue Fund	827,800	1,500,000	0
Arizona State Hospital Fund	<u>0</u>	<u>0</u>	<u>13,493,900</u>
Total Appropriations	30,180,500	30,707,800	30,182,200

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 1998, the ASH target population is an average daily census of 250 patients, of which, no more than 55 shall be non-forensic clients from Maricopa County.

Technical Issues — The approved amount includes an increase of \$24,000 for replacement computer equipment. The approved amount also includes a decrease of \$453,800 for decreasing contract costs. The contract was initiated in FY 1996 to provide engineering, housekeeping and food services functions through a private contractor and since ASH's census is decreasing, these contract costs are decreasing as well. The declining census has also resulted in a reduction of \$232,300 for operating supplies.

Community Placement Treatment — During FY 1996, Maricopa County and the Department of Health Services (DHS) signed an agreement with the state Superior Court concerning the 15-year old Arnold v. Sam lawsuit. The agreement, officially titled the Joint Stipulation on Exit Criteria and Disengagement, states the actions the

department must take to provide a "full continuum of care" to indigent persons suffering from behavioral health disorders, including downsizing or "right-sizing" the ASH population by funding an increased number of treatment beds located within the patients' communities.

DHS began this process in FY 1996 when funding was moved from the ASH operating budget to the Community Placement Treatment Special Line Item, which provides housing, transportation, clinical support and meaningful day activities for this population in the community. From FY 1996 through FY 1997 this line item provided funding for the placement of 145 ASH patients in the community, decreasing ASH's average daily census from 450 to 305. For FY 1998, the approved amount assumes the placement of 55 ASH patients in the community, decreasing the average

1/ The FY 1997 and FY 1998 amounts have been adjusted to reflect transfers approved by the Joint Legislative Budget Committee on April 25, 1997. See the Community Treatment discussion for further detail.
 2/ Monies in the Community Treatment Contingency Special Line Item shall not be expended without the prior review of the Joint Legislative Budget Committee. (General Appropriation Act footnote)
 3/ General Appropriation Act funds are appropriated as a Modified Lump Sum for the Program.

DEPARTMENT OF HEALTH SERVICES - ARIZONA STATE HOSPITAL (Cont'd)

daily census from 305 to 250. The estimate of 250 is based on the estimates shown in the following table:

FY 1998 Budgeted Census	
55	Non-Forensic ^{1/} patients from Maricopa County (the target established by the Exit Criteria)
20	Non-Forensic patients from other counties
150	Forensic ^{2/} patients
<u>25</u>	Other patients (e.g. adolescent or geriatric)
250	Total budgeted census

^{1/} Non-Forensic patients are individuals that are civilly committed to ASH for court-ordered care and treatment.
^{2/} Forensic patients are individuals that have been adjudicated not guilty by reason of insanity, adjudicated guilty but insane, or have been committed to ASH to be restored to competency to stand trial.

As in previous years, the movement of ASH patients to the community is funded by transferring monies from ASH's operating budget to the Community Placement Treatment Special Line Item. The approved amount includes a decrease of 97 FTE Positions and \$4,675,000 for related salaries and benefits and an increase of \$3,047,000 for the Community Placement Treatment Special Line Item. The cost of community treatment is based on an estimated annual cost of \$55,400 for 55 patients.

Subsequent to the adoption of the budget, appropriations transfers were approved by the Joint Legislative Budget Committee (JLBC) for both FY 1997 and FY 1998 because the ASH patient census has not declined to projected levels in FY 1997 and will remain above projected levels in FY 1998. The budget assumed a census of 250 throughout FY 1998; however, the census is now not projected to fall below 290. As a result, ASH's operating costs are higher than budgeted and the portion of the community treatment monies allocated for those 40 patients will not be used in FY 1997. In addition, following the downsizing of staff in FY 1997, ASH experienced turnover rates greater than 50% which resulted in shortages in clinical staff, and subsequently, potential termination of ASH's Medicare certification by the federal Health Care Financing Administration (HCFA). In order to address these issues, on April 25, 1997 the JLBC approved the following transfers of funds to the ASH operating budget for FY 1997 and FY 1998:

FY 1997 Approved Transfers	
<i>Transfer from:</i>	
ASH Community Placement Treatment Line Item	\$ (978,500)
ASH Contingency Line Item Behavioral Health Services	(673,300)
(BHS) Personal Services	(130,200)
BHS Employee Related Expenses	<u>(18,000)</u>
Total	<u>\$(1,800,000)</u>

<i>Transfer to:</i>	
ASH Personal Services	\$ 440,000
ASH Employee Related Expenses	80,000
ASH Other Operating Expenses	<u>1,280,000</u>
Total	<u>\$1,800,000</u>

FY 1998 Approved Transfers	
<i>Transfer from:</i>	
ASH Community Treatment Contingency Line Item	<u>\$(1,973,300)</u>
Total	<u>\$(1,973,300)</u>
<i>Transfer to:</i>	
ASH Personal Services	\$1,000,000
ASH Employee Related Expenses	200,000
ASH Other Operating Expenses	<u>773,300</u>
Total	<u>\$1,973,300</u>

Community Treatment Contingency — DHS originally estimated that community treatment would prove less expensive. However, considering the investment required to develop and reopen community beds and the fixed costs associated with operating the hospital, savings were not taken from the ASH budget. Instead, savings were placed in a Community Treatment Contingency Special Line Item so that funding may be made available to supplement either the remaining expenses of ASH or the costs of community treatment, if needed, upon approval of the JLBC. The approved amount for FY 1998 includes an increase of \$1,300,000. Following the adoption of the FY 1998 budget, the JLBC approved a transfer of \$1,973,300 from this Special Line Item to the ASH operating budget. (See the discussion above for further detail.)

ARIZONA STATE HOSPITAL FUND

Laws 1996, Chapter 287 established the Arizona State Hospital (ASH) Fund to replace the ASH Disproportionate Share (DSH) Fund and the Special Revenue Fund. The monies are used to offset ASH's operating costs.

The new ASH Fund consists of monies appropriated by the Legislature and federal DSH payments, Title 19 monies paid to ASH for eligible clients served at ASH (formerly Special Revenue Fund), and monies collected from Regional Behavioral Health Authorities (RBHAs) for clients served at ASH over the established RBHA cap. The approved amounts for the ASH Fund include \$11,993,900 from DSH monies and \$1,300,000 in Title 19 monies.

DEPARTMENT OF HEALTH SERVICES - ARIZONA STATE HOSPITAL (Cont'd)

The total federal DSH payments to the state are shown in the table on the following page. A portion of the payments are appropriated to ASH, and the remaining portion is transferred to the General Fund and is used to offset the General Fund contribution toward ASH's costs. This practice was adopted because the final DSH payment is unknown at the time of budget adoption and at times, is not known until well into the fiscal year.

ASH Disproportionate Share Payments (DSH)

<u>FY 1996</u>	<u>Net Change</u>
AHCCCS Payments to DSH ^{1/}	\$23,089,400
Less: Appropriation for ASH Operations	<u>(11,993,900)</u>
Transfer to General Fund	\$11,095,500 ^{2/}
<u>FY 1997</u>	
AHCCCS Payments to DSH ^{1/3/}	\$27,106,600
Less: Appropriation for ASH Operations	<u>(11,993,900)</u>
Transfer to General Fund	\$15,112,700
<u>FY 1998</u>	
AHCCCS Payments to DSH ^{1/3/}	\$28,446,900
Less: Appropriation for ASH Operations	<u>(11,993,900)</u>
Transfer to General Fund	\$16,453,000

- ^{1/} Includes both state and Federal Funds.
- ^{2/} Due to the lateness of the FY 1996 DSH award, this transfer occurred in FY 1997.
- ^{3/} These amounts are subject to change and are ultimately based on the actual Disproportionate Share Fund award received by Arizona.

JUDICIARY - SUMMARY

Arizona Constitution Article VI

A.R.S. § 12-101

Honorable Thomas A. Zlaket, Chief Justice

JLBC Analyst: Karen Bock/Brad Regens

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
Program Summary			
Court of Appeals - Division I	5,964,500	6,141,500	6,405,300
Court of Appeals - Division II	2,999,400	2,959,000	3,054,000
Superior Court	83,923,300	94,696,500	111,911,000
Supreme Court-Judicial and Administrative	10,810,100	11,314,400	18,273,500
Supreme Court-Foster Care Review Board	3,022,900	3,141,700	3,483,600
Unallocated Classification Maintenance Review (CMR)	0	0	48,900
Total Appropriations	106,720,200	118,253,100	143,176,300
Expenditure Detail			
FTE Positions	482.8	491.3	508.8 ^{1/}
Personal Services	18,163,500	19,445,600	20,454,100
Employee Related Expenditures	2,613,800	2,726,300	2,567,200
Professional and Outside Services	331,400	312,400	312,400
Travel	250,500	242,800	243,300
Other Operating Expenditures	6,189,400	6,968,700	6,327,900
Equipment	420,300	151,400	147,900
Operating Subtotal	27,968,900	29,847,200	30,052,800
Special Line Items	78,751,300	88,405,900	107,009,300
Additional Appropriations	0	0	6,065,300
Unallocated Classification Maintenance Review (CMR)	0	0	48,900
Total Appropriations	106,720,200	118,253,100	143,176,300 ^{2/}
Fund Summary			
General Fund	105,539,400	116,784,200	128,811,000
Criminal Justice Enhancement Fund	0	0	536,400
Juvenile Crime Prevention Fund	0	0	3,400,800
Case Processing Assistance Fund	0	0	2,184,700
Judicial Collection Enhancement Fund	0	0	6,458,200
Court Appointed Special Advocate	1,180,800	1,468,900	1,579,800
Confidential Intermediary and Private Fiduciary Fund	0	0	203,800
Unallocated Other Funds (for CMR)	0	0	1,600
Total Appropriations	106,720,200	118,253,100	143,176,300

Judicial Department Summary — *The Arizona Judiciary consists of the Supreme Court, the Court of Appeals, and the Superior Court.*

^{1/} Includes 78.5 FTE Positions funded from Special Line Items in FY 1998.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agencies as appropriate.

JUDICIARY - COURT OF APPEALS - DIVISION I

Arizona Constitution Article VI

A.R.S. § 12-120

Honorable Ruth V. McGregor, Chief Judge

JLBC Analyst: Karen Bock/Brad Regens

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	100.0	101.0	101.5 ^{1/}
Personal Services	4,849,600	5,033,400	5,282,500
Employee Related Expenditures	714,800	731,800	751,900
Professional and Outside Services	100	800	800
Travel	93,700	81,900	82,400
Other Operating Expenditures	290,200	269,800	273,700
Equipment	16,100	23,800	14,000
Total Appropriations	5,964,500	6,141,500 ^{2/}	6,405,300 ^{3/}

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

Settlement Conference Program — The approved amount includes \$59,800 and 0.5 FTE Position for a part-time staff attorney and related equipment. The position will staff a Settlement Conference Program to expedite the appellate process by mediating settlements early in the appeals process.

Judicial Salary Increase — The approved amount includes \$111,300 for the salary increases effective January 1997 and January 1998. Appellate Court judges' salaries were increased to \$106,225 effective January 1, 1997 and will be raised to \$111,536 on January 1, 1998. The FY 1997 amount reflects a supplemental appropriation of \$65,200 for the January 1997 increase.

^{1/} Of the 137.5 FTE Positions, 101.5 FTE Positions are for Division I and 36 FTE Positions are for Division II. (General Appropriation Act footnote)

^{2/} Laws 1997, Chapter 7, 1st Special Session appropriated \$65,200 for judicial salary increase.

^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

JUDICIARY - COURT OF APPEALS - DIVISION II

Arizona Constitution Article VI

A.R.S. § 12-120

Honorable William E. Druke, Chief Judge

JLBC Analyst: Karen Bock/Brad Regens

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	36.0	36.0	36.0 ^{1/}
Personal Services	1,798,300	1,911,700	1,987,300
Employee Related Expenditures	266,500	282,300	279,100
Professional and Outside Services	1,300	1,000	1,000
Travel	33,900	36,400	36,400
Other Operating Expenditures	821,400	717,600	740,200
Equipment	78,000	10,000	10,000
Total Appropriations	2,999,400	2,959,000 ^{2/}	3,054,000 ^{2/}

Agency Description — *The Court of Appeals has jurisdiction in all proceeding appealable from the Superior Court except 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.*

Judicial Salary Increase — The approved amount includes \$41,700 for the salary increases effective January 1997 and January 1998. Appellate Court judges' salaries were increased to \$106,225 effective January 1, 1997 and will be raised to \$111,535 on January 1, 1998. The FY 1997 amount reflects a supplemental appropriation of \$65,200 for the January 1997 increase.

^{1/} Of the 137.5 FTE Positions, 101.5 FTE Positions are for Division I and 36 FTE Positions are for Division II. (General Appropriation Act footnote)

^{2/} Laws 1997, Chapter 7, 1st Special Session appropriated \$24,400 for judicial salary increase.

^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

JUDICIARY - SUPERIOR COURT

Arizona Constitution Article VI

A.R.S. § 12-121

Dave Byers, Director

JLBC Analyst: Karen Bock/Brad Regens

General Fund and Criminal Justice Enhancement Fund

	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	172.0	178.0	189.0 ^{1/2/}
Personal Services	6,028,400	6,547,400	6,874,500
Employee Related Expenditures	675,500	703,300	487,400
Other Operating Expenditures	874,800	2,021,800	1,295,300
Operating Subtotal	7,578,700	9,272,500	8,657,200
Family Counseling	514,100	540,100	540,100
Adult Probation Enhancement	17,678,000	18,687,400	20,441,300
Intensive Probation - Adult	16,229,100	17,440,400	18,971,700
Juvenile Probation State Aid	3,489,600	4,906,800	5,702,300
Intensive Probation - Juvenile	7,902,200	9,674,200	10,818,300
Juvenile Treatment Services	26,154,800	28,646,700	21,191,900 ^{3/}
Progressively Increasing Consequences (PIC-Act)	0	0	7,662,100 ^{2/}
Community Punishment	3,476,700	3,507,800	4,217,000
Child Support Enforcement	900,100	955,500	973,900
Interstate Compact - Adult Probation	0	1,065,100	1,134,400
Juvenile Crime Reduction Fund	0	0	3,400,800
Case Processing Assistance Fund	0	0	2,184,700
Total	83,923,300	94,696,500 ^{4/}	105,895,700 ^{5/6/7/}
Additional Appropriations -			
Juvenile Justice; Implement Prop. 102, Ch. 220	0	0	6,015,300
Total Appropriations	83,923,300	94,696,500	111,911,000
<u>Fund Summary</u>			
General Fund	83,923,300	94,696,500	105,789,100
Criminal Justice Enhancement Fund	0	0	6,121,900
Total Appropriations	83,923,300	94,696,500	111,911,000

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

- ^{1/} Includes 53 FTE Positions funded from Special Line Items in FY 1998. The 3 FTE Positions associated with the Interstate Compact Special Line Item are not reflected here, but have been counted by the AOC as "field staff."
- ^{2/} Of the 189 FTE Positions, 136 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. (General Appropriation Act footnote)
- ^{3/} Up to 4.6% of the amounts appropriated for Juvenile Treatment Services and Progressively Increasing Consequences 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 Treatment Services and Progressively Increasing Consequences Line Items shall be deposited to the Juvenile Probation Fund established by A.R.S. § 8-230.02. (General Appropriation Act footnote)
- ^{4/} Laws 1997, Chapter 7, 1st Special Session appropriated \$246,400 for the judicial salary increase that became effective January 1997.
- ^{5/} 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. (General Appropriation Act footnote)
- ^{6/} It is the intent of the Legislature to defer any additional funding for juvenile probation programs beyond the levels provided until such time as the Legislature decides how to implement the provisions of Proposition 102 passed by the voters in 1996. (General Appropriation Act footnote)
- ^{7/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

JUDICIARY - SUPERIOR COURT (Cont'd)

New Judges — Pursuant to A.R.S. § 12-128, the approved amount adds \$170,600 for the state's 50% share of 3 judgeships established in FY 1997 for Maricopa, Yuma, and Yavapai Counties.

Judicial Salary Increase — The approved amount for FY 1998 includes an additional \$420,800 for the salary increases effective January 1997 and January 1998. Superior Court judges' salaries were increased to \$103,634 effective January 1, 1997 and will be raised to \$108,816 on January 1, 1998. The FY 1997 amount reflects a supplemental appropriation of \$246,400 for the January 1997 increase.

Family Counseling — This funding is to prevent delinquency and incorrigibility among juvenile offenders by strengthening their family relationships. Chapter 220 provided an additional \$43,200 for Family Counseling as a response to demographic growth. (See discussion of Laws 1997, Chapter 220 below.)

Summary of Probation Program Appropriations

The state General Fund appropriation provides funding for regular and intensive probation programs and related treatment services for both juvenile and adult populations. The adult programs are Adult Probation Enhancement (regular), Interstate Compact-Adult (regular), Adult Intensive Probation (intensive), and Community Punishment (services). The juvenile programs are Juvenile Probation State Aid (regular), Juvenile Intensive Probation (intensive), Juvenile Treatment Services (services), and PIC-Act (diversion and intake). For the intensive programs, the state pays 100% of the costs (although the counties may provide offices and other support services). For the regular programs and treatment services, the state and counties share the costs. For example, the state and counties both fund probation officer salaries, although in recent years the state has predominantly covered the full cost of additional probation officers (the majority of the state funding for the regular probation programs is required by statute to be expended on salaries for staff). Counties contribute through Probation Service Fee collections, outside grants, and office space.

A General Appropriation Act footnote first approved for FY 1997 requires that counties maintain their contribution to probation programs at the FY 1995 level. The table below shows the state and county share of funding for probation programs. This maintenance of effort (MOE) requirement is being met for adult programs, but for juvenile programs, both the FY 1996 and estimated FY 1997 county expenditure levels were below the FY 1995 level. The combined adult and juvenile estimated FY 1998 total county funding is just below the FY 1995 total. This estimate is based on the FY 1997 approved expenditures, because county budgets for

FY 1998 have not yet been set. The Administrative Office of the Courts (AOC) should ensure that the MOE requirement is being met as it disburses state aid monies to the counties.

	Actual FY 1995	Estimated FY 1998
Juvenile Programs		
State ^{1/}	\$34,376,200	\$49,351,200
County ^{2/}	<u>36,438,300</u>	<u>35,400,000</u>
Total Juvenile	\$70,814,500	\$84,751,200
Adult Programs		
State ^{3/}	\$34,962,900	\$44,832,300
County ^{2/}	<u>16,645,600</u>	<u>17,500,000</u>
Total Adult	\$51,608,500	\$62,332,300
Total State \$	\$69,339,100	\$94,183,500
State %	57%	64%
Total County \$	\$53,083,900	\$52,900,000
County %	43%	36%

- 1/ State juvenile probation programs include Family Counseling, Juvenile Probation State Aid, Juvenile Intensive Probation, and Juvenile Probation/Treatment Services. The FY 1998 amounts reflect both General Appropriation Act and Chapter 220 (S.B. 1446) funds.
- 2/ County funding for FY 1995 are county appropriated funds, as reported by the AOC. The FY 1998 amount is the AOC's FY 1997 estimate of county contributions rounded to the nearest 100,000 and thus assumes essentially constant funding from FY 1997 to FY 1998.
- 3/ State adult probation programs include Adult Probation Enforcement, Adult Intensive Probation, Community Punishment and Interstate Compact. The FY 1998 amounts reflect both General Appropriation Act and Chapter 220 (S.B. 1446).

The following table displays the number of FTE Positions that are state-funded and by whom they are hired. The state-hired individuals are those that provide statewide administrative support and are housed in the Courts Building. The county-hired individuals are predominantly probation officers, support staff, and supervisors that are hired by each county.

Program	State-Hired	County-Hired
Adult Probation Enhancement	7.0	509.9
Adult Intensive Probation	8.0	453.7
Interstate Compact - Adult	0.0	21.4
Juvenile Probation State Aid	1.0	139.6
Juvenile Intensive Probation	7.0	206.3
Juvenile Probation Services	11.0	135.6
Community Punishment	3.0	61.9
Child Support	<u>8.0</u>	<u>0.0</u>
Total	<u>45.0</u>	<u>1,528.4</u>

JUDICIARY - SUPERIOR COURT (Cont'd)

Summary of Probation Slots — As displayed below, the General Fund appropriation provides for new probationer slots. The approved amount for the adult probation programs, which include Adult Probation, Adult Intensive Probation, Interstate Compact, and Community Punishment, adds 2,517 new slots. The approved amount for juvenile probation programs adds 207 new probationer slots. These new slots will provide potential diversions from the State Department of Corrections (DOC) and the Department of Juvenile Corrections (DJC). Note that the “state-funded slots” is not the same as actual program population.

<u>State-Funded Probationer Slots, FY 1998</u>			
<u>Program</u>	<u>Increase</u>		<u>Total Slots</u>
	<u>Number</u>	<u>%</u>	
<u>Juvenile</u>			
Probation State Aid	70	0.5	3,995
Intensive Probation	<u>137</u>	7.5	<u>1,962</u>
Total Juvenile	<u>207</u>		<u>5,957</u>
<u>Adult</u>			
Probation Enhancement	1,919	6.2	33,009
Intensive Probation	576	17.1	3,951
Interstate Compact	<u>22</u>	--	<u>1,320</u>
Total Adult	<u>2,517</u>		<u>38,280</u>

Adult Probation Enhancement — The approved amount includes an additional \$59,200 to annualize the 6-month funding of 1 supervisor and 1 support staff for FY 1997. State law mandates an average caseload ratio of 1 probation officer to 60 adult probationers. To meet this requirement, a total of \$989,500 was added for 6-month funding of 32 probation officers, 6.4 supervisors, and 3.2 support staff field positions. This includes \$883,700 added to the Special Line Item by the General Appropriation Act and \$105,800 added by Chapter 220. These changes will increase the number of state-funded adult probation slots by 1,919, or 6.2%, for a total of 33,009 state-funded slots. The FY 1998 average annual state cost per adult probation slot is \$619.

Intensive Probation - Adult — Adult Intensive Probation is a control-oriented sentencing alternative intended to divert serious, non-violent offenders from prison. Intensive probationers are required to either work or attend school, pay restitution and fees, perform community service, and abide by curfews and other restrictions. The approved amount includes an additional \$337,300 to annualize the 6-month funding of 6 teams and 3 related staff positions approved for FY 1997. A total of \$1,487,800 was added for 6-month funding of 21.8 additional teams (1 probation officer and 1 surveillance officer per team), 4.4 supervisors and 8.7 support staff for this 100% state-funded probation program. This includes \$497,900 added in the Special Line Item by the

General Appropriation Act and \$989,900 added by Chapter 220. These changes will increase the number of adult intensive probation slots by 576, or 17.1%, for a total of 3,951 slots by the end of FY 1998. The FY 1998 average annual cost per adult intensive probationer slot is \$4,802. Also included in the approved amount is \$173,700 for 9 new alternatively fueled vehicles.

Juvenile Probation State Aid — The approved amount includes \$593,500 to annualize the 6-month funding of 22 officers and 6 related staff approved for FY 1997. State law mandates an average caseload ratio of 1 probation officer to 35 juvenile probationers. To meet this requirement, Chapter 220 provides \$62,000 for 6-month funding of 2 additional probation officers and 0.6 related field staff positions. This amount represents the net resource requirements which are expected to result from both Chapter 220 and demographic growth. (See discussion of Laws 1997, Chapter 220 below.) State law requires that the funds be primarily used for the salaries of supervising probation officers, who will be allocated among the counties as needed. These changes will increase the number of state-funded juvenile probation slots by 70, or 0.5%, for a total of 3,995 state-funded slots. The FY 1998 average annual state cost per juvenile probation slot is \$1,427.

Intensive Probation - Juvenile (JIPS) — Juvenile Intensive Probation is more structured and closely supervised than standard juvenile probation. It emphasizes surveillance, treatment, work, education, and home detention. It is intended to divert serious, non-violent offenders from commitment to DJC. The approved amount includes an additional \$1,097,500 to annualize the 6-month funding of 5 teams and 3 related staff positions approved for FY 1997. Chapter 220 provides an additional \$418,000 for 6-month funding of 5.5 teams (1 probation officer and 1 surveillance officer per team), 1.1 supervisors and 2.2 support staff for this 100% state-funded probation program. This amount represents the net resource requirements which are expected to result from both Chapter 220 and demographic growth. The amount approved in Chapter 220 also provides \$1,000,000 for contract residential beds, which are to be used in the JIPS program in lieu of placing juveniles in short-term detention. (See discussion of Laws 1997, Chapter 220 below.) Also included in the approved amount is \$57,900 for 3 new alternatively fueled vehicles. The number of juvenile intensive probationer slots will increase by 137, or 7.5%, for a total of 1,962 slots by the end of FY 1998. The FY 1998 average annual cost per juvenile intensive probationer slot is \$5,514.

Juvenile Treatment Services — This amount represents an 8% increase in funding over the FY 1997 amount. Funding in this Special Line Item allows the juvenile courts to meet the

JUDICIARY - SUPERIOR COURT (Cont'd)

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 care and other programs. Chapter 220 provides \$1,649,100 in 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.

The sum of \$7,565,600 is transferred from the Juvenile Treatment Services Special Line Item to the newly created PIC-Act Special Line Item.

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).

1 Program Authorization Review — PIC-ACT (Diversion) — Certain referred juveniles are eligible for diversion from regular court proceedings. A probation officer assigns consequences for the juvenile to complete, such as substance abuse education, graffiti abatement, or other counseling or community service. The Special Line Item for Progressively Increasing Consequences was created as a result of the Program Authorization Review (PAR) of the Juvenile Community Corrections programs. The PAR found that the PIC-Act diversion program is a principal activity whose costs and performance measures should be distinguishable from other juvenile programs. It does appear to be a cost-effective way of dealing with first or second-time mild offenders. The sum of \$7,565,600 was transferred from the Juvenile Treatment Services Special Line Item to the PIC-Act Special Line Item. The approved amount includes \$98,000 for 2 additional county intake officers. Chapter 220 provides an additional \$1,747,300 for this program. (*See discussion of Laws 1997, Chapter 220 below.*)

Community Punishment Program (CPP) — This program provides behavioral treatment dollars for adult probationers and also allows for enhanced supervision, such as electronic monitoring and specialized probation caseloads. The funding is intended to provide for diversion of offenders from prison and jail, as well as to enhance probation programs. The approved amount includes a base adjustment of \$536,400 from the Criminal Justice Enhancement Fund (CJEF) to reflect the first-time appropriation of the CJEF monies used for CPP. This CJEF funding is for providing drug treatment services to adult probationers.

Child Support Enforcement — This funding provides for the administrative support of the Child Support Enforcement and Domestic Relations Committees, training judicial staff on

child support and domestic relations matters, operating the one-stop shop pilot, and preparing annual statements of noncustodial parents' child support payments and outstanding balances.

Interstate Compact - Adult Probation — This funding provides for the administration and oversight of adult probationers transferred from other states to adult probation in Arizona. The approved amount provides for an increase of 22 interstate probationers, about a 2% growth rate. The approved increase of \$24,500 represents 6-month funding for 1 new officer, including \$3,500 in one-time equipment. The 3 FTE Positions associated with this program's administration are reflected in the AOC's count of field staff, rather than in the appropriated budget.

Juvenile Crime Reduction Fund — This fund is used to design and implement community-based strategies for increasing law-abiding behavior among juveniles. Strategies include prevention, early intervention, effective intermediate sanctions, and rehabilitation. Monies consist of an allocation from CJEF. The approved amount includes a base adjustment of \$3,400,800 to reflect the first-time appropriation of the Juvenile Crime Reduction Fund.

Case Processing Assistance Fund — This fund consists of an allocation from CJEF. It is used for salaries of pro tempore judges, as well as for other costs of expediting court case processing and reducing case backlogs. The approved amount includes a base adjustment of \$2,184,700 to reflect the first-time appropriation of the Case Processing Assistance Fund.

Capital Outlay: Juvenile Justice: Implement Proposition 102 (Chapter 220) — Appropriates \$5,451,300 from the General Fund to the new State Aid to Detention Fund to be administered by the Supreme Court. Monies in the fund shall be used to provide grants to counties for maintaining, expanding, and operating juvenile detention centers to meet the additional requirements of the act. Counties must match grant monies on a dollar-for-dollar basis. As specified in the act, it is the intent of the Legislature that this appropriation will be one-time only, and that there will be no further appropriations made for this purpose.

Additional Appropriations: Juvenile Justice: Implement Proposition 102 (Ch. 220) — Pursuant to Proposition 102 passed in November 1996, this act makes several statutory changes pertaining to juvenile case handling. The new laws require many types of juvenile cases, currently handled in juvenile court, to be handled in adult court. As a result of this and other changes, the number of juveniles disposed to various programs will change significantly. Dispositions to

JUDICIARY - SUPERIOR COURT (Cont'd)

most juvenile programs will decrease; while caseloads in several adult programs will rise. State and county programs affected include diversion, regular and intensive juvenile probation, county detention, DJC, regular and intensive adult probation, county jails, and DOC. The table below shows the number of juveniles expected to be added to or eliminated from these various programs.

Estimated Changes in Numbers of Juveniles Disposed to Various Programs due to Chapter 220			
Juvenile Programs	# of Juv. Affected	Adult Programs	# of Juv. Affected
Juv. Probation	(894)	Adult Probation	198
Juv. Intensive Probation	101	Adult Intensive Probation	368
DJC	(167)	DOC	391
Detention	0*	County Jail	0*
Other	(70)	Acquittal	73
Total	(1,030)		1,030

* County jails and juvenile detention centers may both experience an increase in the number of juveniles housed pending case processing, but the effects of Chapter 220 were not quantified.

The appropriations included in Chapter 220 are summarized in the table below. For items not discussed above, a brief description follows the table.

Appropriations Included In Chapter 220	
Juvenile Probation (Standard)	\$ 62,000
Juvenile Intensive Probation	1,418,000
Family Counseling	43,200
PIC-Act	1,747,300
Juvenile Treatment Services	1,649,100
Adult Probation Enhancement	105,800
Adult Intensive Probation	989,900
Judiciary Subtotal	\$6,015,300
Dept. of Juvenile Corrections	\$4,000,000
Detention Bed Costs	5,451,300
County Jails	1,000,000
Street Gang County Prosecution	500,000
Audit Committee	750,000
Summer Youth Jobs	1,000,000
GITEM	630,200
Safe Schools	1,000,000
Total GF Appropriations/Costs	\$20,346,800

Juvenile Corrections: To expand the number of secure care beds needed due to *Johnson v. Upchurch* consent decree requirements.

Detention Bed Costs: To add county detention beds, which will be needed as judges impose detention time as a

condition of intensive juvenile probation. The monies will be disbursed to counties by the AOC from a new State Aid to Detention Fund. This is intended as a one-time appropriation. (See *Capital Outlay*.)

County Jails: To the new County Jail Juvenile Improvement Fund (A.R.S. § 41-2420) for the costs of housing juveniles whose cases have been filed in adult court. Many juveniles will remain in custody during case investigations and trial proceedings in adult court.

Street Gang County Prosecution: To the Street Gang Enforcement Revolving Fund for investigating and prosecuting adult and juvenile gang offenses.

Audit Committee: To pay for a comprehensive performance audit, as required by the act, comparing all agencies that provide services to juveniles who are diverted from court or who are adjudicated delinquent or incorrigible.

Summer Youth Employment Training: For "at-risk" youth programs established in A.R.S. § 11-1042.

GITEM: To add 1 new squad for the Department of Public Safety's anti-gang program. The new squad is expected to be placed in Pinal County.

Safe Schools: To expand the Department of Education's Safe Schools Program, which places probation and police officers on school campuses. (The base appropriation of \$5,000,000 is in the Department of Education budget.)

**JUDICIARY - SUPREME COURT-
JUDICIAL AND ADMINISTRATIVE**

Arizona Constitution Article VI

A.R.S. § 12-101

Honorable Thomas A. Zlaket, Chief Justice

JLBC Analyst: Karen Bock/Brad Regens

General Fund and Judicial Collection Enhancement Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	126.3	127.8	135.8 ^{1/}
Personal Services	4,493,500	4,857,800	5,153,700
Employee Related Expenditures	767,000	798,500	827,200
Professional and Outside Services	81,300	236,000	236,000
Travel	77,000	71,000	71,000
Other Operating Expenditures	3,931,500	3,730,500	3,784,500
Equipment	233,900	107,600	113,900
Operating Subtotal	9,584,200	9,801,400	10,186,300
Judicial Assistance	84,500	87,400	87,400
Judicial Education	242,100	242,700	242,700
State Grand Jury	424,000	432,100	440,000
Judicial Performance Review	256,900	339,100	346,000
Commission on Judicial Conduct	218,400	261,700	312,900
Post-Conviction Relief	0	150,000	150,000
Judicial Collection Enhancement Fund	0	0	810,400
JCEF Assistance to Courts	0	0	2,123,600
JCEF AZ Court Automation Project	0	0	3,524,200
Total	10,810,100	11,314,400 ^{2/}	18,223,500 ^{3/4/}
Additional Appropriations - Private Fiduciary Funding, Ch. 180	0	0	50,000
Total Appropriations	10,810,100	11,314,400	18,273,500 ^{5/}
Fund Summary			
General Fund	10,810,100	11,314,400	11,765,300
Judicial Collection Enhancement Fund	0	0	6,458,200
Confidential Intermediary and Private Fiduciary Fund	0	0	50,000
Total Appropriations	10,810,100	11,314,400	18,273,500

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

^{1/} Includes 14 FTE Positions funded from Special Line Items in FY 1998.

^{2/} Laws 1997, Chapter 7, 1st Special Session appropriated \$21,300 for the Judicial Salary increase and \$131,000 for payment of outstanding Grand Jury expenses.

^{3/} Included in the Lump Sum appropriation is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)

^{4/} The Supreme Court shall provide a preliminary report by December 1, 1997 and a final report by June 30, 1998 to the Joint Legislative Budget Committee. The preliminary report shall address the gross savings and gross costs of court automation projects, including the Arizona Court Automation Project - Phase I and II Rollout, Appellamation, Defensive Driving Production, and the Centralized Help Desk. The gross savings shall include an estimate of work hours saved as a result of the implementation of the automation project, an explanation of how this savings was derived and how those work hours were either reallocated to other responsibilities or eliminated. The final report shall provide the same information for any enhancements to the above list of projects as well as any new projects begun during FY 1998. (General Appropriation Act footnote)

^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

JUDICIARY - SUPREME COURT - JUDICIAL AND ADMINISTRATIVE (Cont'd)

Private Fiduciary Program — The approved amount includes a General Fund appropriation of \$60,600 added for 1 new FTE Position, which will implement the regulation of private fiduciaries. (*See also Additional Appropriations.*)

Judicial Salary Increase — The approved amount for FY 1998 includes \$36,400 for the salary increases effective January 1997 and January 1998. Supreme Court Justices' salaries were increased to \$108,816 effective January 1, 1997 and will be raised to \$114,257 effective January 1, 1998. The Supreme Court Chief Justice's salary was raised to \$114,407 and will be raised to \$116,977 on the same dates. The FY 1997 amount includes a supplemental appropriation of \$21,300 for the January 1997 increase.

Judicial Assistance — The approved amount provides: 1) salaries of judges pro tempore for judges serving in the Superior Court pursuant to A.R.S. § 12-143; and 2) payment of the difference between an active justice's salary and a retiree's retirement benefits for retired justices serving pro tempore, plus payment of travel expenses if service is outside of the retired judge's county of residence, pursuant to Arizona Constitution Article VI, Sections 19 and 20.

Judicial Education — The appropriation provides for a core curriculum, with supplemental offerings of timely topics which address judicial competence, performance, case management, opinion writing, and administration.

State Grand Jury — Pursuant to A.R.S. § 21-428b, the approved amount provides funding required to fully reimburse counties for state grand jury expenses. Counties are reimbursed for direct costs incurred for impaneling a state grand jury and the related costs associated with the grand jury's functions and duties. The FY 1997 amount reflects a supplemental of \$132,100 to meet actual expenses. The approved amount for FY 1998 reflects an increase of \$140,000 over the original FY 1997 amount. The base increase was made since actual expenditures have been, on average, about \$450,000 per year and supplemental appropriations have been needed every year in recent years.

Judicial Performance Review — The appropriation provides for the surveying of attorneys, witnesses, jurors, peers and staff about the performance of a judge. This information is provided to the public prior to elections and also is reviewed with the judge as a tool for professional growth and improvement. This unit also staffs the nominating commissions and tracks all the appointments made by the Chief Justice to commissions and committees. Funding for the Commission on Appellate and Trial Court Appointments is also included.

Commission on Judicial Conduct — This commission functions as an internal audit body of the Judicial Department. The approved amount includes an additional 1 FTE Position and \$41,700 for complaint processing.

Post-Conviction Relief — These monies pay for counsel representing indigent defendants who have been given capital sentences and are appealing them.

Judicial Collection Enhancement Fund (JCEF) — The JCEF has 2 purposes: to improve collection and management of monies owed the court, and to improve case processing through automation projects. This Special Line Item is for administrative staff and operating expenses. The approved amount includes a base adjustment of \$803,100 and 6 FTE Positions to reflect the first-time appropriation of this fund.

JCEF Assistance to Courts — This portion of JCEF consists of monies passed through AOC to the various Superior and Municipal Courts for general fiscal management and collections improvement. The approved amount includes a base adjustment of \$2,123,600 to reflect the first-time appropriation of this fund.

JCEF AZ Courts Automation — This portion of JCEF is for automation projects. It includes a base adjustment of \$2,039,600 for the principal and interest payments on current lease-purchased Arizona Court Automation Project (ACAP) equipment, which also reflects the first-time appropriation of this fund. It also includes \$1,434,600—which represents the expected remaining fund balance—for continuing other automation projects.

Note that a General Fund appropriation of \$100,000 was also made to the Information Technology Authorization Committee to review the Judiciary's automation plans pursuant to A.R.S. § 41-4061. This review is to cover hardware, software, and personnel for on-going and planned court automation projects including ACAP.

Additional Appropriations: Private Fiduciary Funding (Chapter 180) — This act changes the Confidential Intermediary Fund to the Confidential Intermediary and Private Fiduciary Fund. The fund can now be used for costs of both the Confidential Intermediary Program and the Private Fiduciary Regulatory Program. The act appropriated \$50,000 from the fund to the Supreme Court for the Private Fiduciary Regulatory Program of A.R.S. § 14-5651.

JUDICIARY - SUPREME COURT - FOSTER CARE REVIEW BOARD

A.R.S. § 8-515.04

Honorable Thomas A. Zlaket, Chief Justice

JLBC Analyst: Karen Bock/Brad Regens

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	48.5	48.5	46.5 ^{1/}
Personal Services	993,700	1,093,800	1,156,100
Employee Related Expenditures	190,000	211,900	221,600
Professional and Outside Services	248,700	74,600	74,600
Travel	45,900	53,500	53,500
Other Operating Expenditures	271,500	229,000	234,200
Equipment	92,300	10,000	10,000
Operating Subtotal	1,842,100	1,672,800	1,750,000
Court Appointed Special Advocate	1,180,800	1,468,900	1,579,800
Confidential Intermediary	0	0	153,800
Total Appropriations	3,022,900	3,141,700	3,483,600
Fund Summary			
General Fund	1,842,100	1,672,800	1,750,000
Court Appointed Special Advocate Fund	1,180,800	1,468,900	1,579,800
Confidential Intermediary and Private Fiduciary Fund	0	0	153,800
Total Appropriations	3,022,900	3,141,700	3,483,600 ^{2/}

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

Court Appointed Special Advocate (CASA) — The CASA program trains community volunteers appointed by a judge to advocate for abused and neglected children in Juvenile Court proceedings. The CASA Fund, which receives 30% of unclaimed state lottery prize money, provides the funding for this appropriation. The approved amount includes 1 additional FTE Position for training, outreach, and support for CASA volunteers and for county-level program coordinators. The FTE Position count for this program was reduced by 6.5 FTE Positions to reflect Administrative Office of the Court staff only. Field staff formerly were included, but should not be.

Confidential Intermediary — This program provides a means for adoptees and their birth parents to establish contact for personal or medical reasons under certain circumstances. It is funded by adoption filing surcharges and by a birth certificate surcharge. The approved amount includes a base adjustment of \$150,000 to reflect the first-time appropriation

of the Confidential Intermediary and Private Fiduciary Fund. (Chapter 180 changed the name of this fund from "Confidential Intermediary Fund" to "Confidential Intermediary and Private Fiduciary Fund".)

^{1/} Includes 11.5 FTE Positions funded from Special Line Items in FY 1998.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

DEPARTMENT OF JUVENILE CORRECTIONS

A.R.S. § 41-2802

Eugene R. Moore, Director

JLBC Analyst: Phil Case/Lorenzo Martinez

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
<u>Program Summary</u>			
Administration	4,595,900	4,469,600	4,502,000
Secure Care	22,691,000	28,860,000	35,158,300
Community Care	12,816,300	13,507,900	14,088,500
Education	3,409,600	4,072,200	5,014,200
Total Appropriations	43,512,800	50,909,700	58,763,000
<u>Expenditure Detail</u>			
FTE Positions	798.0	890.5	918.0 ^{1/}
Personal Services	19,147,900	22,624,000	24,872,900
Employee Related Expenditures	5,519,000	6,415,500	6,892,300
Professional and Outside Services	1,170,600	695,600	718,400
Travel - In State	366,700	368,200	368,200
Travel - Out of State	26,400	16,300	16,300
Other Operating Expenditures	4,460,500	5,533,900	5,892,300
Equipment	140,800	239,000	609,100
Operating Subtotal	30,831,900	35,892,500	39,369,500
Due Process	282,800	304,800	315,300
Youth Rights	256,500	262,900	267,100
Court Monitors	76,200	90,000	0
Classification/Risk Assessment	77,000	77,000	77,000
Staff Training and Certification	97,100	103,200	103,200
Management Information Systems	203,500	0	0
Food	427,100	553,500	584,000
Special Treatment Programs	297,400	397,300	397,300
Program Evaluation	26,100	0	0
Work Incentive Pay Plan	138,400	179,000	175,200
Boot Camp	987,900	2,761,800	3,174,300
Outcome Evaluations	0	110,000	110,000
Community Services Contracts	9,499,000	9,854,800	9,854,800
Family Transition	104,100	125,900	131,600
Community Work Program	172,200	197,000	203,700
Vocation and Transition Services	35,600	0	0
Total	43,512,800	50,909,700 ^{2/}	54,763,000 ^{3/4/}
Additional Appropriations -			
Juvenile Justice; Implement Proposition 102, Ch. 220	0	0	4,000,000
Total Appropriations	43,512,800	50,909,700	58,763,000
<u>Fund Summary</u>			
General Fund	41,710,000	48,871,100	56,191,000
Juvenile Education Fund	1,307,900	1,421,600	1,972,000 ^{5/}
Land Endowment Fund	300,000	300,000	300,000 ^{6/}
Criminal Justice Enhancement Fund	146,400	300,000	300,000
Parental Assessment & Restitution Fund	48,500	17,000	0
Total Appropriations	43,512,800	50,909,700	58,763,000

DEPARTMENT OF JUVENILE CORRECTIONS (Cont'd)

Agency 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. The department is organized into Administration, Secure Care, Community Care, and Education divisions.*

Additional 48 New Beds — The approved amount includes an additional \$2,088,300 and 48 FTE Positions to operate 48 new beds that were opened during FY 1997. Of the new beds, 34 beds are new mental health beds in the Encanto Building on the Arizona State Hospital (ASH) campus. The other 14 beds were "re-opened" at Catalina Mountain School (CMS). The FY 1997 supplemental appropriation included \$1,810,100 and 43 FTE Positions for full-year funding of 24 beds at ASH and the 14 beds at CMS, and 1 quarter-year funding for the remaining 10 beds at ASH.

Annualize Funding for 48 Beds — The approved amount includes \$625,000 to annualize the cost of 48 beds at Black Canyon School. The beds had originally been funded to open on January 1, 1997; however, the FY 1997 supplemental appropriation included \$126,900 to open the beds in October 1996.

Start-up Costs for SW Regional Complex — The approved amount includes \$1,105,900 and 22.5 FTE Positions to prepare for the opening of the first 100 beds at a new Secure Care complex. Construction of the first 200 beds of the eventual 400-bed complex has begun. The complex will be located on State Route 85, south of the town of Buckeye and across the highway from a new adult prison complex. The juvenile complex will share some infrastructure with the prison. The first 50 beds are scheduled to open on July 1, 1998, with the second 50 beds opening on August 1.

Due Process — The approved amount supports 4 legal advocates and 2 Youth Hearing Officer FTE Positions. The Hearing Officers will formally conduct parole revocation proceedings.

Youth Rights — The 5 Youth Rights Specialist staff are to oversee the department's use of punishment to ensure that it is not "arbitrary or excessive." Legal advocates, paid by outside contract, will work under an attorney's supervision to assist youth during parole revocation proceedings.

Court Monitors — In anticipation of the *Johnson v. Upchurch (J v. U)* consent decree expiring in May 1997 (which has occurred), the funding for this Special Line Item has been eliminated. The funding had paid for the costs of 3 court-appointed consultants to oversee the department's implementation of the consent decree.

Classification/Risk Assessment — The *J v. U* consent decree required the DJC develop and use uniform tests (instruments) to evaluate youths' risk to the community and to determine youths' treatment needs.

Staff Training and Certification — The *J v. U* consent decree required DJC to provide staff training and to have certain staff certified for working with troubled youth. The funding provides for staff overtime pay, travel costs, and other expenses relating to training.

Management Information Systems — The funding for this Special Line Item was eliminated, as the one-time equipment was purchased and installed.

Food — The approved amount of \$584,000 represents the General Fund portion of raw food costs for the secure care juvenile offender population and some eligible staff. An additional \$314,500 is expected from the National School Breakfast and Lunch Program for a total of \$898,500. We estimate that a total of 839,700 meals will be served.

1/ Includes 20 FTE Positions funded from Special Line Items in FY 1998.

2/ Laws 1997, Chapter 7, 1st Special Session appropriated a total of \$1,952,900 in supplemental funding to the department. The funding included \$1,464,000 to open 34 mental health beds at the Arizona State Hospital, \$346,100 to re-open 14 beds at Catalina Mountain School, \$126,900 to open 48 beds at Black Canyon School 2 months earlier than scheduled, and \$15,900 to fully-fund the Work Incentive Pay Program (WIPP).

3/ General Appropriation Act funds are appropriated as a Modified Lump Sum by Agency.

4/ It is the intent of the Legislature to not delay the opening of the new Secure Care complex. If the facility will be ready to open before July 1, 1998, the Department of Juvenile Corrections should pursue the necessary supplemental funding through the Legislature. (General Appropriation Act footnote)

5/ Prior to the expenditure of any Juvenile Education Fund receipts in excess of \$1,972,000 in the Juvenile Education Fund source, the Department of Juvenile Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote)

6/ Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatory 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 reformatory. (General Appropriation Act footnote)

DEPARTMENT OF JUVENILE CORRECTIONS (Cont'd)

Special Treatment Programs — The *J v. U* consent decree required DJC to provide appropriate treatment programs for certain groups of youth. The programs are for chemical dependents, sex offenders, and capital/violent offenders.

Program Evaluation — The amount that was provided for Special Treatment Program Evaluation was combined with the new Outcome Evaluation Special Line. See below.

Work Incentive Pay Plan — The Work Incentive Pay Plan (WIPP) provides wages of 25¢ to 75¢ per hour to youth offenders who are assigned to various work details.

Boot Camp — The Boot Camp program became fully operational in February 1997. The approved amount represents an increase of \$412,500 and reflects full-year funding for the program. The program is operated by a contractor at Black Canyon School. It provides 3 months of secure supervision and 9 months of aftercare for participating youth.

Outcome Evaluations — The former "Program Evaluation" Special Line Item is converted to this "Outcome Evaluations" Special Line Item to ensure that evaluations measure results. Through an outside contract, the monies are to be used to measure the short-term (less than 1 year) and long-term (at least 2 years) impacts of various treatment programs. An initial report is due to the President of the Senate, Speaker of the House of Representatives, and the Directors of the Joint Legislative Budget Committee and the Office of Strategic Planning and Budgeting Staff by November 1, 1997.

Community Services Contracts — The approved amount provides funding for outside contracts with community providers for treatment and supervision of youth offenders. A variety of residential placements provide structured settings for youth who have no suitable home to which to return after release from secure facilities. "Half-way" placements are for youth who are having difficulty complying with parole conditions and need short-term highly structured intervention to cope with a crisis or avert parole revocation. Other services include counseling, educational and therapeutic day support programs, and special supervision. For FY 1998, the DJC plans to spend about \$2,280,500 on support and counseling services, and about \$7,574,300 on residential and half-way placements. DJC uses its annual \$300,000 allotment of Criminal Justice Enhancement Fund monies for community-based drug abuse treatment programs, which are part of this item. This was formerly called "Purchase of Care."

Family Transition — As part of the *J v. U* consent decree, DJC began providing transition counseling to youth and their families. The Family Transition Special Line Item funds 4 FTE Positions.

Community Work Program — This program involves youth in direct community service and restitution, such as graffiti abatement, community clean-up and park maintenance. The amount supports 5 FTE Positions.

Juvenile Education Fund — This fund consists primarily of monies received by the department in the form of equalization assistance from the Arizona Department of Education. The approved amount is a projection based on prior-year student count and does not reflect the new beds. The actual amount of equalization assistance received by the department will be determined by actual student counts. If the equalization assistance amount exceeds the appropriation, the department may use the excess after reporting planned expenditures to the Director of the Joint Legislative Budget Committee.

Additional Appropriations: Juvenile Justice; Implement Proposition 102 (Chapter 220) — In addition to making substantial changes to the juvenile justice system, the act appropriates \$4,000,000 to the department in FY 1998 to "re-open" 96 beds at Adobe Mountain School (AMS). The additional beds will allow the department to address "over population" issues. The federal judge who oversaw the *J v. U* consent decree limited each of the department's secure care institutions to a population cap; however, AMS often substantially exceeded its cap. The additional beds will greatly reduce or eliminate this "over population." Even with the expiration of the consent decree, the judge will continue to monitor the opening of these beds.

Capital Outlay: Chapter 2, 1st Special Session — Appropriates \$300,000 to the Arizona Department of Administration to design and construct an expansion of the educational facilities at Black Canyon School. The expansion is designed to accommodate the 48 new beds opened during FY 1997 at the school.

Other Issues: Johnson v. Upchurch — From 1987 to May 1997, the department was involved in a federal class action lawsuit known as the *Johnson v. Upchurch* case (*J v. U*). This case involved federal and state constitutional and statutory requirements and interpretations. The lawsuit addressed issues of education, health care, due process, population, discipline, and treatment services for youth in state custody. To resolve this litigation, DJC signed a consent decree in May 1993. On May 5, 1997, the consent decree expired; however, the court will continue to monitor

DEPARTMENT OF JUVENILE CORRECTIONS (Cont'd)

the department's 96-bed expansion plan. Once the expansion has been successfully implemented, the state will no longer be bound by any consent decree provisions. The decree required increased staffing ratios, increased treatment programs and community services, improved physical facilities, and added staff to protect youths' legal rights. The decree also placed limits on the number of youth that DJC may house in each of the institutions. For FY 1994, a total of \$4,711,500 was added to the operating and capital outlay budgets for *J v. U* issues. For FY 1995, the original DJC budget included \$3,746,300 in continuation and new funding specifically for consent decree issues. The FY 1995 supplemental appropriation of \$2,200,000 included \$975,800 for *J v. U* issues. For FY 1996, the original operating budget included \$7,177,700 for *J v. U* issues. For FY 1997, the DJC operating budget included \$7,024,900 for *J v. U* issues. The

Hospital and to re-open and operate 14 beds at Catalina Mountain School that had been held vacant due to the consent decree. The population caps were adjusted upward to allow for these beds to be used.

The FY 1998 numbers include the opening of an additional 96 beds at Adobe Mountain School that had been held vacant due to the consent decree. The Average Daily Population (ADP) on parole is budgeted to be 1,256, including an ADP of 96 for the Boot Camp Aftercare program, which are funded from the Boot Camp Special Line Item. The Community Services Contracts budget is unchanged from FY 1997, when it was developed to provide the following services for paroled youth: about 160 residential beds (including 15 halfway-house beds); 505 counseling sessions; 243 rural supervision slots; 98 tracking and outreach slots; and 148 other slots for various supervision and support programs. A youth may receive no services or more than one kind of service, so the sum of all the service slots does not equal the DJC Non-Institution Capacity. The program detail for Community Care includes additional discussion of Community Services Contracts.

Table 1 FY 1998 COSTS ATTRIBUTABLE TO JOHNSON v. UPCHURCH

Youth Rights Advocates	\$ 261,000
Due Process	307,100
Institutional Staffing Ratios (49 FTE)	1,126,900
Institutional Treatment Programs	397,300
Classification/Risk Assessments	77,000
Staff Training and Certification	103,200
Program Evaluation	110,000
Purchase of Care	3,358,000
Continuum of Care Staff	245,800
Family Transition	128,300
Teachers' Salaries	835,600
WIPP Expansion	60,400
Total	\$7,010,600

FY 1998 operating budget provides for *J v. U* issues as follows, see Table 1 (note that none of the costs for new beds are attributed to *J v. U*).

The cumulative incremental funding for *J v. U* to date is \$31,926,600. Table 2 provides a summary of all *J v. U* funding appropriated so far.

Population — The FY 1998 appropriation is based upon a projected total departmental capacity of 2,014. Included in this total are 758 secure beds and 1,256 parole slots as shown in Table 3.

In the table, the FY 1997 original column reflects the *J v. U* consent decree population limits. The FY 1997 revised numbers reflect a supplemental appropriation, which was provided for DJC to open 34 beds at the Arizona State

Table 3 SECURE CARE AND PAROLE CAPACITY

	FY 1997 Original Funded Capacity	FY 1997 Revised Funded Capacity	FY 1998 Funded Capacity
BED CAPACITY			
Adobe Mountain School	312	312	408
Black Canyon School	168	168	168
Catalina Mountain School	110	124	124
Boot Camp	24	24	24
Arizona State Hospital	N/A	34	34
Total Secure Beds	614	662	758
PAROLE CAPACITY			
Boot Camp - Aftercare	58	58	96
Residential Treatment	160	160	160
All Other Case Management	1,000	1,000	1,000
Non-Institution Capacity	1,218	1,218	1,256
TOTAL DJC YOUTH	1,832	1,880	2,014

Additional Bed Capacity — Table 4 shows DJC's capacity, but in reality the population within DJC institutions has usually exceeded capacity. Recognizing that pressure on DJC's population is likely to continue, the Legislature has approved funding for new beds to be added in several steps. Prior to its expiration, the consent decree was amended to allow for the use of 96 additional beds at Adobe Mountain School, which will bring the total number of DJC beds to 758. The

Table 2 TOTAL J v. U APPROPRIATIONS

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	Total
Operating Budget	\$3,663,900	\$4,722,100	\$7,177,700	\$7,024,900	\$7,010,600	\$29,599,200
Capital Outlay	1,047,600	458,300	821,500	-0-	0	2,327,400
Total	\$4,711,500	\$5,180,400	\$7,999,200	\$7,024,900	\$7,010,600	\$31,926,600

DEPARTMENT OF JUVENILE CORRECTIONS (Cont'd)

court will continue to monitor the addition of these beds. Future beds may be added without regard to the consent decree. An additional 200 beds are under construction at the Southwest Regional Complex, near Buckeye. This new complex will be designed to accommodate a total of 400 beds.

Table 4		<u>GROWTH IN DJC BED CAPACITY</u>	
<u>Month</u>	<u>Year</u>	<u>Additional Beds</u>	<u>Total Secure Capacity</u>
September-December	1995	72 beds re-opened at Adobe Mountain	522
September	1995	20 beds re-opened at Black Canyon	542
May	1996	24 Boot Camp Beds	566
July	1996	24 new beds at Arizona State Hospital	590
September	1996	14 beds re-opened at Catalina Mountain	604
October	1996	48 new beds at Black Canyon	652
April	1997	10 new beds at Arizona State Hospital	662
July	1997	96 beds re-opened at Adobe Mountain	758
July - October	1998	200 new beds at SW Regional Complex (Site capacity will be 400.)	958
	(when needed)	200 new beds at SW Regional Complex	1,158

DEPARTMENT OF TRANSPORTATION - SUMMARY

A.R.S. § 28-101

Larry S. Bonine, Director

JLBC Analyst: Bob Hull

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
Program Summary			
Administration	41,549,400	43,049,700	43,259,900
Highways	38,858,800	41,338,000	41,583,600
Highway Maintenance	67,892,000	72,037,500	76,546,100
Motor Vehicle Division	33,579,900	31,018,800	60,916,800
Aeronautics Division	1,406,600	1,626,700	1,658,100
Total Appropriations	183,286,700	189,070,700	223,964,500
Expenditure Detail			
FTE Positions	3,022.0	3,021.0	3,683.0 ^{1/}
Personal Services	79,631,500	82,703,200	103,611,400
Employee Related Expenditures	20,634,400	20,897,400	26,100,200
Professional and Outside Services	1,560,200	1,295,400	3,909,300
Travel - In State	1,620,700	1,450,800	1,759,500
Travel - Out of State	148,700	148,200	153,800
Other Operating Expenditures	25,109,200	25,434,000	30,827,700
Equipment	783,800	491,900	1,629,000
Operating Subtotal	129,488,500	132,420,900	167,990,900
Special Line Items	53,798,200	56,649,800	55,473,600
Additional Appropriations	0	0	500,000
Total Appropriations	183,286,700	189,070,700	223,964,500 ^{2/}
Fund Summary			
General Fund	73,500	300,000	578,000
State Highway Fund	181,510,000	183,995,700	220,187,000
State Aviation Fund	1,406,600	1,626,700	1,658,100
Arizona Clean Air Fund	0	50,000	0
Air Quality Fund	25,500	35,800	37,900
Abandoned Vehicle Administration Fund	109,500	380,600	463,800
Dealer Enforcement Fund	161,600	181,900	280,700
Safety Enforcement and Transportation Infrastructure Fund	0	2,500,000	759,000
Total Appropriations	183,286,700	189,070,700	223,964,500

Agency Description — *The Department of Transportation has jurisdiction over state highways, other state roads, state airports and all state-owned transportation systems. 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.*

^{1/} Includes 28 FTE Positions funded from Special Line Items in FY 1998.

^{2/} General Appropriation Act appropriation format varies by program.

DEPARTMENT OF TRANSPORTATION - SUMMARY (Cont'd)

Highway User Revenue Fund (HURF) — The following chart summarizes HURF distributions.

	\$ in Thousands		
	FY 1996 <u>Actual</u>	FY 1997 <u>Estimate</u>	FY 1998 <u>Estimate</u>
Total HURF Collections	\$859,575	\$868,078	\$891,516
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
Dept of Public Safety Transfer from HURF	20,000	17,500	15,000
Net HURF Collections	\$838,575	\$849,578	\$875,516
Less: Cities ^{2/}	256,988	259,121	267,032
Counties ^{2/}	151,762	160,648	166,348
Controlled Access ^{2/}	64,809	65,331	67,205
Net State Highway Fund (Discretionary)	\$365,016	\$364,478	\$374,931
Plus: Other Income ^{4/}	19,700	20,000	21,707
5 Formerly Non-Appropriated Funds	0	0	34,512
JCCR Ordered Revertments	1,184	0	0
Less: Operating Budget	181,510	183,996	220,187 ^{5/}
Adjustments, Non-Lapsing Expenditures and Transfer	5,441	1,941 ^{6/}	55 ^{5/}
Capital Outlay and Building Renewal	3,288	5,278 ^{6/}	6,815
Capital Non-Lapsing Carryovers	0	5,705 ^{7/}	10,644
Dept of Public Safety Transfer from Highway Fund	25,000 ^{7/}	19,600 ^{8/}	15,000
Year 2000 Computer Projects	0	0	6,364
Department of Emergency and Military Affairs - 1993			
Flood Relief	0	574	800
Debt Service ^{9/}	31,631	31,595	29,430
Net Highway Fund Available for Statewide Highway Construction (5-Year Plan) ^{10/}	\$139,030	\$135,789	\$141,855

- ^{1/} Provides monies for economic strength highway projects recommended by the Commerce and Economic Development Commission and approved by the State Transportation Board.
- ^{2/} A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.
- ^{3/} A statutorily defined distribution of State Highway Fund monies for design, acquisition and construction of controlled access highways. The monies are divided 75% for Maricopa County and 25% for Pima County.
- ^{4/} Includes interest and rental income, transfers including from the Public Roads Fund, 2% of the vehicle license tax beginning FY 1997, and miscellaneous sales and other income.
- ^{5/} Includes \$5,000 transfer to Legislative Council for multistate highway transportation agreement by Laws 1997, Chapter 183.
- ^{6/} Includes supplemental appropriation of \$2,800,000 for Motor Vehicle Division service centers.
- ^{7/} Includes an additional \$5,000,000 transfer to DPS as partial payment for Maricopa County's title and registration facilities.
- ^{8/} Includes an additional \$2,100,000 transfer to DPS as maximum final payment for Maricopa County's title and registration facilities.
- ^{9/} Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.
- ^{10/} Excludes Maricopa and Pima County controlled access funds, and bond, federal, carryover, and miscellaneous funds available for construction.

Capital Outlay: Chapter 2, 1st Special Session — Appropriates a total of \$276,170,000 (\$255,016,800 from the State Highway Fund and \$21,153,200 from the State Aviation Fund) to the department for the following capital projects in the following amounts.

State Highway Fund

- Building Renewal \$ 714,800
Of this amount, up to 25% may be used for infrastructure replacement and repair, or building modifications to comply with the Americans with Disabilities Act.
- Northeast Regional Service Center Design and Construction 2,100,000
- North Central Regional Service Center Land Acquisition 900,000
- Underground Storage Tank Upgrades 350,000

- Prescott Valley Maintenance Yard 2,500,000
- De-icer Building - Keams Canyon 250,000
- Highway Construction 248,202,000

Any balances and collections in the State Highway Fund in excess of the specific amounts appropriated in the General Appropriation Act and the Capital Outlay Bill are appropriated to the department for highway construction. Of the amount appropriated for highway construction, the bill specifies that up to \$27,119,900 and 665 FTE Positions may be allocated for field administration and field engineering on construction projects. Prior to the expenditure of any operating budget monies from this appropriation, the department shall present a plan by July 1, 1997 to the Joint Legislative

DEPARTMENT OF TRANSPORTATION - SUMMARY (Cont'd)

Budget Committee and the Joint Committee on Capital Review for review.

Subtotal - State Highway Fund \$255,016,800

State Aviation Fund

- Building Renewal \$ 31,700
Of this amount, up to 25% may be used for infrastructure replacement and repair, or building modifications to comply with the Americans with Disabilities Act.
- Airport Planning and Development 21,121,500
Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriation Act and the Capital Outlay Bill are appropriated to the department for airport planning and development.

Subtotal - State Aviation Fund \$ 21,153,200

Total - Capital Outlay \$276,170,000

Supplemental Appropriations; Adjustments (Chapter 7, 1st Special Session) — Appropriates a total of \$2,800,000 from the State Highway Fund in FY 1997 for the following capital projects in the following amounts.

- Design and Construction of 5 MVD Service Centers \$1,600,000
- Northeast Regional Service Center Land Acquisition 1,200,000

Total \$2,800,000

Transportation Between Arizona and Mexico (Chapter 182) — Appropriates a total of \$1,000,000 from the Safety Enforcement and Transportation Infrastructure Fund for the following capital projects in the following amounts.

- San Luis Rio Colorado Commercial Port of Entry and Area Highway Access \$ 200,000
- Arizona-Mexico Border Ports and Associated Infrastructure 800,000

Total \$1,000,000

DEPARTMENT OF TRANSPORTATION - ADMINISTRATION

A.R.S. § 28-101

State Highway Fund and Air Quality Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	475.0	475.0	498.0
Personal Services	14,846,200	15,181,300	16,777,600
Employee Related Expenditures	3,445,200	3,566,100	3,868,400
Professional and Outside Services	1,070,100	906,200	990,600
Travel - In State	157,600	146,200	159,300
Travel - Out of State	70,900	41,400	41,400
Other Operating Expenditures	12,436,100	13,219,200	12,938,600
Equipment	516,900	66,300	218,000
Operating Subtotal	32,543,000	33,126,700	34,993,900
Risk Management Premium	8,231,600	9,276,300	8,266,000
Regional Area Road Fund Rent	774,800	646,700	0
Total Appropriations	41,549,400	43,049,700	43,259,900 ^{1/}
Fund Summary			
State Highway Fund	41,523,900	43,013,900	43,222,000
Air Quality Fund	25,500	35,800	37,900
Total Appropriations	41,549,400	43,049,700	43,259,900

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.

Transfers — The approved amount includes the transfer-in to the operating budget from the Motor Vehicle Division of 25 FTE Positions with department level rather than division level functions, including 21 for revenue auditing, 2 for data processing and 2 for accounting, and \$1,081,200. The approved amount also includes the transfer-out to the operating budget of the Motor Vehicle Division of \$154,400 for utilities associated with the transfer-out of Regional Area Road Fund Rent.

Employee Assistance — The approved amount includes decreases of 2 FTE Positions and \$2,400 due to the department contracting out its employee assistance program, and includes the transfer of \$68,900 from Personal Services and Employee Related Expenditures to Professional and Outside Services to pay for the contract.

Risk Management Premium — The approved amount is for the payment of the Arizona Department of Administration's Risk Management premiums.

Regional Area Road Fund Rent — The approved amount includes the transfer-out to the operating budget of the Motor Vehicle Division of \$646,700 to align the expenditures for Maricopa Regional Area Road Fund-owned space with the user.

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Non-Motor Vehicle Division and Non-Highway Maintenance remainder of the department.

DEPARTMENT OF TRANSPORTATION - HIGHWAYS

A.R.S. § 28-101

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	857.0	839.0	839.0
Personal Services	26,256,300	27,960,400	29,020,600
Employee Related Expenditures	6,222,000	6,465,100	6,640,500
Professional and Outside Services	37,400	110,500	110,500
Travel - In State	584,000	725,300	725,300
Travel - Out of State	37,400	73,500	73,500
Other Operating Expenditures	5,124,200	5,107,900	3,628,000
Equipment	211,400	422,600	462,500
Operating Subtotal	38,472,700	40,865,300	40,660,900
Radio Communications	370,300	405,900	405,900
Regional Public Transportation	0	50,000 ^{1/}	0
Other Transit Planning	15,800	16,800	16,800
Total	38,858,800	41,338,000	41,083,600 ^{2/}
Additional Appropriations -			
Air Quality Program; Amendments, Ch. 269	0	0	500,000
Total Appropriations	38,858,800	41,338,000	41,583,600
<u>Fund Summary</u>			
General Fund	73,500	75,000	578,000
Arizona Clean Air Fund	0	50,000	0
State Highway Fund	38,785,300	41,213,000	41,005,600
Total Appropriations	38,858,800	41,338,000	41,583,600

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.

Transfer — The approved amount includes the transfer-out of the operating budget to Highway Maintenance of \$1,440,000 for electricity used for freeway lighting.

Radio Communications — The approved amount provides funding to maintain and upgrade mobile radio station consoles in the districts and radio tower stations located on mountaintops throughout the state.

Regional Public Transportation — The approved amount reflects a decrease of \$50,000 from a one-time appropriation from the Arizona Clean Air Fund to the department for distribution to the Regional Public Transportation Authority to provide mass transportation services to cities and towns meeting certain criteria.

Other Transit Planning — The approved amount is the state's matching share for Federal Funds at a 4:1 ratio. It provides

for the costs of non-highway public transit planning assistance to all government units in the state, specifically for non-metro area transit plans, and technical assistance for implementing transit plans. The federal grant is obtained from the Federal Transit Administration. Also included is the Rail Planning program. The federal grant is obtained from the Federal Railroad Administration.

Additional Appropriations: Air Quality Program; Amendments (Chapter 269) — The approved amount for FY 1998 includes an increase of \$500,000 from the State General Fund to the Arizona Department of Transportation for distribution to cities and counties for synchronization of traffic control signals within and across jurisdictional boundaries. Chapter 269 appropriated \$500,000 for this purpose in both FY 1998 and FY 1999.

^{1/} Appropriated by Laws 1996, Chapter 6, 7th Special Session.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Non-Motor Vehicle Division and Non-Highway Maintenance remainder of the department.

DEPARTMENT OF TRANSPORTATION - HIGHWAY MAINTENANCE

A.R.S. § 28-101

State Highway Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	933.0	951.0	951.0
Personal Services	20,794,000	21,744,200	23,080,700
Employee Related Expenditures	6,057,500	6,014,100	6,246,200
Professional and Outside Services	120,400	20,000	20,000
Travel - In State	649,300	340,000	340,000
Other Operating Expenditures	2,857,200	2,278,800	3,718,800
Operating Subtotal	30,478,400	30,397,100	33,405,700
Central Maintenance	1,057,200	1,274,900	1,274,900
Contract Maintenance	5,684,500	10,600,000	8,600,000
Materials	14,126,800	12,832,800	15,962,700
Equipment Rentals	16,545,100	16,082,700	16,452,800
Right of Way Vegetative Treatment	0	850,000 ^{1/2/}	850,000 ^{1/2/}
Total Appropriations	67,892,000	72,037,500	76,546,100 ^{2/4/}

Program Description — *Highway Maintenance is responsible for the management and maintenance of the state highway system.*

Transfers — The approved amount includes the transfer-in to the operating budget from Highways of \$1,440,000 for electricity used for freeway lighting.

Level of Highway Maintenance — The approved amount includes an increase of \$1,500,000 for increasing highway maintenance needs as additional miles of roadway come online, including increases of \$1,129,900 in the Materials Special Line Item and \$370,100 in the Equipment Rentals Special Line Item.

Central Maintenance — The approved amount provides for unscheduled maintenance contingencies, highway utilities, continuous development of the PeCoS II (Performance Control System) Highway Maintenance Management Computer Program, and programs such as Arizona Clean and Beautiful and Equipment Operators Training.

Contract Maintenance — The approved amount is for the contract maintenance of items such as striping, signs, pavement, bank protection, tunnel tile washing, landscaping, irrigation system, mowing, rest and picnic areas, debris and litter pickup and removal, and contract administration. The approved amount also includes the transfer of \$2,000,000 to the Materials Special Line Item from the Contract Maintenance Special Line Item to better reflect planned maintenance activity.

Materials — The approved amount is for materials for the maintenance of roadway and landscaping.

Equipment Rentals — The approved amount is for equipment rentals for the maintenance of roadway and landscaping.

Right of Way Vegetative Treatment — The approved amount is for multiple vegetative treatment along state highways, such as tree thinning, underbrush removal, pruning, chipping of scrap material, seeding and approved harvesting. Laws 1996, Chapter 365 appropriated \$850,000 for this purpose in both FY 1997, FY 1998, and FY 1999.

^{1/} Appropriated by Laws 1996, Chapter 365.

^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that monies remaining unexpended and unencumbered on July 1, 1999 revert to the State Highway Fund.

^{3/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to the State Highway Fund on August 31, 1998. (General Appropriation Act footnote)

^{4/} General Appropriation Act funds are appropriated as a Lump Sum for the Program.

DEPARTMENT OF TRANSPORTATION - MOTOR VEHICLE DIVISION

A.R.S. § 28-101

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	724.0	723.0	1,362.0 ^{1/}
Personal Services	17,017,400	16,968,300	33,838,300
Employee Related Expenditures	4,719,400	4,631,000	9,115,300
Professional and Outside Services	280,500	200,100	2,729,600
Travel - In State	208,300	209,400	505,000
Travel - Out of State	27,900	22,300	27,900
Other Operating Expenditures	4,278,800	4,404,000	10,127,300
Equipment	55,500	0	938,900
Operating Subtotal	26,587,800	26,435,100	57,282,300
Abandoned Vehicle Administration	109,500	380,600	463,800
Auto Salvage, Theft Prevention	0	225,000	0
Enterprise Computer System	5,414,900	0	0
New License Plates and Tabs	1,271,700	1,275,300	1,275,300
Medical Advisory Board	79,100	85,600	0
Mobile Home Administration	116,900	117,200	0
Safety Enforcement and Infrastructure	0	2,500,000	759,000
License Plate Replacement	0	0	1,020,000
Attorney General Legal Services	0	0	116,400
Total Appropriations	33,579,900	31,018,800	60,916,800 ^{2/3/4/} _{5/6/7/}
Fund Summary			
General Fund	0	225,000	0
State Highway Fund	33,308,800	27,731,300	59,413,300
Abandoned Vehicle Administration Fund	109,500	380,600	463,800
Dealer Enforcement Fund	161,600	181,900	280,700
Safety Enforcement and Transportation Infrastructure Fund	0	2,500,000	759,000
Total Appropriations	33,579,900	31,018,800	60,916,800

- 1/ Includes 28 FTE Positions funded from Special Line Items in FY 1998.
- 2/ The department shall provide a written report not later than September 30, 1997 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, by use of the WorldWide Web or by other nonwalk-in means, and documenting its success and any savings in each area. (General Appropriation Act footnote)
- 3/ The department shall provide a written report not later than September 30, 1997 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 costs and results of expanding its Performance-Based Incentive Pay Program from 3 to 24 offices. (General Appropriation Act footnote)
- 4/ The department shall provide written quarterly reports 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 monthly averages for customer wait time, transaction time, and total time in the office for each MVD field office equipped with electronic customer monitoring devices, and the reasons for changes therein. (General Appropriation Act footnote)
- 5/ The department shall report its implementation cost, when it began receiving additional revenue, and the amounts of additional revenue received in FY 1998 not later than August 31, 1998 to the Joint Legislative Budget Committee for each of the following special projects: port permit/citation tracking; biennial registration II; registration enforcement; VINA annual clean-up; expanded motor vehicle record sales; abandoned vehicle tagging II; and accelerated special plate fee. The department shall report benchmarks for each of the 7 special projects against which additional revenue will be measured not later than July 1, 1997 to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 6/ If H.B. 2171 or similar legislation which eliminates the weight distance tax in FY 1998 is enacted into law, then the following shall occur: 1) the department shall report its projected savings for FY 1999 in dollars and FTE positions due to this legislation not later than July 31, 1997 to the Joint Legislative Budget Committee; 2) the department may use up to \$200,000 of FY 1998 savings due to implementing this law to contract for auditing services for the Motor Vehicle Division to enhance revenue enforcement, and shall report by July 31, 1998 to the Joint Legislative Budget Committee as to the effectiveness of the additional auditing, including a comparison of projected and actual audit assessments for FY 1998. (General Appropriation Act footnote) (Similar legislation became law as Chapter 8.)
- 7/ General Appropriation Act funds are appropriated as a Lump Sum for the Program.

DEPARTMENT OF TRANSPORTATION - MOTOR VEHICLE DIVISION (Cont'd)

Program Description — *The Motor Vehicle Division (MVD) regulates vehicular operations within the state through the issuance and control of various permits, registrations and licenses.*

Transfers — The approved amount includes the transfer-out of the operating budget to Administration of 25 FTE Positions with department level rather than division level functions, including 21 for revenue auditing, 2 for data processing and 2 for accounting, and \$1,081,200. The approved amount also includes the transfer-in to the operating budget from Administration of \$801,100, including \$646,700 to align the expenditures for Maricopa Regional Area Road Fund Rent with the user and \$154,400 for associated utilities.

New Rent — The approved amount includes an increase of \$778,400 for rent, including \$312,500 for 2 facilities in Scottsdale and 1 at 26th Avenue and Beardsley in Phoenix, which the MVD currently occupies but which are owned by Maricopa County, and \$465,900 for a central facility still to be identified.

Consolidate and Appropriate 5 Funds — The approved amount includes increases of 653 FTE Positions and \$29,546,100, including \$28,526,100 in the operating budget and \$1,020,000 in the License Plate Replacement Special Line Item, for the consolidation into the State Highway Fund and appropriation of 5 formerly Non-Appropriated Funds as specified by Laws 1996, Chapter 335. The approved amount, shown in the following table, includes a decrease of \$1,007,600 from the non-appropriated FY 1997 expenditure level for an estimated 30% workload reduction in MVD offices funded from the County Auto License Fund, due to the extended drivers license and biennial registration.

<u>Fund</u>	<u>FTE Positions</u>	<u>FY 1998 Recommendation</u>
Commercial Drivers License	23	\$866,800
County Auto License	618	27,182,900
Criminal Background Investigation	6	205,300
Motorcycle Education	2	67,900
Number Plate Replacement	4	1,223,200
TOTAL	653	\$29,546,100

FTE Position Changes — The approved amount includes increases of 2 FTE Positions and \$90,400 for increased enforcement and follow-up on complaints regarding car sales by illegal dealers. The approved amount also includes decreases of 4 FTE Positions and \$12,600 of related Employee Related Expenditures. The department used the Personal Services from the 4 FTE Positions to fund employee reclassifications.

Workload Reduction — The approved amount includes a decrease of \$470,500 for an estimated 30% workload reduction in MVD offices funded from the State Highway Fund, due to the extended drivers license and biennial registration. This decrease was largely offset by the approved increased amount for 7 special projects.

Special Projects — The approved amount includes a one-time increase of \$1,276,400 for 7 special projects, which the department estimates will produce additional revenue of \$52,749,400 for FY 1998 distributed as follows:

<u>Special Project</u>	<u>State General Fund</u>	<u>State Highway Fund</u>	<u>Cities and Counties</u>
Biennial Registration II	\$8,659,222	\$5,556,221	\$16,172,058
Registration Enforcement	4,036,933	2,590,313	7,539,422
VINA Annual Clean-Up	1,133,400	727,250	2,116,750
Expanded MVR Sales		1,190,507	1,589,493
Abandoned Vehicle Tagging II		187,488	250,322
Port Permit/Citation Tracking		98,138	131,029
Accelerated Special Plate Fee		330,102	440,732
TOTAL	\$13,829,555	\$10,680,019	\$28,239,806

While the department forecasted that these special projects would generate \$13,928,555 for the General Fund, the JLBC Staff FY 1998 revenue forecast includes \$9,560,200 for these 7 special projects. This amount includes \$6,286,200 in the base forecast and \$3,274,000 additional in response to legislative changes. A General Appropriation Act footnote requires the department to report benchmarks for additional revenue from each of the 7 special projects by July 1, 1997, and the amounts of additional revenue received in FY 1998 by August 31, 1998.

The 7 special projects include: a second phase of biennial registration, whereby vehicles that meet certain criteria can be registered for 2 years; a stepped-up program of vehicle registration enforcement; an annual vehicle records clean-up using a vehicle identification number edit package;

DEPARTMENT OF TRANSPORTATION - MOTOR VEHICLE DIVISION (Cont'd)

expanded sales of motor vehicle records; automation of abandoned vehicle records research; automation of motor carrier port permit violation tracking in order to identify repeat offenders which carry an escalated penalty; and, acceleration of alternate fuel plate revenue and allowing special plates to be personalized.

Abandoned Vehicle Administration — The approved amount includes an increase of \$65,000 from the Abandoned Vehicle Administration Fund for a microfilm machine to film abandoned vehicle records. This Special Line Item provides funds for administrative functions concerning abandoned vehicles including maintaining records, mailing notices, and paying towing fees for vehicles on public land.

Auto Salvage, Theft Prevention — The approved amount reflects a decrease of \$225,000 for elimination of one-time seed money to conduct more detailed inspections of vehicle identification numbers. Laws 1996, Chapter 263, also established a Non-Appropriated Vehicle Inspection and Title Enforcement Fund with revenues from new fees for the more detailed inspections to carry forth this function.

Enterprise Computer System — The Enterprise computer system was to have provided a unified drivers license and vehicle title and registration system. The department has put its Enterprise computer system efforts on hold pending the outcome of its litigation with the vendor who was developing the Enterprise software. In the meantime, the department has stated that it will work on the Year 2000 problem, implement enhancements to the drivers license and title and registration legacy computer systems, and explore the possibility of acquiring and adapting computer systems being developed by other states.

New License Plates and Tabs — The approved amount provides for the purchase of license plates from Arizona Correctional Industries (Department of Corrections) and tabs from the private sector.

Medical Advisory Board — The approved amount moves 2 FTE Positions and \$87,000 to the operating budget for budget simplification. The board consists of 9 medical experts, who help the department formulate standards for mental and physiological limitations relative to drivers licensing.

Mobile Home Administration — The approved amount moves 5 FTE Positions and \$120,200 to the operating budget for budget simplification. This staff maintains a list of outstanding delinquent personal property taxes on mobile homes and performs related functions involving title transfers of mobile homes.

Safety Enforcement and Infrastructure — The approved amount includes an increase of 13 FTE Positions from the Safety Enforcement and Transportation Infrastructure Fund

to provide for the enforcement of vehicle safety requirements at the Mexican border. Monies for these FTE Positions were included in the FY 1997 approved amount, although the FTE Positions themselves were not mentioned. Additional approved amounts from the Safety Enforcement and Transportation Infrastructure Fund include \$1,000,000 to the Arizona Department of Transportation for capital outlay, and \$750,000 for the operating budget of the Department of Public Safety. For FY 1997, \$2,500,000 was appropriated from the Safety Enforcement and Transportation Infrastructure Fund to the Arizona Department of Transportation, including \$1,000,000 for capital projects and \$1,500,000 for operating expenditures which the Arizona Department of Transportation and the Department of Public Safety split \$750,000 each.

License Plate Replacement — The approved amount provides for the purchase of plates to replace license plates that are no longer readable.

Attorney General Legal Services — The approved amount moves funding for an Attorney General intergovernmental service agreement from the operating budget to a special line.

DEPARTMENT OF TRANSPORTATION - AERONAUTICS DIVISION

A.R.S. § 28-170

State Aviation Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	<u>33.0</u>	<u>33.0</u>	<u>33.0</u>
Personal Services	717,600	849,000	894,200
Employee Related Expenditures	190,300	221,100	229,800
Professional and Outside Services	51,800	58,600	58,600
Travel - In State	21,500	29,900	29,900
Travel - Out of State	12,500	11,000	11,000
Other Operating Expenditures	412,900	424,100	415,000
Equipment	<u>0</u>	<u>3,000</u>	<u>9,600</u>
Operating Subtotal	1,406,600	1,596,700	1,648,100
Reimbursement to Highway Fund	<u>0</u>	<u>30,000</u>	<u>10,000</u>
Total Appropriations	1,406,600	1,626,700	1,658,100 ^{1/}

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.*

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Non-Motor Vehicle Division and Non-Highway Maintenance remainder of the department.

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A.R.S. § 15-1621

Frank Besnette, Ph.D., Executive Director

JLBC Analyst: John Lee

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	28.1	28.1	28.1
Personal Services	1,276,900	1,296,900	1,374,100
Employee Related Expenditures	261,000	248,000	267,500
Professional and Outside Services	42,600	37,500	37,500
Travel - In State	2,700	11,400	11,400
Other Operating Expenditures	201,500	220,900	226,300
Operating Subtotal	1,784,700	1,814,700	1,916,800
Western Interstate Commission Office	79,000	79,000	81,000
WICHE Student Subsidies	2,341,300	2,580,200	2,634,400
Student Financial Aid Trust Fund	1,526,100	1,638,400	1,761,100
Teacher Loan Forgiveness Fund for Deaf & Blind	95,000	95,000	95,000
Western Governors University	0	0	100,000
Faculty Teaching Incentive Program Fund	0	0	4,000,000 ^{1/}
Total Appropriations	5,826,100	6,207,300	10,588,300 ^{2/2/}

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.*

Classification Maintenance Review Adjustments — The approved amount includes \$2,800 for Classification Maintenance Review adjustments, which include \$2,400 for Personal Services and \$400 for Employee Related Expenditures.

administrative expenses for the Western Interstate Commission for Higher Education.

WICHE Student Subsidies — The approved amount provides funding for subsidies to 122 continuing WICHE students and 55 new WICHE students in the fields of study shown below:

Western Interstate Commission Office — The appropriated amount provides for Arizona's annual pro rata share of

Field of Study	Continuing Students	First Year and New Students	Total Students	Amount
Veterinary Medicine	50	17	67	\$1,333,300
Dentistry	37	11	48	719,800
Osteopathy	15	5	20	260,000
Optometry	13	3	16	140,800
Occupational Therapy	5	11	16	127,200
Physicians Assistants	2	8	10	53,300
Total	122	55	177	\$2,634,400

^{1/} This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act, Section 107)

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{3/} The Arizona Board of Regents (ABOR) and the State Board of Directors for Community Colleges (State Board) shall continue the Transfer Articulation Study Committee comprised of university and community college members who are representatives of faculty, academic administration, student services and the chief executive offices to continue collaborative efforts. It is the intent of the Legislature that the study committee meet at least quarterly to continually improve the statewide articulation and transfer system, including the process for transfer of lower division general education credits and curriculum requirements for majors, with the objective of reaching consensus on improving the agreement that assures that community college students may transfer to Arizona public universities without loss of credit toward a Baccalaureate degree. The ABOR and the State Board shall present an annual report of their progress to the Joint Legislative Budget Committee beginning December 15, 1997. (General Appropriation Act footnote)

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This subsidy program enables Arizona to participate in the WICHE-Professional Student Exchange Program and provides partial financial support and preferential access for Arizona residents who choose careers in certain health professions for which education is not offered in Arizona.

Student Financial Aid Trust Fund — The approved amount provides funds to the universities for the purposes of providing immediate aid to students with verifiable financial need and creates an endowment for future financial aid. Laws 1989, Chapter 123 (H.B. 2144) authorized the ABOR to establish such a fund. The approved amount is based upon the most recent (FY 1996) actual student surcharge collections as the state matching amount.

Teacher Loan Forgiveness Fund for the Deaf and the Blind (Arizona Teachers Incentive Program) — The approved amount provides funding for a loan program to persons in teacher training programs in the areas of the deaf and the blind within the College of Education at the University of Arizona. The allocation of \$95,000 should be the same as the original intent of Laws 1990, Chapter 340 which authorized a \$50,000 distribution to 10 students in the form of loans in equal amounts of \$5,000 per student and a \$45,000 distribution to the College of Education at the University of Arizona for instructional support of the teacher training program in the areas of the deaf and the blind.

Western Governors University — The approved amount provides funding for support of the Western Governors University (WGU), which was initiated by the Western Governors Association to expand access to higher education through telecommunication technology for the participating western states. Specific uses for the funding will be determined by the ABOR in conjunction with the WGU Implementation Team.

Faculty Teaching Incentive Program Fund — Section 107 of the General Appropriation Act (Chapter 1, 1st Special Session) provides \$4,000,000 for the university faculty teaching bonuses to be awarded in January of 1998 to qualifying faculty of each university, based on the 10th-week faculty audit during the fall semester of 1997, with the following requirements:

- (1) The sum of \$4,000,000 of the amounts funded for FY 1998 merit pay adjustments is deposited into the Faculty Teaching Incentive Program Fund of the ABOR, which is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations.
- (2) The teaching incentive bonuses may be incorporated into existing base salaries of qualifying faculty.

- (3) By June 1, 1997, ABOR shall determine the bonus award methodology based on (a) direct classroom teaching load, (b) other productivity factors, and (c) classroom performance.
- (4) ABOR shall present its proposed allocation to the Director of the Joint Legislative Budget Committee Staff and the Director of the Governor's Office of Management and Budget for their review and input prior to its implementation.
- (5) In order to qualify for bonus awards, faculty members at Arizona universities must teach a minimum of 6 credit hours per semester in regular classes and hold the rank of full professor, associate professor, or assistant professor.
- (6) The teaching incentive bonuses shall be awarded at a rate between 2% and 5% of academic year base salary per semester for qualifying faculty who teach a minimum of 6 credit hours in regular classes per semester.

It is the intent of the Legislature that the teaching incentive program should provide bonus awards in a manner that creates substantially higher average salary raises for qualifying faculty than for non-qualifying faculty when all sources of funds for faculty salaries and salary raises are considered. Furthermore, once the minimum required teaching load of 6 hours is met, the bonus awards for qualifying faculty should be graduated in proportion to the number of credit hours they teach in regular classes, provided that the qualifying faculty meet the standards for other productivity factors and classroom performance set by ABOR.

- (7) The sum of \$4,000,000 allocated for the faculty teaching incentive program includes \$250,000 for the College of Medicine for its faculty teaching effort in regular classes and clinical training as part of the teaching load requirement.
- (8) The teaching incentive bonus amount for the University of Arizona Main Campus includes the bonus amount for the qualifying faculty of the Colleges of Agriculture, Pharmacy, and Nursing, and the School of Health Professions. A pro rata share, based on the teaching load data of these programs, should be distributed to these program units.

Capital Outlay: Chapter 2, 1st Special Session —

- (1) Appropriates \$14,779,100 to ABOR from the General Fund for major maintenance and repair of university

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buildings and for Americans with Disabilities Act compliance, as follows:

- Appropriates \$14,779,100 for allocation to the universities for major maintenance and repair of university buildings in accordance with the Building Renewal Formula (A.R.S. § 41-790 and § 41-793.01.) The appropriation represents 50% support of the formula. The board shall require each university to establish a major maintenance and repair account for deposit of amounts allocated from this appropriation. Amounts deposited in the account shall be audited annually by the board, and the appropriated monies shall be used only for facilities on the statewide building inventory approved by the Joint Committee on Capital Review.
 - Provides that a maximum of 25%, or up to \$3,694,700, of the appropriated building renewal monies may be spent for state building modifications to comply with the federal Americans with Disabilities Act or for major maintenance and repair activities for state infrastructure.
- (2) Appropriates a total of \$5,997,000 from the General Fund (\$2,997,000 in FY 1998 and \$3,000,000 in FY 1999) to Arizona State University for the renovation of the technology center at ASU-East. The renovated building will provide technology laboratories for the School of Technology and will house computer chip manufacturing equipment donated by Intel Corporation.

Additional Legislation: Savings Account: Postsecondary Education (Chapter 171) — Established the Family College Savings Program as a state-run savings program to take advantage of federally available tax incentives. Earnings on deposits in qualified savings plans and disbursements are exempt from state income taxes if the funds are used to pay for post-secondary education expenses. Establishes a Family College Savings Program Oversight Committee within the Commission for Postsecondary Education and creates a public private partnership to carry out the federal provisions of the act.

Schools: Graduation: Honors Diploma (Chapter 230) — Requires ABOR, in consultation with the Board of Education and other education groups, to develop a program to award honors diplomas to qualifying high school students. The ABOR is to develop application procedures and testing criteria and adopt testing instruments and procedures to administer the program, which is to be implemented beginning with the freshman class entering in the fall of 1998.

SUMMARY OF MAJOR CHANGES FOR UNIVERSITY SYSTEM

The following summarizes the major factors for the General Fund increase in the FY 1998 university system operating budget from FY 1997.

FY 1997 <u>General Fund</u> Operating Budget Total	<u>\$634,653,400</u>
Adjustments for FY 1998:	
• Standard Adjustments (Annualization, Transfers, ERE Rate, Risk Management Premiums, Vacancy Savings, ABOR Rent, etc.)	\$12,627,800
• WICHE/Financial Aid (ABOR)	176,900
• Student Enrollment Growth (185 FTE Students)	3,085,200
• Annualization of New Facilities Support	715,200
• Air Quality Alternative Fuels	460,800
• Western Governors University	100,000
• Law School Program Authorization Review (PAR)	370,000
• Undergraduate Initiatives/Program Development/Decision Packages	10,394,700
• Pay Adjustments	15,186,800
• Faculty Teaching Incentive Program	4,000,000
• Other Appropriated Funds Increase (General Fund Decrease)	<u>(861,300)</u>
Total <u>General Fund</u> Adjustment from FY 1997	<u>\$46,256,100</u>
FY 1998 <u>General Fund</u> Total For University System	<u>\$680,909,500</u>

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The FY 1998 State Pay Adjustments, including Personal Services and Employee Related Expenditures for the University System, are summarized in the following table:

FY 1998 State Pay Adjustments for the University System (Personal Services & Employee Related Expenditures)				
	<u>2.5% up to \$1,000</u> <u>General Adjustment</u> (Effective 10-1-97)	<u>Classification</u> <u>Maintenance Review</u> (Effective 10-1-97)	<u>Merit and</u> <u>Teaching Bonus</u> (Effective 1-1-98)	<u>Total</u>
Arizona Board of Regents	\$21,700	\$2,800	\$19,400	\$43,900
ASU-Main Campus	\$3,653,800	\$539,800	\$1,544,100	\$5,737,700
ASU-East Campus	111,900	14,500	45,000	171,400
ASU-West Campus	<u>429,900</u>	<u>62,700</u>	<u>172,900</u>	<u>665,500</u>
ASU-Total	\$4,195,600	\$617,000	\$1,762,000	\$6,574,600
Northern Arizona University	\$1,330,100	\$214,800	\$560,400	\$2,105,300
NAU-Yuma	<u>25,600</u>	<u>3,700</u>	<u>9,500</u>	<u>38,800</u>
NAU Total	\$1,355,700	\$218,500	\$569,900	\$2,144,100
University of Arizona-Main Campus	\$2,947,200	\$444,000	\$1,257,000	\$4,648,200
Agriculture	488,500	79,400	216,500	784,400
Pima Campus	16,600	2,400	14,400	33,400
Sierra Vista	<u>23,600</u>	<u>3,900</u>	<u>19,000</u>	<u>46,500</u>
UA Total	\$3,475,900	\$529,700	\$1,506,900	\$5,512,500
Health Sciences Center	\$397,700	\$64,300	\$249,800	\$711,800
Clinical Teaching Support	108,800	-	74,400	183,200
Telemedicine Network	2,900	400	3,400	6,700
Clinical Rural Rotations	<u>5,500</u>	<u>700</u>	<u>3,800</u>	<u>10,000</u>
HSC Total	\$514,900	\$65,400	\$331,400	\$911,700
Total	\$9,563,800	\$1,433,400	\$4,189,600	\$15,186,800
Faculty Teaching Incentive Program Fund	\$ --	\$ --	\$4,000,000	\$ 4,000,000
TOTAL SYSTEM	<u>\$9,563,800</u>	<u>\$1,433,400</u>	<u>\$8,189,600</u>	<u>\$19,186,800</u>

ARIZONA STATE UNIVERSITY - MAIN CAMPUS

A.R.S. § 15-1601

Lattie F. Coor, Ph.D., President

JLBC Analyst: John Lee

General Fund and University Collections Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	<u>5,203.6</u>	<u>5,231.6</u>	<u>5,519.4</u>
Personal Services	183,450,900	202,100,400	217,668,200
Employee Related Expenditures	34,595,600	36,486,400	38,762,200
Professional and Outside Services	3,409,200	1,369,900	1,465,900
Travel - In State	124,800	363,800	381,800
Travel - Out of State	1,646,300	804,800	864,800
Library Acquisitions	5,720,700	5,892,000	5,892,000
Other Operating Expenditures	39,479,500	39,298,800	39,624,600
Equipment	<u>17,729,700</u>	<u>9,250,900</u>	<u>9,975,700</u>
Total Appropriations	286,156,700	295,567,000	314,635,200 ^{1/23/} _{4/5/}
Fund Summary			
General Fund	209,999,300	216,693,100	234,608,800
University Collections Fund	<u>76,157,400</u>	<u>78,873,900</u>	<u>80,026,400</u>
Total Appropriations	286,156,700	295,567,000	314,635,200

Agency Description — Established in 1885, Arizona State University is one of the 3 state 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.

Classification Maintenance Review Adjustments — The approved amount provides \$539,800 for Classification Maintenance Review adjustments, which include \$477,700 for Personal Services and \$62,100 for Employee Related Expenditures.

Student Enrollment Growth — Enrollment growth funding of \$6,054,400 and 105 new FTE Positions is based upon a 3-year rolling weighted average enrollment of 36,967 full-time equivalent students in accordance with the funding formula of 22:1:0.5 (student to faculty to support positions) during the following fall semesters:

			FY 1998	FY 1997 Weighted Enrollment	Change
Fall 1995 (Actual)	35,664	at 25%	8,916	8,849 (Fall 1994)	67
Fall 1996 (Estimate)	37,094	at 50%	18,547	17,832 (Fall 1995)	715
Fall 1997 (Projection)	38,015	at 25%	<u>2,504</u>	<u>8,966</u> (Fall 1996)	<u>538</u>
Total			36,967	35,647	1,320

- 1/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- 2/ The appropriated monies are not to be used for scholarships. (General Appropriation Act footnote)
- 3/ 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. (General Appropriation Act footnote)
- 4/ It is the intent of the Legislature that, beginning in the fall semester of 1997, resident tuition shall be increased by \$1,000 and non-resident tuition shall be increased by \$2,000 per academic year for the Arizona State University (ASU) College of Law program. Of the estimated \$535,000 additional tuition revenue generated from the tuition increase, which includes \$415,000 from the resident students and \$120,000 from the non-resident students, \$165,000 shall be used for student financial aid based on student need and scholarship, \$170,000 shall be used for law program enhancement in areas of legal writing, research and clinical training, and \$200,000 shall be used to offset the state General Fund requirement for the operation of the ASU College of Law. (General Appropriation Act footnote)
- 5/ Any unencumbered balances remaining in the collections account on June 30, 1997, 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. (General Appropriation Act footnote)

ARIZONA STATE UNIVERSITY - MAIN CAMPUS (Cont'd)

The full-time equivalent student counts are calculated by using 15 student credit hours for lower division undergraduates, 12 student credit hours for upper division undergraduates, and 10 student credit hours for graduate students per semester.

Air Quality Act Compliance (Alternative Fuels) — The approved amount provides funds to convert 92 vehicles to compressed natural gas (CNG) at a conversion cost of \$4,500 per unit, which will be supplemented with the FY 1996 base funding of \$235,200. The air quality compliance requirement is based on Laws 1993, Chapter 1, 6th Special Session and Laws 1995, Chapter 3, 1st Special Session mandating a 90% conversion of the state motor vehicle fleet in Maricopa County to alternative fuels by December 31, 1997.

Employee FTE Positions Adjustment for Instruction Enhancement — The FY 1998 appropriation includes an additional 131.3 FTE Positions to reflect the expenditure authority adjustment for instruction enhancement during FY 1997 due to increased tuition and fee revenues of \$7,703,500.

Library and Information Technology Initiatives — The approved amount provides \$809,600 and 18.5 new FTE Positions for improving digital information resources, technology infrastructure and faculty development to augment the traditional instructional delivery process with appropriate information technology support.

Strengthening Undergraduate Education — The approved amount provides \$1,013,400 and 19 new FTE Positions for improving undergraduate education through strengthening strategies relating to student retention and graduation rates by providing students with opportunities to more actively participate in learning with smaller classes taught by ranked faculty.

Economic Growth and Engineering Excellence — The approved amount provides \$1,009,500 and 14 new FTE Positions for necessary resources to address the economic well-being of the Phoenix metropolitan area and state through the partnerships between industry and the College of Engineering and Applied Sciences.

University Collections Fund — The University Collections Fund consists of tuition, registration fees, other receipts, and balances forward from FY 1997

1 Program Authorization Review — Tuition Increase and Program Enhancement for the College of Law — The approved amount provides \$170,000 for law program enhancement in the areas of legal writing,

research and clinical training, and a \$200,000 net reduction for the General Fund arising from tuition increases of \$1,000 for resident students and \$2,000 for non-resident students per academic year beginning in FY 1998.

The Joint Legislative Budget Committee (JLBC) and Office for Strategic Planning and Budgeting Staffs conducted a **Program Authorization Review (PAR)** of the Colleges of Law programs at Arizona State University and the University of Arizona in 1996. As a result of that review, the Legislature approved modifying the program by mandating both Colleges of Law, under the direction of the Arizona Board of Regents, to increase the resident tuition by \$1,000 and non-resident tuition by \$2,000 per academic year beginning in the fall semester of 1997. The tuition increase will generate additional tuition revenue of approximately \$535,000, which includes \$415,000 from the resident students and \$120,000 from the non-resident students. Of the \$535,000, \$165,000 should be set aside for student financial aid based on student need and scholarship, \$170,000 should be used for law program enhancement in areas of legal writing, research and clinical training, and \$200,000 should be used to offset the General Fund requirement for the operation of the College of Law.

Capital Outlay: Chapter 2, 1st Special Session — Appropriated a total of \$5,997,000 from the General Fund (\$2,997,000 in FY 1998 and \$3,000,000 in FY 1999) to Arizona State University for the renovation of the technology center at ASU-East. The renovated building will provide technology laboratories for the School of Technology and will house computer chip manufacturing equipment donated by Intel Corporation.

ARIZONA STATE UNIVERSITY - EAST CAMPUS

A.R.S. § 15-1601

Lattie F. Coor, Ph.D., President

JLBC Analyst: John Lee

General Fund and University Collections Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	<u>20.0</u>	<u>112.0</u>	<u>148.0</u>
Personal Services	888,400	4,951,400	6,322,600
Employee Related Expenditures	144,700	890,800	1,128,700
Professional and Outside Services	750,500	173,300	173,300
Travel - In State	4,800	8,300	8,300
Travel - Out of State	7,300	23,700	23,700
Library Acquisitions	0	32,500	32,500
Other Operating Expenditures	377,600	1,396,500	1,397,700
Equipment	<u>283,100</u>	<u>341,400</u>	<u>341,400</u>
Total Appropriations	2,456,400	7,817,900	9,428,200 ^{1/2/3/}
Fund Summary			
General Fund	1,842,700	5,023,600	6,995,000
University Collections Fund	<u>613,700</u>	<u>2,794,300</u>	<u>2,433,200</u>
Total Appropriations	2,456,400	7,817,900	9,428,200

Agency Description — *Laws 1994, Chapter 218 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 facilities for the ASU-East 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.*

Classification Maintenance Review Adjustments — The approved amount provides \$14,500 for Classification Maintenance Review adjustments, which include \$12,800 for Personal Services and \$1,700 for Employee Related Expenditures.

University Collections Fund — The University Collections Fund consists of tuition, registration fees, other receipts, and balances forward from FY 1997.

New Campus Program Development — The approved amount includes \$1,297,500 and 34 new FTE Positions to provide for new campus program development.

Academic Support Program Development — The approved amount provides \$45,500 and 2 new FTE Positions for development of the student and administrative support services including financial assistance, counseling and career services.

1/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

2/ The appropriated monies are not to be used for scholarships. (General Appropriation Act footnote)

3/ Any unencumbered balances remaining in the collections account on June 30, 1997, 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. (General Appropriation Act footnote)

ARIZONA STATE UNIVERSITY - WEST CAMPUS

A.R.S. § 15-1601

Lattie F. Coor, Ph.D., President

JLBC Analyst: John Lee

General Fund and University Collections Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	627.4	634.4	640.9
Personal Services	20,302,200	23,115,600	24,372,700
Employee Related Expenditures	4,069,200	4,262,100	4,439,600
Professional and Outside Services	733,100	476,600	476,600
Travel - In State	42,900	97,700	97,700
Travel - Out of State	258,000	211,600	211,600
Library Acquisitions	1,207,400	1,212,000	1,212,000
Other Operating Expenditures	9,888,400	8,617,400	8,645,600
Equipment	3,055,900	2,106,000	2,118,000
Total Appropriations	39,557,100	40,099,000	41,573,800 ^{1/2/3/}
Fund Summary			
General Fund	33,438,800	34,354,000	35,744,800
University Collections Fund	6,118,300	5,745,000	5,829,000
Total Appropriations	39,557,100	40,099,000	41,573,800

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.

Classification Maintenance Review Adjustments — The approved amount provides \$62,700 for Classification Maintenance Review adjustments, which includes \$55,500 for Personal Services and \$7,200 for Employee Related Expenditures.

Air Quality Act Compliance (Alternative Fuels) — The approved amount provides \$12,000 to convert 8 vehicles to compressed natural gas (CNG) at a conversion cost of \$4,500 per unit, which will be supplemented with a \$24,000 base amount funded in FY 1996. Laws 1995, Chapter 3, 1st Special Session mandates a 90% conversion of the state motor vehicle fleet in Maricopa County to alternative fuels by December 31, 1997.

Academic and Support Program Development — The approved amount includes \$299,200 and 7 new FTE Positions to provide for academic and support program

development for improving both undergraduate and graduate education.

University Collections Fund — The University Collections Fund consists of tuition, registration fees, other receipts, and balances forward from FY 1997.

1/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

2/ The appropriated monies are not to be used for scholarships. (General Appropriation Act footnote)

3/ Any unencumbered balances remaining in the collections account on June 30, 1997, 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. (General Appropriation Act footnote)

NORTHERN ARIZONA UNIVERSITY

A.R.S. § 15-1601

Clara M. Lovett, Ph.D., President

JLBC Analyst: John Lee

General Fund and University Collections Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	<u>2,068.6</u>	<u>2,194.3</u>	<u>2,229.7</u> ^{1/}
Personal Services	68,422,400	74,912,100	78,838,700
Employee Related Expenditures	14,787,400	16,449,500	16,938,300
Professional and Outside Services	1,171,500	589,800	605,000
Travel - In State	476,400	677,600	704,600
Travel - Out of State	643,400	418,900	428,900
Library Acquisitions	2,304,200	2,565,100	2,595,100
Other Operating Expenditures	14,739,900	15,460,800	16,011,900
Equipment	<u>6,620,000</u>	<u>5,339,500</u>	<u>6,531,000</u>
Operating Subtotal	109,165,200	116,413,300	122,653,500
NAU-Yuma	<u>1,743,900</u>	<u>2,571,500</u>	<u>2,710,900</u>
Total Appropriations	110,909,100	118,984,800	125,364,400 ^{2/3/4/}
Fund Summary			
General Fund	86,473,300	90,922,200	97,288,600
University Collections Fund	<u>24,435,800</u>	<u>28,062,600</u>	<u>28,075,800</u>
Total Appropriations	110,909,100	118,984,800	125,364,400

Agency Description — Established in 1899, Northern Arizona University is one of 3 state universities governed by the Arizona Board of Regents. The university offers 137 degree programs to approximately 20,000 students in 9 colleges, schools and 1 center, and provides academic programs at many instructional sites throughout the state and at the Yuma Campus that operates in conjunction with Arizona Western College.

Classification Maintenance Review Adjustments — The approved amount provides \$218,500 for Classification Maintenance Review adjustments, which includes \$193,000 for Personal Services and \$25,500 for Employee Related Expenditures. The total amount for Classification Maintenance Review adjustments includes \$3,700 for NAU-Yuma Campus (\$3,300 for Personal Services and \$400 for

Employee Related Expenditures).

Student Enrollment Decline — The approved amount provides decreases of \$276,700 and 4.5 FTE Positions for student enrollment decline of 98 FTE students in accordance with the funding formula of 22:1:0.5 (student to faculty to support positions) during the following fall semesters:

			FY 1997		
			FY 1998	Weighted Enrollment	Change
Fall 1995 (Actual)	17,591	at 25%	4,398	4,219 (Fall 1994)	179
Fall 1996 (Estimate)	17,151	at 50%	8,576	8,800 (Fall 1995)	(224)
Fall 1997 (Projection)	18,009	at 25%	<u>4,502</u>	<u>4,555</u> (Fall 1996)	<u>(53)</u>
Total			17,476	17,574	(98)

^{1/} Includes 37.5 FTE Positions funded from Special Line Item in FY 1998.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{3/} The appropriated monies are not to be used for scholarships. (General Appropriation Act footnote)

^{4/} Any unencumbered balances remaining in the collections account on June 30, 1997, 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. (General Appropriation Act footnote)

NORTHERN ARIZONA UNIVERSITY (Cont'd)

The full-time equivalent student counts are calculated by using 15 student credit hours for lower division undergraduates, 12 student credit hours for upper division undergraduates, and 10 student credit hours for graduate students per semester.

NAU-Yuma New Facilities Support — The approved amount provides \$73,800 for new facilities annualization to support the NAU-Yuma Learning Facility, which opened in October 1996.

Technology Enhancements for Statewide Programs — The approved amount includes \$1,444,100 and 20 new FTE Positions to provide technology access to its statewide students, to increase the quality of education delivered to statewide sites, and to expand its focus to ensure high quality academic support functions.

Electronic Library Initiative — The approved amount provides \$693,400 and 6 new FTE Positions to transform the Cline Library into an electronic library for equal quality of service and information to students regardless of location and institutional affiliation.

Technological Retrofitting of the Flagstaff Campus — The approved amount provides \$511,700 and 6.5 new FTE Positions to extend network access to academic buildings and residence halls on campus to serve 6,000 residence hall students for improving their undergraduate experience.

Ecosystem Restoration Program — The approved amount provides \$251,300 and 7.4 new FTE Positions to expand undergraduate research and instruction in the Ecosystem Restoration Program. The creation of this program gives Arizona the opportunity to lead the nation in resolving conflicts between conservation/preservation and use of natural resources with an emphasis on forest environments.

NAU-Yuma — The approved amount as a special line appropriation was based upon the following line item allocation:

FTE Positions	<u>37.5</u>
Personal Services	\$ 1,342,500
Employee Related Expenditures	289,800
Professional and Outside Services	21,000
Travel - In State	31,200
Travel - Out of State	21,800
Library Acquisitions	50,000
Other Operating Expenditures	493,100
Equipment	<u>461,500</u>
Total	<u>\$2,710,900</u>

University Collections Fund — The University Collections Fund consists of tuition, registration fees, other receipts, and balances forward from FY 1997.

UNIVERSITY OF ARIZONA - MAIN CAMPUS

A.R.S. § 15-1601

Manual T. Pacheco, Ph.D., President

JLBC Analyst: John Lee

General Fund and University Collections Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions	<u>5,354.2</u>	<u>5,374.3</u>	<u>5,431.0</u> ^{1/}
Personal Services	162,957,400	171,187,800	177,685,500
Employee Related Expenditures	30,280,400	29,915,000	32,080,100
Professional and Outside Services	2,040,600	1,930,300	1,880,100
Travel - In State	155,800	367,400	352,300
Travel - Out of State	549,200	418,800	386,700
Library Acquisitions	6,192,900	6,025,100	6,235,600
Other Operating Expenditures	37,656,300	34,750,300	35,828,100
Equipment	<u>5,931,500</u>	<u>4,672,700</u>	<u>4,938,900</u>
Operating Subtotal	245,764,100	249,267,400	259,387,300
Agriculture	39,859,700	40,718,500	42,042,500
Pima County Campus	1,372,600	2,731,800	2,228,300
Sierra Vista Campus	<u>798,100</u>	<u>1,409,500</u>	<u>2,035,500</u>
Total Appropriations	287,794,500	294,127,200	305,693,600 ^{2/3/4/5/}
Fund Summary			
General Fund	225,182,800	232,910,100	244,577,400
University Collections Fund	<u>62,611,700</u>	<u>61,217,100</u>	<u>61,116,200</u>
Total Appropriations	287,794,500	294,127,200	305,693,600

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 Campus. Beginning in fall of 1996, Pima County Campus (also known as Arizona International Campus) started offering academic programs for undergraduate students at the University of Arizona Science and Technology Park.*

Classification Maintenance Review Adjustments — The approved amount provides \$529,700 for Classification Maintenance Review adjustments, which include amounts for the Main Programs and the following Special Line Items:

- Main Programs: \$394,000 for Personal Services and \$50,000 for Employee Related Expenditures.
- Agriculture: \$70,500 for Personal Services and \$8,900 for Employee Related Expenditures.
- Pima County Campus: \$2,100 for Personal Services and \$300 for Employee Related Expenditures.
- Sierra Vista Campus: \$3,500 for Personal Services and \$400 for Employee Related Expenditures.

^{1/} Includes 878.8 FTE Positions funded from Special Line Items in FY 1998.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{3/} The appropriated monies are not to be used for scholarships. (General Appropriation Act footnote)

^{4/} It is the intent of the Legislature that, beginning in the fall semester of 1997, resident tuition shall be increased by \$1,000 and non-resident tuition shall be increased by \$2,000 per academic year for the University of Arizona (UA) College of Law program. Of the estimated \$565,000 additional tuition revenue generated from the tuition increase, which includes \$385,000 from the resident students and \$180,000 from the non-resident students, \$165,000 shall be used for student financial aid based on student need and scholarship, \$200,000 shall be used for law program enhancement in areas of legal writing, research and clinical training, and \$200,000 shall be used to offset the state General Fund requirement for the operation of the UA College of Law. (General Appropriation Act footnote)

^{5/} Any unencumbered balances remaining in the collections account on June 30, 1997, 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. (General Appropriation Act footnote)

UNIVERSITY OF ARIZONA - MAIN CAMPUS (Cont'd)

Student Enrollment Decline — The enrollment funding reduction of \$2,939,300 and 49.7 FTE Positions is based upon a 3-year rolling weighted average enrollment of 28,840 full-time equivalent students, which represent a 1,105 FTE student decline, in accordance with the funding formula of 22:1:0.5 (student to faculty to support positions) during the following fall semesters:

Enrollment Initiatives — The approved amount provides \$250,000 and 4 new FTE Positions to initiate a strategic enrollment management policy that will enhance the educational opportunities and diverse educational needs of the people of the state.

			FY 1997		
			<u>FY 1998</u>	<u>Weighted Enrollment</u>	<u>Change</u>
Fall 1995 (Actual)	29,819	at 25%	7,455	7,533 (Fall 1994)	(78)
Fall 1996 (Estimate)	28,494	at 50%	14,247	14,815 (Fall 1995)	(568)
Fall 1997 (Projection)	28,551	at 25%	<u>7,138</u>	<u>7,597</u> (Fall 1996)	<u>(459)</u>
Total			28,840	29,945	(1,105)

The full-time equivalent student counts are calculated by using 15 student credit hours for lower division undergraduates, 12 student credit hours for upper division undergraduates, and 10 student credit hours for graduate students per semester.

Excellence in Undergraduate Education — The approved amount provides \$600,000 and 12 new FTE Positions to upgrade undergraduate instruction capabilities in such programs as mathematics, chemistry and biology.

Annualization of New Facilities Support — The approved amount provides \$641,400 and 17.8 new FTE Positions for operational costs of 3 facilities annualization; the Aerospace Mechanical Engineering Building, the Law College addition, and the shell space completion of the Marley Building.

Air Quality Act Compliance (Alternative Fuels) — The approved amount provides \$270,000 to convert 60 vehicles to compressed natural gas (CNG) at a conversion cost of \$4,500 per unit. The 60 vehicles represent 40% of 149 economically feasible units of the university's Pima County fleet of 648 vehicles. Laws 1995, Chapter 3, 1st Special Session mandates a 90% conversion of the state motor vehicle fleet in Maricopa County to alternative fuels by December 31, 1997. In order to comply with the same mandate of the state law, the Pima County Board of Supervisors passed the Alternative Transportation Modes ordinance, which requires the employers in the county to convert their vehicles to alternative fuels.

Transfers of FTE Positions and Landscape Architecture Program — The approved amount includes the transfer of 50 FTE Positions from the Arizona Health Sciences Center (AHSC) to finalize the resource alignment between the Main Campus and AHSC. The amount approved also includes the transfer of \$232,500 and 3.8 FTE Positions for the Landscape Architecture Program from the College of Agriculture to the College of Architecture.

Base Funding Adjustment — The approved amount includes \$489,900 and 12.6 new FTE Positions to provide base funding needs for additional faculty and support staff associated with the university's Instruction Program.

1 Program Authorization Review — Tuition Increase and Program Enhancement for the College of Law — The approved amount provides \$200,000 for law program enhancement in the areas of legal writing, research and clinical training, and a \$200,000 net reduction for the General Fund arising from tuition increases of \$1,000 for resident students and \$2,000 for non-resident students per academic year beginning in FY 1998.

Library and Information Support — The approved amount provides \$314,500 for new information resources including digitized text, indexes, and on-line journals ensuring the continuing development of scholarly information. This funding ensures a new learning environment by shifting the traditional role of acquiring library collections to collaborative and interactive learning through the potential access to the global electronic information structure.

The Joint Legislative Budget Committee (JLBC) and Office for Strategic Planning and Budgeting Staffs conducted a **Program Authorization Review (PAR)** of the Colleges of Law programs at Arizona State University and the University of Arizona in 1996. As a result of that review, the Legislature approved modifying the program by mandating both Colleges of Law, under the direction of the Arizona Board of Regents (ABOR), to increase the resident tuition by \$1,000 and non-resident tuition by \$2,000 per academic year

UNIVERSITY OF ARIZONA - MAIN CAMPUS (Cont'd)

beginning in the fall semester of 1997. The tuition increase will generate additional tuition revenue of approximately \$565,000, which includes \$385,000 from the resident students and \$180,000 from the non-resident students. Of the \$565,000, \$165,000 should be set aside for student financial aid based on student need and scholarship, \$200,000 should be used for law program enhancement in areas of legal writing, research and clinical training, and \$200,000 should be used to offset the General Fund requirement for the operation of the College of Law.

Agriculture — The approved amount for the College of Agriculture as a special line appropriation was based upon the following line item allocation:

FTE Positions	<u>814.3</u>
Personal Services	\$ 30,611,200
Employee Related Expenditures	6,072,800
Professional and Outside Services	344,200
Travel - In State	583,800
Travel - Out of State	123,200
Other Operating Expenditures	3,204,000
Equipment	<u>1,103,300</u>
Total	<u>\$42,042,500</u>
Fund Sources	
General Fund	\$36,403,500
University Collections Fund	<u>5,639,000</u>
Total	<u>\$42,042,500</u>

The approved amount includes the transfer-out of \$232,500 and 3.8 FTE Positions for the Landscape Architecture Program to the College of Architecture.

The University Collections Fund for Agriculture includes \$3,327,000 from the federal agriculture funds.

Pima County Campus — In 1993, the ABOR authorized 2 new campuses, including one in the east valley of Maricopa County under the direction of the Arizona State University and the other in Pima County under the guidance of the University of Arizona. Subsequently, the board approved renaming Pima County Campus to Arizona International Campus; and in January of 1996, authorized the University of Arizona to develop the campus at the University of Arizona Science and Technology Park, formerly known as the IBM site. Although operating funds were approved for FY 1995 through FY 1997 for Pima County Campus, the Legislature has not formally established such a campus in statute. Both ASU-West and ASU-East campuses were established in statute.

The approved amount for Pima County Campus as a special line appropriation was based on the following line item allocation:

FTE Positions	<u>24.6</u>
Personal Services	\$1,031,000
Employee Related Expenditures	197,100
Professional and Outside Services	298,000
Other Operating Expenditures	<u>702,200</u>
Total	<u>\$2,228,300</u>
Fund Sources	
General Fund	\$1,098,300
University Collections Fund	<u>1,130,000</u>
Total	<u>\$2,228,300</u>

Sierra Vista Campus — The approved amount for Sierra Vista Campus as a special line appropriation was based upon the following line item allocation:

FTE Positions	<u>39.9</u>
Personal Services	\$1,365,200
Employee Related Expenditures	277,600
Professional and Outside Services	7,700
Travel - In State	10,500
Travel - Out of State	500
Other Operating Expenditures	249,000
Equipment	<u>125,000</u>
Total	<u>\$2,035,500</u>
Fund Sources	
General Fund	\$1,545,600
University Collections Fund	<u>489,900</u>
Total	<u>\$2,035,500</u>

The approved amount provides \$559,000 and 10 new FTE Positions for academic program development including \$300,000 to expand its academic programs to Douglas.

University Collections Fund — The University Collections Fund consists of tuition, registration fees, other receipts, and balances forward from FY 1997.

UNIVERSITY OF ARIZONA - HEALTH SCIENCES CENTER

A.R.S. § 15-1601

Manuel T. Pacheco, Ph.D., President

JLBC Analyst: John Lee

General Fund and University Collections Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved
FTE Positions ^{1/}	694.6	709.5	674.0
Personal Services	32,774,700	34,010,100	35,537,900
Employee Related Expenditures	5,357,100	5,913,600	6,046,700
Professional and Outside Services	122,600	347,800	350,900
Travel - In State	18,900	67,700	70,600
Travel - Out of State	41,700	26,600	31,300
Library Acquisitions	828,200	726,500	851,500
Other Operating Expenditures	2,615,700	2,197,800	2,244,400
Equipment	910,500	599,900	620,000
Operating Subtotal	42,669,400	43,890,000	45,753,300
Clinical Teaching Support	8,903,700	8,980,600	9,305,300
Telemedicine Network	0	1,236,000	1,247,600
Clinical Rural Rotations	0	0	437,500
Total Appropriations	51,573,100	54,106,600	56,743,700 ^{2/3/4/}
Fund Summary			
General Fund	46,407,700	48,543,100	51,106,600
University Collections Fund	5,165,400	5,563,500	5,637,100
Total Appropriations	51,573,100	54,106,600	56,743,700

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 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 400 medical students. As a separate budget unit of the University of Arizona, AHSC is governed by the Arizona Board of Regents.*

Classification Maintenance Review Adjustments — The approved amount provides \$65,400 for Classification Maintenance Review (CMR) adjustments, which include \$58,400 for Personal Services and \$7,000 for Employee Related Expenditures. The total amount for CMR adjustments includes the following allocations:

- Main Programs: \$57,400 for Personal Services and \$6,900 for Employee Related Expenditures.
- Telemedicine Network: \$400 for Personal Services.
- Clinical Rural Rotations: \$600 for Personal Services and \$100 for Employee Related Expenditures.

The Clinical Teaching Support line item is exempted from the CMR allocation as the CMR fund distribution is based on the number of FTE Positions in the state operating budget.

Transfer of FTE Positions — The approved amount includes a transfer-out of 50 FTE Positions to the University of Arizona Main Campus.

Student Enrollment Growth — The enrollment funding of \$246,800 and 4.7 new FTE Positions is based upon a 3-year rolling weighted average enrollment for an additional 68 full-time equivalent students in accordance with the funding

1/ Includes 11.6 FTE Positions funded from Special Line Items for FY 1998. However, the FTE Positions total does not include FTE Positions within the Clinical Teaching Support Special Line Item.
 2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
 3/ The appropriated monies are not to be used for scholarships. (General Appropriation Act footnote)
 4/ Any unencumbered balances remaining in the collections account on June 30, 1997, 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. (General Appropriation Act footnote)

UNIVERSITY OF ARIZONA - HEALTH SCIENCES CENTER (Cont'd)

formula of 22:1:0.5 (student to faculty to support positions) during the following fall semesters:

sites and establish an infrastructure foundation at AHSC for additional sites.

			FY 1998	FY 1997 Weighted Enrollment	Change
Fall 1995 (Actual)	1,220	at 25%	305	295 (Fall 1994)	10
Fall 1996 (Estimate)	1,233	at 50%	617	705 (Fall 1995)	(88)
Fall 1997 (Projection)	1,233	at 25%	<u>308</u>	<u>162</u> (Fall 1996)	<u>146</u>
Total			1,230	1,162	68

The College of Medicine enrollment is excluded from the enrollment funding formula. The full-time equivalent student counts for the Colleges of Pharmacy and Nursing, and the School of Health Professions are calculated by using 15 student credit hours for lower division undergraduates, 12 student credit hours for upper division undergraduates, and 10 student credit hours for graduate students per semester.

Graduate Program in Public Health (GPPH) — The approved amount provides \$236,600 and 2.6 FTE Positions to fund the graduate program in public health that focuses on meeting the education and instruction needs of geographically diverse and time-constrained learners in Arizona's rural communities through distance-learning technology. This program is a multi-university, multi-disciplinary program with course work offered by faculty at all 3 public universities using the NAUNet telecommunications technology.

Library Support — The approved amount provides \$125,000 for library acquisitions in the new electronic form to meet the explosive demand in biomedical literature and computerized information databases.

Clinical Teaching Support — The approved amount provides \$9,305,300 for the cost of hospital training for Clinical Assistants, Medical Students and other health care residents and interns. The College of Medicine will contract with the University Medical Center, and possibly other community hospitals, for the necessary training.

Telemedicine Network — The approved amount provides \$1,247,600 and 4.4 new FTE Positions to continue the development of 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 areas. The University of Arizona - Health Sciences Center and University Medical Center in Tucson will serve as the telemedicine hub.

The amount includes adequate funding for personnel, hardware, software, and networking requirements to serve 8

The 8 telemedicine sites include Cottonwood, Holbrook, Parker, Payson, Sierra Vista, Springerville, Tuba City, and Yuma State Prison. In addition, the Nogales site is being developed with the federal grants. Other future sites may include Globe and Douglas State Prison.

It is the intent of the Legislature that:

- (1) AHSC should present an annual report detailing the development and applications of the telemedicine network to the JLBC by September 15 of each year beginning in 1997.
- (2) 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.
- (3) Arizona Telemedicine Program be established at the AHSC to develop the rural as well as state prison sites.
- (4) The Arizona Telemedicine Council be utilized as an ad hoc advisory body to provide the Arizona Telemedicine Program with advice and direction to build an effective telemedicine network in Arizona. The membership of the advisory council, which has already been organized under the auspices of the University of Arizona-College of Medicine, includes state legislators, agency officials, and private health and telecommunication organizations for a 2-year term beginning FY 1997. Under the current arrangement, the Chairman of the House Appropriations Committee serves as Chairman of the Council. The Director of the Arizona Telemedicine Program will nominate members to serve on the Council, who may be appointed to the membership by the Chairman.

Clinical Rural Rotations — The approved amount provides \$437,500 and 7.2 FTE Positions for the Rural Health Professions Program mandated by the provisions of Laws 1996, Chapter 237 (H.B. 2301). The law requires the 3 universities to select 10 nurse practitioner students, 15 medical students, and 4 pharmacy students each year to

UNIVERSITY OF ARIZONA - HEALTH SCIENCES CENTER (Cont'd)

participate in the program. Of the 10 nurse practitioner students, 4 each shall be chosen by the University of Arizona and Arizona State University, and 2 shall be chosen by Northern Arizona University.

University Collections Fund — The University Collections Fund consists of tuition, registration fees, other receipts, and balances forward from FY 1997.

Additional Legislation: Liver Disease Research (Chapter 262)

— Transfers \$500,000 from the Health Research Account of the Tobacco Tax and Health Care Fund (A.R.S. § 42-1241) and appropriates 8 new FTE Positions to the University of Arizona-College of Medicine for liver disease research. The research funding from the Tobacco Tax and Health Care Fund is partly based upon the findings of many studies on the causal relationship between tobacco smoking and liver cancer.

The provisions of the law and the intent of the Legislature are as follows:

- (1) The University of Arizona-College of Medicine shall establish a Liver Research Institute, which shall promulgate: (a) a clinical research program for all liver diseases with its major focus on the search for chemical or natural agents that offer a potential cure for liver diseases, and (b) a research fund development program for acquisition of outside grants and donations from across the United States and all over the world to ensure making an effort to help the institute become world-renowned for liver disease research and humanity through a medical cure of liver diseases in the future.
- (2) It is anticipated that the allocated amount of \$500,000 will be supplemented with approximately \$200,000 of local funds to meet the first year operating budget needs for the institute. The operating budget, 8 FTE Positions, and funding sources are summarized below:
 - (a) The Tobacco Tax and the Health Care Fund should be used to fund research operating expenses and 6 FTE Positions, including a Clinical Director (Chief Researcher), 2 M.D. or Ph.D. Researchers, a Grant Specialist, a Research Specialist, and an Administrative Assistant.
 - (b) The agency local funds should be used to fund a Development Officer, an Administrative Assistant, and operating expenses.

BIENNIAL BUDGET UNITS

STATE BOARD OF ACCOUNTANCY

A.R.S. § 32-701

Ruth R. Lee, Executive Director

JLBC Analyst: Lisa Cotter

Board of Accountancy Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	10.0	10.0	10.0	10.0
Personal Services	233,700	249,800	277,200	285,400
Employee Related Expenditures	48,700	54,100	57,900	59,400
Professional and Outside Services	301,400	352,000	352,000	352,000
Travel - In State	10,000	10,000	10,000	10,000
Travel - Out of State	7,000	6,300	6,300	6,300
Other Operating Expenditures	137,800	175,400	210,700	211,700
Equipment	6,900	6,000	0	0
Operating Subtotal	745,500	853,600	914,100	924,800
Special Investigations	16,100	117,500	150,000	150,000
Legal Services	76,800	82,500	180,000	180,000
Total Appropriations	838,400	1,053,600	1,244,100 ^{1/2}	1,254,800 ^{2/}

Agency Description — *The board licenses, investigates, and conducts examinations of certified public accountants and public accountants.*

Rent — The approved FY 1998 amount includes a rent increase of \$35,300 to fully fund the board's new private office lease. The approved FY 1999 amount includes a further increase of \$1,000.

reevaluated during the FY 2000 budget cycle to see if it is still necessary.

New Position/Reclassifications — The approved amounts include \$15,700 to fund the newly created Deputy Director position.

Special Investigations — The approved amounts provide \$150,000 to fund complex legal investigations against accounting firms. The \$32,500 funding increase between the estimated FY 1997 and approved FY 1998 amounts is due to the fact that the board is pursuing several major cases at this time. The increased funding will be reevaluated during the FY 2000 budget cycle to see if it is still necessary.

Legal Services — The approved amounts provide \$180,000 for Attorney General services to the board. The board received \$82,500 in FY 1997 to fund Attorney General services for routine legal matters encountered by the board. This funding was provided as a supplement to existing part-time legal services supplied by the Attorney General. The FY 1998 funding increase of \$97,500 is for Attorney General services for major cases currently being pursued against several accounting firms. The increased funding will be

1/ This 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, 1999. (General Appropriation Act footnote)

2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

OFFICE OF ADMINISTRATIVE HEARINGS

A.R.S. § 41-1092.01

Cliff Vanell, Director

JLBC Analyst: Jeffrey Schmied

General Fund and Office of Administrative Hearings Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	10.0	22.0	22.0	22.0
Personal Services	365,400	859,800	900,000	927,500
Employee Related Expenditures	66,200	180,100	182,000	186,900
Professional and Outside Services	17,900	100,000	40,000	40,000
Travel - In State	600	21,700	21,700	21,700
Travel - Out of State	0	1,400	1,400	1,400
Other Operating Expenditures	151,900	182,900	185,500	188,100
Equipment	59,800	0	0	0
Total Appropriations	661,800	1,345,900	1,330,600	1,365,600
Fund Summary				
General Fund	475,000	926,700	597,900	613,300
Office of Administrative Hearings Fund ^{1/}	186,800	419,200	732,700	752,300
Total Appropriations	661,800	1,345,900	1,330,600 ^{2/}	1,365,600 ^{2/}

Agency Description — *The Office of Administrative Hearings (OAH) 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.*

Funding Shift — The approved amount includes a fund source shift of \$291,700 from the General Fund to the Office of Administrative Hearings Fund. For FY 1997, the Registrar of Contractors Fund supplied 31% of the operating monies for the OAH. For FY 1998 and FY 1999, the percentage share of OAH funding received from the Registrar of Contractors increases to 55% to meet its utilization of ALJs and associated services. The OAH Fund consists of monies received from the Registrar of Contractors. (See Footnote 1 below)

Additional Legislation: Regulatory Reform: Conforming Changes: Funds (Chapter 221) — Makes changes to individual state agency statutes relating to administrative hearing procedures that conform to the provisions of Laws 1996, Chapter 102 which established a uniform administrative hearings process for state agencies that use the services and personnel of the Office of Administrative Hearings. Recommendations made in the 1996 OAH report are incorporated into Chapter 221.

^{1/} It is the intent of the Legislature that monies received by the Office of Administrative Hearings from the Registrar of Contractors be deposited into an Office of Administrative Hearings Fund. It is also the intent of the Legislature that future budget requests from the Registrar of Contractors and the Office of Administrative Hearings each reflect the annual cost of the services provided by the Office of Administrative Hearings for the Registrar of Contractors. (General Appropriation Act footnote) Prior to FY 1998, monies were received directly through an appropriation from the Registrar of Contractors Fund.

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

ARIZONA DEPARTMENT OF AGRICULTURE

A.R.S. § 3-101

Keith Kelly, Director

JLBC Analyst: Chris Earnest

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
Program Summary				
Administration	1,528,600	1,616,300	1,686,800	1,727,200
Animal Services	3,660,800	3,806,100	3,970,900	4,070,200
Plant Industries	4,136,500	5,239,200	5,188,500	5,303,300
Chemicals/Environmental	929,200	1,094,400	1,122,800	1,149,200
Laboratory	1,196,000	1,406,500	1,408,700	1,428,100
Total Appropriations	11,451,100	13,162,500	13,377,700	13,678,000
Expenditure Detail				
FTE Positions	277.3	282.8	284.3 ^{1/}	284.3 ^{1/}
Personal Services	6,122,500	6,308,300	6,705,400	6,913,400
Employee Related Expenditures	1,563,500	1,694,500	1,554,900	1,597,800
Professional and Outside Services	154,600	201,300	206,300	206,300
Travel - In State	557,800	520,700	577,700	577,700
Travel - Out of State	36,100	30,500	30,500	30,500
Other Operating Expenditures	1,429,500	1,490,300	1,501,700	1,512,500
Equipment	24,400	200,000	232,000	232,000
Operating Subtotal	9,888,400	10,445,600	10,808,500 ^{2/}	11,070,200 ^{2/}
Agricultural Consulting and Training	92,100	105,300	102,400	104,800
Agricultural Employment Relations Board	0	23,300	23,300	23,300
Aquaculture	7,700	10,300	9,000	9,000
Egg Inspection	240,300	272,300	250,400	257,400
Ratite Control	0	0	40,100	40,100
Animal Damage Control	0	0	65,000	65,000
Citrus, Fruit and Vegetable Standardization	728,900	855,600	850,700	862,900
Dangerous Plants, Pests and Diseases	0	582,000	21,400	21,400
Organic Food Certification	0	12,500	12,500	12,500
Native Plant Program	0	207,200	208,000	212,900
Seed Law Program	0	66,400	92,800	92,800
Karnal Bunt	0	0	300,000 ^{3/}	300,000 ^{3/}
Commercial Feed Program	157,000	166,700	171,200	174,700
Fertilizer Materials Program	164,500	204,400	219,400	222,900
Pesticide Program	172,200	210,900	203,000	208,100
Total Appropriations	11,451,100	13,162,500	13,377,700 ^{4/}	13,678,000 ^{4/}

1/ Includes 44 FTE Positions funded from Special Line Items in FY 1998 and FY 1999.

2/ Of the amount appropriated for All Other Operating Expenditures in FY 1998 and FY 1999, the sum of \$50,000 is appropriated in both fiscal years for the "Arizona Grown" promotion program. Every \$1 expended by the Department of Agriculture for the Arizona Grown program shall be matched by \$0.50 in contribution from the private sector. Any unmatched monies shall revert to the state General Fund. (General Appropriation Act footnote)

3/ State General Fund monies appropriated for Karnal Bunt purposes in FY 1998 and FY 1999 shall be expended only after federal funding for each year and all remaining state emergency monies have been exhausted. Of the FY 1998 appropriated amount, any funds unspent will revert to the state General Fund on December 1, 1997. Any amount of FY 1999 appropriation that is unspent shall revert on December 1, 1998. (General Appropriation Act footnote)

4/ General Appropriation Act funds are appropriated as a Modified Lump Sum by Agency.

ARIZONA DEPARTMENT OF AGRICULTURE (Cont'd)

<u>Fund Summary</u>				
General Fund	9,946,400	10,511,100	11,240,000	11,502,700
Aquaculture Fund	7,700	10,300	9,000	9,000
Egg Inspection Fund	240,300	272,300	250,400	257,400
Citrus, Fruit and Vegetable Revolving Fund	728,900	855,600	850,700	862,900
Commercial Feed Fund	157,000	166,700	171,200	174,700
Fertilizer Materials Fund	164,500	204,400	219,400	222,900
Ratite Control Fund	0	0	40,100	40,100
Pesticide Fund	172,200	210,900	203,000	208,100
Consulting and Training Fund	34,100	63,100	59,200	60,600
Dangerous Plants, Pests and Diseases Fund	0	582,000	21,400	21,400
Seed Law Fund	0	66,400	92,800	92,800
Organic Food Certification Fund	0	12,500	12,500	12,500
Arizona Protected Native Plant Fund	0	207,200	208,000	212,900
Total Appropriations	11,451,100	13,162,500	13,377,700	13,678,000

Agency Description — *The Department of Agriculture administers and enforces agriculture-related statutes, which regulate, project, and promote Arizona's agricultural industries. The department regulates certain phases of food production (such as milking, butchering, and harvesting) to protect public health and to ensure product quality. The department administers programs to protect livestock and crops from diseases and to protect farm-workers who handle agricultural chemicals. It also tests certain non-food agricultural products to ensure product quality and content, and provides administrative support to several product-promotion groups.*

Animal Services: Travel - In State — The approved FY 1998 and FY 1999 amounts include an increase of \$45,000 from the General Fund for Travel - In State in the Animal Services Division. The division administers all livestock, meat and poultry, dairy, and ratite inspections throughout the state. Due to the diverse and wide-spread nature of the agribusiness community, the division travels nearly 1,000,000 miles each year.

Citrus Tristeza Virus — The approved FY 1998 and FY 1999 appropriations include \$122,600 from the General Fund and 2 FTE Positions in the Plant Industries Division to survey for Citrus Tristeza Virus (CTV). A common vector of CTV, known as the Brown Citrus Aphid, has recently established itself in the United States. Should the aphid arrive in Arizona, it could devastate the citrus industry. The department will survey residential trees for CTV in an attempt to minimize losses with the arrival of the Brown Citrus Aphid.

Network Specialist — Included in the approved FY 1998 and FY 1999 amounts is \$40,700 from the General Fund and 1 FTE Position for an additional computer support position.

Agriculture Laboratory Privatization — As a result of a 1995 Program Authorization Review (PAR), funding for the State Agricultural Laboratory (SAL) was adjusted in FY 1997 to accommodate privatization of the feed and fertilizer functions. The FY 1997 adjustment reflected half year funding. The approved FY 1998 amount annualizes the

FY 1997 adjustments by eliminating a 0.5 FTE Position and \$15,600 from the General Fund in Personal Services and Employee Related Expenditures. Professional and Outside Services is increased by \$37,300 in FY 1998 and FY 1999 for a contract with a private lab. Of this amount, \$12,300 is from the Commercial Feed Fund and \$25,000 is from the Fertilizer Materials Fund.

Arizona Grown — An additional \$25,000 from the General Fund was approved for both FY 1998 and FY 1999 for the "Arizona Grown" product promotion program, bringing the total program funding to \$50,000. As required by footnote, for every dollar expended by the department on this program, a 50 cent match is required from the private sector. Any unmatched monies revert to the General Fund.

Administrative Assessments — Prior year appropriations have included an amount from each other appropriated fund to be transferred to a non-appropriated administrative fund (officially titled the Agriculture Designated Fund). The assessments on each of these funds were to be used for departmental overhead purposes. The FY 1997 assessment rate was 6% of prior-year fund expenditures. In that year, \$86,900 in administrative assessments were generated from the following funds:

Consult. & Training	\$ 2,900	Fertilizer Materials	\$11,800
Aquaculture	900	Pesticides	12,700
Egg Inspection	14,600	Citrus Fruit & Veg.	21,200
Commercial Feed	10,500	AZ Native Plant	12,300

ARIZONA DEPARTMENT OF AGRICULTURE (Cont'd)

For FY 1998 and FY 1999, assessments on other funds for administrative purposes have been eliminated. This results in a \$86,900 reduction from the FY 1997 budget. Had the 6% rate been included in the FY 1998 and FY 1999 appropriation, assessments would have generated \$99,800 and \$106,900, respectively.

Agriculture Consultation and Training — Through on-site visits, the department provides non-regulatory advice to the agricultural community on how to comply with state statutes, regulations, policies, and federal mandates that the department administers. The program is funded from both the General Fund and the Consultation and Training Fund.

Agriculture Employment Relations Board — The board receives and investigates complaints of unfair agricultural labor practices and arbitrates agriculture labor disputes. It also conducts farm labor union elections. The board was placed in the Department of Agriculture's budget in FY 1997 and is funded from the General Fund.

Aquaculture — The department regulates facilities such as fish hatcheries where aquatic organisms are raised. Regulations include product labeling, quality and disease control, and aquatic wildlife protection. The department assesses facility license fees to support the regulatory program. The approved FY 1998 and FY 1999 amounts include a reduction of a 0.4 FTE Position and \$1,100 from the Aquaculture Fund.

Egg Inspection — The department regulates egg production facilities and egg product handling to protect public health and to ensure product quality. The department assesses inspection fees to support the program. The FY 1998 and FY 1999 appropriations eliminated a 0.6 FTE Position due to staff vacancy. Associated with this is a reduction of \$11,600 from the Egg Inspection Fund.

Ratite Control — The department has authority to regulate ratite slaughter facilities from contagious diseases and parasites. (Ratite are large birds such as ostriches and emus.) The department recently established rules to assess inspection fees to support this new program. Included in the FY 1998 and FY 1999 appropriations is \$40,100 from the Ratite Fund for the department to initiate slaughterhouse and processing plant inspections.

Animal Damage Control — The department enters into written agreements with the U.S. Department of Agriculture (USDA) to control, dispatch or relocate predatory animals and noxious rodents which are injurious to livestock, poultry, agriculture, other industries or the public health. Although this is a new Special Line Item in FY 1998, \$30,000 from the Plant Industries General Fund budget was devoted to animal damage control in FY 1997. This amount is moved to the

Special Line Item in FY 1998 and FY 1999. The appropriations also include an additional \$35,000 from the General Fund for a total funding level of \$65,000 in FY 1998 and FY 1999.

Citrus, Fruit and Vegetable Standardization — The department inspects produce before and after harvesting to ensure that marketed products meet standards of quality and packaging requirements. The approved FY 1998 and FY 1999 amounts include a reduction of \$17,900 from the Citrus, Fruit, and Vegetable Revolving Fund as a portion of the program manager's salary, which will now be paid from the new non-appropriated Federal/State Inspection Fund.

Dangerous Plants, Pests and Diseases — The department works to control, suppress and/or eradicate noxious weeds and other plant pests and diseases. The Dangerous Plants, Pests and Diseases Fund became appropriated in FY 1997 and was given appropriation authority to expend all receipts for that year only. The approved amounts include a reduction of \$560,600 in one-time emergency Karnal Bunt monies. For FY 1998 and FY 1999, additional Karnal Bunt monies have been moved to a Karnal Bunt Special Line Item.

Organic Food Certification — This program monitors, inspects and certifies agricultural products that have been grown or produced according to USDA organic standards. The Organic Food Certification Fund became appropriated in FY 1997 and was given appropriation authority to expend all receipts for that year only.

Native Plant Program — The department regulates the harvesting, transporting and sale of native plants and investigates and prosecutes unlawful native plant destruction and theft. The Arizona Protected Native Plant Fund became appropriated in FY 1997 and was given appropriation authority to expend all receipts for that year only.

Seed Law Program — This program regulates Arizona seed brokers by issuing licenses and inspecting seed to ensure label compliance. The Seed Law Fund became appropriated in FY 1997 and was given appropriation authority to expend all receipts for that year only. The approved FY 1998 and FY 1999 amounts include an increase of \$26,400 from the Seed Law Fund from the FY 1997 amount due to increased fund revenue and program activity.

Karnal Bunt — The approved FY 1998 and FY 1999 amounts include an increase of \$300,000 for a new Karnal Bunt Special Line Item. As required by footnote, these monies may only be expended after all federal and state emergency monies have been exhausted.

ARIZONA DEPARTMENT OF AGRICULTURE (Cont'd)

The appropriation was intended to be used to help Arizona wheat farmers comply with USDA Karnal Bunt quarantine requirements. Since the enactment of the General Appropriation Act, the USDA lifted the quarantine on all but a fraction of the state's wheat fields. As a result, it is anticipated that current federal funding will be sufficient and that the \$300,000 will revert to the General Fund in each fiscal year.

Commercial Feed Program — The department enforces animal feed content and labeling laws to protect consumers. Fees support the program. As noted above, an additional \$12,300 from the Commercial Feed Fund is approved in FY 1998 and in FY 1999 for new private laboratory services.

Fertilizer Materials Program — The department enforces labeling requirements and other laws related to fertilizer products. Fees support the program. As noted above, an additional \$25,000 from the Fertilizer Materials Fund is approved in FY 1998 and in FY 1999 for new private laboratory services.

Pesticide Program — The department licenses pesticide handlers and enforces pesticide labeling and use laws. License fees support the program.

Additional Legislation: Agriculture Omnibus (Chapter 228)
— This act eliminated the 90/10 status of 5 funds administered by the department. The Fertilizer Materials, Pesticides, Arizona Protected Native Plant, Commercial Feed, and Aquaculture Funds were originally established as funds for regulatory boards and commissions. When these boards and commissions were consolidated into the Department of Agriculture in 1990, they retained their 90/10 status. Because this status has now been eliminated, the funds will no longer transfer 10% of revenues to the General Fund.

STATE BOARD OF APPRAISAL**A.R.S. § 32-3601**

Shirley L. Berry, Executive Director

JLBC Analyst: Brad Regens

Board of Appraisal Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	4.0	4.0	4.0	4.0
Personal Services	122,500	136,200	142,500	146,300
Employee Related Expenditures	23,100	24,500	24,600	25,300
Professional and Outside Services	13,400	21,500	51,500	51,500
Travel - In State	2,800	21,500	21,500	21,500
Travel - Out of State	4,300	2,000	2,000	2,000
Other Operating Expenditures	48,700	46,000	46,700	47,400
Equipment	8,500	0	0	0
Total Appropriations	223,300 ^{1/}	251,700	288,800 ^{2/}	294,000 ^{2/}

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

Legal Services — The approved amount includes an additional \$30,000 for Assistant Attorney General services.

^{1/} The board was originally appropriated \$258,900 for FY 1996, but was allowed to carry forward \$35,600 of that amount to FY 1997.

^{2/} This 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, 1999. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

ARIZONA COMMISSION ON THE ARTS

A.R.S. § 41-981

Shelley M. Cohn, Executive Director

JLBC Analyst: Jim Hillyard

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>12.5</u>	<u>12.5</u>	<u>12.5</u>	<u>12.5</u>
Personal Services	348,500	357,000	375,300	386,900
Employee Related Expenditures	78,300	83,200	84,200	86,400
Professional and Outside Services	500	0	0	0
Travel - In State	13,800	13,100	13,100	13,100
Travel - Out of State	700	800	800	800
Other Operating Expenditures	89,900	95,000	92,600	90,700
Equipment	<u>2,200</u>	<u>2,000</u>	<u>9,200</u>	<u>0</u>
Operating Subtotal	533,900	551,100	575,200	577,900
Arts Endowment Fund	0	0	2,000,000	2,000,000
Community Service Projects	<u>975,000</u>	<u>975,000</u>	<u>1,375,000</u>	<u>1,775,000</u>
Total Appropriations	1,508,900	1,526,100	3,950,200 ^{1/}	4,352,900 ^{1/}

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

Replacement Copier — The approved amount provides \$9,200 to replace the commission's photocopier.

Arts Endowment Fund — The approved amount provides \$2,000,000 in each fiscal year for the Arts Endowment Fund created by Laws 1996, Chapter 186. These monies create an "endowment" and are invested by the State Treasurer. Interest earned on the investment of these monies is available for expenditure by the Arizona Commission on the Arts and will be used to provide aid to arts organizations.

Laws 1996, Chapter 186 intended Arts Endowment funds to be matched by a "comparable commitment" of private funds. To this end, the commission is charged with annually reporting the receipt of private funds in comparison to the amounts appropriated.

Community Service Projects — The approved amount includes a total of \$1,375,000 in FY 1998 and \$1,775,000 in FY 1999 for Community Service Projects. This represents an increase of \$400,000 in FY 1998 and an additional increase of \$400,000 in FY 1999. Community Service Project monies are grants made available to arts organizations and Arizona communities on a matching basis which provide discount tickets, organizational development support, and programs in all disciplines of the arts.

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

ATTORNEY GENERAL - DEPARTMENT OF LAW

A.R.S. § 41-192

The Honorable Grant Woods, Attorney General

JLBC Analyst: Karen Bock

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
<u>Program Summary</u>				
Administration	5,724,600	5,490,100	5,002,500	5,132,900
Civil	7,415,700	7,459,700	13,531,900	13,989,100
Civil Rights	1,651,100	1,659,500	2,249,900	2,348,600
Criminal	10,601,000	11,454,300	13,899,900	14,265,000
Economic Security	0	0	1,978,500	2,042,000
Total Appropriations	25,392,400	26,063,600	36,662,700	37,777,600
<u>Expenditure Detail</u>				
FTE Positions	377.0	383.0	541.1 ^{1/}	544.6 ^{1/}
Personal Services	14,308,900	14,826,000	22,415,200	23,288,200
Employee Related Expenditures	2,904,900	2,999,000	4,315,600	4,498,700
Professional and Outside Services	423,300	218,500	1,950,500	1,965,000
Travel - In State	157,300	139,500	158,700	158,700
Travel - Out of State	52,800	46,800	69,500	69,500
Other Operating Expenditures	3,283,100	2,904,500	4,124,000	4,157,300
Equipment	431,300	400,000	346,700	346,700
Operating Subtotal	21,561,600	21,534,300	33,380,200	34,484,100
Cost Allocation/Indirect Costs	(400,800)	(200,600)	53,200	53,200
Capital Center Rent	828,700	836,600	0	0
Collection Enforcement Revolving Fund	687,500	690,100	0	0
State Grand Jury	158,100	150,000	152,800	155,800
Victims' Rights Implementation Rev. Fund	2,557,300	2,903,200	2,072,100	2,080,100
Victims' Rights Implementation	0	150,000	1,004,400	1,004,400
Total Appropriations	25,392,400	26,063,600	36,662,700 ^{2/3/4/ 5/6/7/}	37,777,600 ^{2/3/4/ 5/6/7/}
<u>Fund Summary</u>				
General Fund	23,147,600	23,320,300	23,755,200	24,387,700
Antitrust Revolving Fund	0	0	711,800	722,600
Collection Enforcement Fund	687,500	690,100	1,409,500	1,521,200
Interagency Service Agreements Fund	0	0	8,714,100	9,066,000
Victims' Rights Implementation Fund	1,557,300	2,053,200	2,072,100	2,080,100
Total Appropriations	25,392,400	26,063,600	36,662,700	37,777,600

1/ Includes 5.1 FTE Positions funded from Special Line Items in FY 1998 and FY 1999.

2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

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

4/ The Attorney General shall notify the President of the Senate, the Speaker of the House of Representatives, and the Joint Legislative Budget Committee before entering into a settlement of \$100,000 or more, which will result in the receipt of monies by the Attorney General or any other person on behalf of the State of Arizona. The Attorney General shall not allocate or expend such funds until the Joint Legislative Budget Committee reviews the allocations or expenditures. This footnote does not apply to actions under Title 13 of the Arizona Revised Statutes, or other criminal matters. (General Appropriation Act footnote)

5/ It is the intent of the Legislature to enact a FY 1999 supplemental appropriation for the Interagency Service Agreements Fund to include legal services provided by the Attorney General to the Arizona Department of Administration, Department of Economic Security, and the Arizona Department of Transportation. The Attorney General shall work with the Arizona Department of Administration, the Arizona Department of Transportation and the Department of Economic Security to determine the number of FTE Positions and the dollar amount required for the interagency agreements for legal services in FY 1999. The ISA amounts may reflect indirect costs of the Attorney General to administer the ISA's. By October 1, 1997, the four agencies shall jointly report their recommendations to the Joint Legislative Budget Committee for FTE and dollar amounts to be covered by the 1999 ISA's. This report shall separately delineate the FY 1998 level of funding versus any enhancements requested for FY 1999. If applicable, the report may present any disagreements between the Attorney General and the other three agencies, and the reasons for such disagreements, regarding the legal services resource requirements. (General Appropriation Act footnote)

ATTORNEY GENERAL - DEPARTMENT OF LAW (Cont'd)

Agency Description — *The Attorney General is an elected constitutional officer. The Administration Division provides internal executive policy direction, advises state officials, agencies and county attorneys, and certifies state rules. The Civil Rights Division enforces civil rights and provides consumer advocacy services. The Civil Division provides general legal services to state agencies, represents the state in lawsuits and other matters, and issues formal legal opinions. The Criminal Division investigates and prosecutes criminal cases, handles criminal appeals, assists county attorneys, and advises agencies on environmental enforcement. The Economic Security Division represents the state in juvenile dependency matters.*

Technical Issues — The approved amount reflects a shift of rent from the General Fund to other appropriated funds. For FY 1998, \$232,800 is shifted, and for FY 1999, \$242,000 is shifted.

Special Agent Equity Pay — The approved FY 1998 and FY 1999 amounts include \$180,100 for a pay adjustment for the Attorney General Special Agent position class. The adjustment is to bring Special Agent pay up to the level of other competing police agencies. Pay for Special Agents will be \$43,700, and for Special Agent Supervisors will be \$52,300.

Information Technology Support — The approved FY 1998 and FY 1999 amounts includes 0.2 FTE Positions and \$35,300 OF and 1.5 FTE Positions and \$222,600 GF, including operating expenses and equipment replacement for the agency's computer system. The approved amount for both years includes \$56,300 GF and \$9,100 OF for one-time equipment.

Criminal Appeals — The approved amounts for FY 1998 and FY 1999 include 3 additional FTE Positions and \$189,700 from the General Fund for the Criminal Appeals Section.

Antitrust Revolving Fund — The approved amounts include a base adjustment of \$627,400 and 9 FTE Positions for FY 1998 and \$628,600 for FY 1999 to reflect the first-time appropriation of this fund. An additional increase of \$75,000 was approved FY 1998 and FY 1999 for investigations (Professional and Outside Services).

Interagency Service Agreements — Pursuant to Laws 1996, Ch. 335, the Interagency Service Agreements Fund is appropriated for the first time in FY 1998 and FY 1999, and all monies transferred to the Attorney General from other agencies for contract services must be deposited into this fund. The approved amount for FY 1998 includes a base

adjustment of 119.4 FTE Positions and \$7,497,400 to reflect the first-time appropriation of this fund. The approved amount for FY 1999 reflects a further increase of 1.5 FTE positions and \$129,500. The table below shows the ISA's included in the appropriation approved for FY 1998 and FY 1999. These amounts are part of the agency's operating budget. In addition to the amounts specified for each agency, a footnote to the General Appropriation Act allows for a "contingency" amount of expenditure authority from the ISA Fund in case any ISA's are expanded or added during the biennium. If new ISA's are needed that exceed this contingency amount, supplemental appropriation authority will be required.

Another footnote indicates that certain contract services provided to the Arizona Department of Administration, the Department of Economic Security, and the Department of Transportation will not be included in the ISA Fund appropriation for FY 1998. A delay is needed so that the agencies involved can agree on the amounts to be transferred and can prepare for the transfer of accounting responsibilities to the Attorney General.

Cost Allocation/Indirect Costs — The Cost Allocation/Indirect Cost Special Line Item reflects costs shifted from the General Fund to Other Appropriated or Non-Appropriated Funds.

Capital Center Rent — The funding for the Capital Center lease-purchase payment is now shown within the Other Operating Expenditures line item.

Collection Enforcement Revolving Fund — The Collection Enforcement unit functions as a collection service for past due debts owed to state agencies, boards, or commissions. The unit returns collected monies to the agency owed, except

6/ In addition to the \$7,952,900 appropriated for FY 1998 and the \$8,290,300 appropriated for FY 1999 from the Interagency Service Agreements Fund, an additional \$761,200 and 12 FTE Positions in FY 1998 and \$775,700 and 12 FTE Positions in FY 1999 are appropriated from the Interagency Service Agreements Fund for new or expanded interagency service agreements. The Attorney General shall report to the Joint Legislative Budget Committee whenever an interagency service agreement is established that will require expenditures from these additional amounts. The report shall include the name of the agency or entity with whom the agreement is made, the dollar amount of the contract by fiscal year, and the number of associated FTE Positions. (General Appropriation Act footnote)

7/ The Attorney General shall report on December 1, 1997 and 1998, and on June 1, 1998 and 1999, to the Joint Legislative Budget Committee on the number of FTEs actually utilized, the amount of collections, program expenditures, and other performance measures to demonstrate the changes to the Collection Enforcement Revolving Fund resulting from the additional FTE and expenditure authority. (General Appropriation Act footnote)

ATTORNEY GENERAL - DEPARTMENT OF LAW (Cont'd)

Approved Interagency Service Agreements with Attorney General				
<u>Agency Name</u>	<u>FY 1998</u>		<u>FY 1999</u>	
	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>
<u>Civil Division</u>				
Accountancy Board	3.0	\$178,600	3.0	\$178,600
Administration: Risk Mgmt/Worker Comp	4.0	241,500	4.0	241,500
Administration: Personnel	1.0	0	1.0	0
Appraisal Board	0.8	46,600	0.8	46,600
Banking	0.5	44,100	0.5	44,100
Coliseum	1.5	82,900	1.5	82,900
Community Colleges		25,000		25,000
Corrections (DOC)	2.0	148,500	2.0	148,500
Corrections - Employee Relations	0.5	0	0.5	0
Cosmetology Board	0.6	45,000	0.6	45,000
Emergency & Military Affairs - Clifton		82,200		82,200
Health Services - Behavioral Health	10.0	579,000	10.0	579,000
Health Services - Outside Counsel		430,100		430,100
Dental Examiner	1.0	59,800	1.0	59,800
Education	0.5	35,000	0.5	35,000
Funeral Board	0.5	9,100	0.5	9,100
Insurance	0.3	17,500	0.3	17,500
Gaming	3.0	204,200	3.5	229,200
Land Department	3.0	200,000	3.0	200,000
Lottery	1.0	59,200	1.0	59,200
Medical Examiners Board	3.5	213,800	3.5	222,800
Nursing Board	2.5	152,500	2.5	158,000
Public Safety	1.0	71,800	1.0	71,800
Public Safety: "ALEOAC"	1.0	60,700	1.0	60,700
Real Estate	0.5	65,700	1.0	65,700
Retirement	2.0	161,200	2.0	161,200
Transportation Tax	<u>2.0</u>	<u>122,600</u>	<u>2.5</u>	<u>122,600</u>
Civil Division Subtotal	45.7	\$3,336,600	47.2	\$3,376,100
<u>Criminal Division</u>				
Agriculture	1.0	\$67,000	1.0	\$69,300
Environmental Quality - UST	2.0	120,000	2.0	124,000
Environmental Quality - WQARF Rep.	17.0	950,000	17.0	950,000
Insurance	2.0	136,000	2.0	136,000
Public Safety - Forfeiture Support	3.0	146,800	3.0	205,500
Public Safety - Street Gang	1.0	52,100	1.0	54,100
State Comp Investment	1.0	46,300	1.0	46,300
Revenue Tax Enforcement	<u>2.0</u>	<u>148,800</u>	<u>2.0</u>	<u>148,800</u>
Criminal Division Subtotal	29.0	\$1,667,000	29.0	\$1,734,000
<u>Economic Security</u>				
DES - Child Care Administration	2.0	110,400	2.0	110,400
DES - Child/Family Service	1.0	65,000	1.0	65,000
DES - Contested Guardian	1.0	107,300	1.0	116,200
DES - Cost Recovery		45,100		45,100
DES - DDD Legal Staff	1.0	47,900	1.0	47,900
DES - Guardian		25,000		27,500
DES - Severance	28.0	1,589,200	28.0	1,589,200
Freestone & IV-D Matters	<u>0.0</u>	<u>3,100</u>	<u>0.0</u>	<u>3,100</u>
Economic Security Subtotal	33.0	1,993,000	33.0	2,004,400

ATTORNEY GENERAL - DEPARTMENT OF LAW (Cont'd)

<u>Agency Name</u>	<u>FY 1998</u>		<u>FY 1999</u>	
	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>
Civil Rights				
CRS Mediation Cost Pool	2.0	\$70,900	2.0	\$70,900
New Grants	6.0	185,000	6.0	185,000
New Training	0.5	15,000	0.5	15,000
On-going ISA's--Non-State Agencies	0.0	74,500	0.0	82,600
On-going ISA's--State Agencies	0.0	68,300	0.0	71,800
Pima Juvenile Court	0.4	5,000	0.4	5,000
Pinal Juvenile Court	0.5	10,000	0.5	10,000
Pinal Mediation	0.5	10,000	0.5	10,000
Yavapai Mediation	0.3	5,200	0.3	5,200
Yavapai Victim Mediation	0.3	1,900	0.3	1,900
Yuma New ISA	<u>1.0</u>	<u>55,000</u>	<u>1.0</u>	<u>55,000</u>
Civil Rights Subtotal	11.5	\$500,800	11.5	\$512,400
Unallocated Information Technology Staff	0.2	\$ 35,300	0.2	\$ 35,300
Unallocated Technical Adjustments		252,900		275,200
Contingency Expenditure Authority	12.0	761,200	12.0	775,700
New Salary Adjustments	—	<u>167,300</u>	—	<u>352,900</u>
Total Interagency Service Agreements	131.4	\$8,714,100	132.9	\$9,066,000

that the Collection Enforcement Revolving Fund may retain up to 35% of the amounts collected, which is used to support the unit's operations. The approved amount includes 9 additional FTE Positions and \$634,800 to increase this program's activity level. The approved FY 1999 amount includes a further increase of 2 FTE positions and \$76,800 for the same purpose. This program was formerly shown as a Special Line Item, but is now part of the agency's operating budget.

State Grand Jury — This amount is for expenses incurred by the Attorney General to investigate and try matters which are under the jurisdiction of the State Grand Jury.

Victims' Rights Implementation Revolving Fund — This fund provides monies to state and local agencies who are required to notify victims of various steps in criminal cases. Recipients include county prosecutors, local police and sheriff's departments, the Attorney General, the State Department of Corrections, the Department of Juvenile Corrections, and the Judiciary. The FTE Positions authorized for FY 1998 and FY 1999 include 4.2 additional positions for the Victims' Services programs. These positions within the unit were formerly counted as non-appropriated fund positions.

Victims Rights Implementation — This Special Line Item is General Fund money appropriated to augment the funding for victim notification available from the Victims' Rights Implementation Revolving Fund.

AUTO THEFT AUTHORITY**A.R.S. § 41-345I**

Paul Mortensen, Executive Director

JLBC Analyst: Jim Hillyard

General Fund and Auto Theft Authority Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>0.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Personal Services	0	72,100	100,300	103,300
Employee Related Expenditures	0	15,600	19,200	19,600
Travel - In State	0	6,000	0	0
Travel - Out of State	0	1,500	0	0
Other Operating Expenditures	0	28,000	600	600
Equipment	<u>0</u>	<u>30,000</u>	<u>0</u>	<u>0</u>
Operating Subtotal	0	153,200	120,100	123,500
Auto Theft Authority Grants	0	0	1,053,400	1,053,400
Unused General Fund Authority	<u>0</u>	<u>71,800</u>	<u>0</u>	<u>0</u>
Total Appropriations	0	225,000	1,173,500 ^{1/}	1,176,900 ^{1/}
Fund Summary				
General Fund	0	225,000	0	0
Auto Theft Authority Fund	<u>0</u>	<u>0</u>	<u>1,173,500</u>	<u>1,176,900</u>
Total Appropriations	0	225,000	1,173,500	1,176,900

Agency Description — *The Automobile Theft Authority is responsible for analyzing the methods of combating the problem of vehicle theft and promoting successful methods of reducing the number of vehicle thefts in Arizona.*

Auto Theft Authority Grants — The approved amount provides \$1,053,400 in FY 1998 and FY 1999 to be provided as grants to fund the establishment, maintenance, and support of programs designed to prevent motor vehicle theft.

Additional Legislation: Auto Theft Prevention Authority (Chapter 290) — As enacted, the General Appropriation Act provided the Authority with \$1,500,000 in FY 1998 from the Defensive Driving Fund in addition to the monies appropriated above. Laws 1997, Chapter 290, however, eliminated the Defensive Driving Fund monies from the Authority's appropriation and, beginning in FY 1998, increased the fee which funds the Automobile Theft Authority Fund from a biannual fee of 25 cents per earned car-year of insurance to a biannual fee of 50 cents per earned car-year of insurance. Laws 1997, Chapter 290 made this additional fee revenue continuously appropriated to the Authority through FY 1999. As a result, the JLBC Staff estimates the Authority will have available \$1,167,400 in FY 1998 and \$1,164,000 in FY 1999 in additional fee monies.

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency. When combined with the additional funds made available by Chapter 290, the Authority will have total expenditure authority of \$2,340,900 in FY 1998 and FY 1999.

STATE BANKING DEPARTMENT

A.R.S. § 6-101

Richard C. Houseworth, Superintendent

JLBC Analyst: Brad Regens

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>52.0</u>	<u>52.0</u>	<u>52.0</u>	<u>52.0</u>
Personal Services	1,480,900	1,660,600	1,749,700	1,803,600
Employee Related Expenditures	320,800	344,800	368,700	378,200
Professional and Outside Services	44,300	8,400	23,400	23,400
Travel - In State	39,400	55,000	45,000	45,000
Travel - Out of State	20,800	18,000	18,000	18,000
Other Operating Expenditures	574,600	319,300	296,300	296,500
Equipment	<u>81,200</u>	<u>52,000</u>	<u>0</u>	<u>0</u>
Operating Subtotal	2,562,000	2,458,100	2,501,100	2,564,700
Local Area Network	<u>211,600</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Appropriations	2,773,600	2,458,100	2,501,100 ^{1/2}	2,564,700 ^{1/2}

Agency Description — *The department regulates state-chartered financial entities in order to assure financial soundness. These entities include money transmitters, motor vehicle dealers, holding companies, trust companies, sales finance companies, collection agencies, escrow agents, debt management companies, consumer lenders, mortgage bankers, mortgage brokers, premium finance companies, savings and loan associations, credit unions, and banks.*

Salary Adjustment — The approved amount includes an increase of \$7,000 in Personal Services and Employee Related Expenditures due to the reclassification of the State Superintendent of Bank's position.

Technical Issues — The approved amount includes an increase of \$15,000 in Professional and Outside Services due to increased programming support for the department's local area network computer system. The increase is offset by a decrease of \$15,000 in Travel - In State and Other Operating Expenditures.

^{1/} The Banking Department shall assess and set fees to ensure that monies deposited in the State General Fund will equal or exceed its expenditure from the State General Fund. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

BOARD OF BARBERS**A.R.S. § 32-301**

Mario Herrera, Executive Director

JLBC Analyst: Chris Earnest

Board of Barbers Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
Personal Services	91,900	93,200	98,000	101,000
Employee Related Expenditures	20,000	19,200	19,900	20,600
Professional and Outside Services	200	800	800	800
Travel - In State	10,600	14,100	15,300	15,300
Travel - Out of State	1,400	1,300	1,300	1,300
Other Operating Expenditures	<u>18,800</u>	<u>27,600</u>	<u>23,300</u>	<u>23,700</u>
Total Appropriations	142,900	156,200	158,600 ^{1/2}	162,700 ^{2/}

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

Travel Costs — The FY 1998 and FY 1999 appropriated amounts include an increase of \$1,200 for Travel - In State. This additional amount will facilitate monthly board meetings.

- ^{1/} This 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, 1999. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

BOARD OF BEHAVIORAL HEALTH EXAMINERS

A.R.S. § 32-3251

David Oake, Executive Director

JLBC Analyst: Jennifer Vermeer

Behavioral Health Examiners Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	7.0	7.0	7.0	7.0
Personal Services	174,300	188,500	197,900	203,400
Employee Related Expenditures	37,600	45,400	43,100	44,200
Professional and Outside Services	12,500	15,200	20,200	20,200
Travel - In State	9,000	11,000	23,000	23,000
Travel - Out of State	4,900	5,700	5,700	5,700
Other Operating Expenditures	86,000	76,700	87,700	87,600
Equipment	0	15,200	16,700	10,200
Total Appropriations	324,300	357,700	394,300 ^{1/2}	394,300 ^{2/}

Agency Description — *The board certifies and regulates behavioral health professionals in the fields of social work, counseling, marriage and family therapy, and substance abuse counseling.*

Technical Issues — The approved amount for FY 1998 includes an increase of \$12,000 for Travel - In State to fully reimburse board members for their travel expenses and an increase of \$6,600 for rent for an additional 463 square feet of workspace.

The approved amounts for FY 1998 and FY 1999 also include \$12,600 for replacement equipment in each year.

Electronic File Storage — The approved amount for FY 1998 includes an increase of \$7,300 for the one-time costs of purchasing an electronic file storage and retrieval system. The use of electronic file storage rather than traditional file storage will allow the board to avoid annual requests for additional storage space and file cabinets. The approved amount for FY 1999 includes a decrease of \$7,300 to reflect the elimination of the one-time costs associated with the electronic file storage system.

Newsletter Costs — The approved amount for FY 1998 includes an increase of \$2,600 for printing and postage costs required to publish 1 additional newsletter per year. The board currently publishes 2 to 3 newsletters per year.

^{1/} This 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, 1999. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

ARIZONA STATE BOXING COMMISSION

A.R.S. § 5-221

Johnny Montano, Executive Director

JLBC Analyst: Jim Rounds

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	1.5	1.5	1.5	1.5
Personal Services	38,700	41,000	43,100	44,300
Employee Related Expenditures	9,700	9,900	11,800	12,100
Professional and Outside Services	0	500	500	500
Travel - In State	800	3,900	2,000	2,000
Travel - Out of State	0	700	700	700
Other Operating Expenditures	10,600	12,300	12,000	12,200
Total Appropriations	59,800	68,300	70,100 ^{1/2}	71,800 ^{1/2}

Agency Description — *The Boxing Commission licenses, investigates and regulates the professional boxing and kick-boxing industry in Arizona. The Department of Racing is responsible for collection and accounting of Boxing Commission revenues.*

Travel - In State — The approved FY 1998 and FY 1999 amounts include a reduction of \$1,900 in Travel - In State to reflect anticipated expenditures.

- 1/ The Boxing Commission shall report to the President of the Senate, Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees, and the Director of the Joint Legislative Budget Committee on a semiannual basis. The report shall contain the number of boxing events, gross receipts, state revenues, and license fee collections. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

DEPARTMENT OF BUILDING AND FIRE SAFETY

A.R.S. § 41-2141

Eric Borg, Director

JLBC Analyst: Chris Earnest

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>68.3</u>	<u>67.5</u>	<u>68.5</u>	<u>68.5</u>
Personal Services	1,745,200	1,806,600	1,927,500	1,987,300
Employee Related Expenditures	479,100	490,500	484,500	497,000
Professional and Outside Services	12,200	0	0	0
Travel - In State	197,600	194,100	198,800	198,800
Travel - Out of State	1,100	6,000	6,000	6,000
Other Operating Expenditures	357,100	155,300	352,700	358,200
Equipment	<u>0</u>	<u>0</u>	<u>10,700</u>	<u>0</u>
Operating Subtotal	2,792,300	2,652,500	2,980,200	3,047,300
Rent/Relocation	205,500	190,500	0	0
Fire Training School	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Total Appropriations	3,027,800	2,873,000	3,010,200 ^{1/}	3,077,300 ^{1/}

Agency Description — *The agency enforces safety standards for manufactured homes, mobile homes, factory-built buildings and recreational vehicles. The agency also includes the Office of the State Fire Marshal, which enforces the state fire codes and provides training and education for fire personnel and the general public.*

Manufactured Housing Inspector — The approved FY 1998 amount includes \$48,500 for a new Manufactured Housing Inspector, followed by a decrease of \$10,700 in FY 1999 for one-time equipment.

Rent/Relocation — This Special Line Item is eliminated for FY 1998 and FY 1999. The one-time relocation costs are eliminated and the rent costs are now included in the Other Operating Expenditures line.

Fire Training School — This appropriation provides training for volunteer firefighters from small communities and rural areas.

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

STATE BOARD OF CHIROPRACTIC EXAMINERS

A.R.S. § 32-901

Patrice Pritzl, Executive Director

JLBC Analyst: Brad Regens

Board of Chiropractic Examiners Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	4.0	4.0	4.0	4.0
Personal Services	109,100	126,000	131,800	135,400
Employee Related Expenditures	22,400	23,800	27,300	27,900
Professional and Outside Services	21,700	26,300	26,300	26,300
Travel - In State	1,200	2,400	4,300	4,300
Travel - Out of State	4,200	5,000	4,000	4,000
Other Operating Expenditures	76,700	62,200	61,500	61,500
Total Appropriations	235,300 ^{1/}	245,700	255,200 ^{2/}	259,400 ^{2/}

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

New Board Member — The approved amount includes an increase of \$1,900 due to the appointment of a new board member who resides in Tucson.

Information Brochure — The approved amount includes an increase of \$1,200 to produce informational and educational material to increase the public awareness of the board's services.

^{1/} The board was originally appropriated \$261,400 for FY 1996, but was allowed to carry forward \$26,100 of that amount to FY 1997.

^{2/} This 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, 1999. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

ARIZONA COLISEUM AND EXPOSITION CENTER BOARD

A.R.S. § 3-1001

Gary D. Montgomery, Executive Director

JLBC Analyst: Jim Rounds

Arizona Coliseum and Exposition Center Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	212.0	193.0	175.0	175.0
Personal Services	4,580,900	3,705,100	3,370,400	3,500,000
Employee Related Expenditures	777,700	691,300	619,400	640,600
Professional and Outside Services	2,514,100	2,400,000	2,550,000	2,485,500
Travel - In State	11,800	9,700	12,700	13,100
Travel - Out of State	40,400	39,600	46,000	47,500
Other Operating Expenditures	5,620,900	5,947,600	5,420,800	5,579,800
Equipment	28,800	0	0	0
Total Appropriations	13,574,600	12,793,300	12,019,300 ^{1/2}	12,266,500 ^{1/2}

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

A.R.S. § 3-1005 states “Monies received by the board... shall be under full control and jurisdiction of the board.” As a result, the appropriations equal 100% of the board’s collections. The approved amounts reflect the board’s current estimates of collections and will be adjusted in accordance with the actual collection levels. *(See Additional Legislation)*

replacement and repair, or building modifications to comply with the Americans with Disabilities Act.

Additional Legislation — State Funds: Appropriations (Chapter 210) — Beginning in FY 2000, transfers the Arizona Coliseum and Exposition Center Fund to appropriated status.

Coliseum Lease — The approved FY 1998 and FY 1999 amounts include a reduction of 18 FTE Positions and \$980,600 due to the recent leasing of the Coliseum.

Consulting Fees — The approved FY 1998 amounts include an increase of \$150,000 for the one-time costs associated with consultation concerning the development of a new fairgrounds. The Coliseum must submit its proposal for expenditure to the Joint Committee on Capital Review.

State Fair Growth — The approved FY 1999 amounts include an increase of \$389,700 for costs associated with state fair growth.

Capital Outlay — Chapter 2, 1st Special Session — Appropriates \$902,900 from the Arizona Coliseum and Exposition Center Fund to the Arizona Coliseum and Exposition Center Board for building renewal. Of this amount, up to 25% may be used for infrastructure

^{1/} All collections paid into the State Treasury by the Arizona Coliseum and Exposition Center are appropriated for Personal Services, Employee Related Expenditures, and all Other Operating Expenditures. The estimated appropriation for FY 1998 is \$12,019,300 and for FY 1999 is \$12,266,500. (General Appropriation Act footnote)

^{2/} Prior to the expenditure of monies for the development of plans for a new fairgrounds, the Coliseum and Exposition Center Board shall submit their proposal to the Joint Committee on Capital Review. (General Appropriation Act footnote)

DEPARTMENT OF COMMERCE

A.R.S. § 41-1501

Jackie Vieh, Director

JLBC Analyst: Lisa Cotter

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	83.5	85.5	89.5 ^{1/}	89.5 ^{1/}
Personal Services	2,288,700	2,512,500	2,706,200	2,787,100
Employee Related Expenditures	450,200	483,300	515,400	525,300
Professional and Outside Services	99,800	68,700	98,700	98,700
Travel - In State	53,500	61,100	64,800	64,800
Travel - Out of State	24,700	48,700	50,700	50,700
Other Operating Expenditures	805,900	927,900	910,900	910,900
Equipment	127,400	66,000	41,000	52,700
Operating Subtotal	3,850,200	4,168,200	4,387,700	4,490,200
International Trade Offices	988,700	1,194,800	1,194,800	1,194,800
Business Assistance Center				
Minority and Women-Owned Business	100,400	103,700	110,800	113,000
Small Business Advocate	101,700	103,700	108,400	111,600
Rural Community Assistance				
Economic Development Matching Funds	104,000	104,000	104,000	104,000
Main Street	129,200	130,000	130,000	130,000
REDI Matching Grants	44,700	45,000	45,000	45,000
Rural Tourism	100,000	100,000	100,400	102,200
National Marketing				
Advertising and Promotion	520,300	495,200	659,200	659,200
Indian Economic Development	66,100	67,200	69,200	70,600
Motion Picture Development	610,400	609,800	618,600	629,100
Senior Living Office	0	200,300	199,700	201,600
Special Arizona Promotion - Major Sporting Events	1,978,500	0	0	0
Strategic Finance				
CEDC Commission	190,800	197,200	208,400	212,100
Rural Development Bank Study	0	75,000	0	0
Workforce Recruitment and Job Training	4,500,000	4,500,000	4,500,000	4,500,000
Mexico Projects				
National Law Center/Free Trade	497,000	250,000	250,000	250,000
NAFTA Projects	198,100	0	0	0
AZ Sonora Economic Development Study	0	150,000	0	0
AZ Sonora Study Implementation	0	70,000	100,000	0
Border Infrastructure Office	0	100,200	102,000	103,200
Other				
Clean Air Fund	0	0	1,000,000 ^{2/}	1,000,000 ^{2/}
Economic Development Incentive Policy	661,200	0	0	0
Oil Overcharge Administration	109,500	123,500	127,200	130,200
Special Needs Housing	0	0	71,300	72,800
Williams AFB Economic Development	350,000	350,000	350,000	350,000
Total	15,100,800	13,137,800	14,436,700	14,469,600

DEPARTMENT OF COMMERCE (Cont'd)

Additional Appropriations -				
Bonds; Greater Arizona Development				
Authority, Ch. 208	0	0	3,000,000	8,000,000
Air Quality Omnibus, Ch. 269	0	0	0	5,000,000
Boxing Commission, Ch. 294	0	0	50,000	50,000
Total Appropriations	15,100,800	13,137,800	17,486,700 ^{2/}	27,519,600 ^{3/}
Fund Summary				
General Fund	10,011,600	9,665,900	14,917,400	19,927,700
Bond Fund	63,300	93,000	95,900	97,800
Clean Air Fund	0	0	0	5,000,000
Commerce and Economic Development Commission (CEDC) Fund	4,569,600	2,885,200	1,923,000	1,934,300
Housing Trust Fund	154,200	158,400	214,800	217,500
Lottery Fund	190,800	197,200	208,400	212,100
Oil Overcharge Fund	109,500	123,500	127,200	130,200
Solar Quality Assurance Fund	1,800	14,600	0 ^{4/}	0
Total Appropriations	15,100,800	13,137,800	17,486,700	27,519,600

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

CEDC Fund Stabilization — The approved amounts shift \$1,122,900 in appropriations and 4 FTE Positions from the CEDC Fund to the General Fund to help stabilize the CEDC Fund. Pursuant to A.R.S. § 41-1505.07A, the Commerce and Economic Development Commission is to establish business incentives and assistance procedures to retain, expand, or locate businesses and other qualified projects within the state. In FY 1997, CEDC Fund monies were used for both a non-appropriated business financial assistance program and for \$2,885,200 in appropriated operating costs and special line items. The appropriated amount of CEDC Fund monies has grown over the years as new economic development-related programs have been added to the responsibilities of the Department of Commerce.

The JLBC Staff estimates that shifting \$1,122,900 in appropriations from the CEDC Fund to the General Fund will enable the CEDC Fund to remain solvent through FY 1999. Also, with fewer appropriations from the CEDC Fund, the department will be able to place more emphasis on CEDC's non-appropriated business financial assistance programs. The shifted amounts include \$389,000 in Administration, \$106,500 in National Marketing, \$107,400

in Sports Development, \$170,000 in the International Trade Offices Special Line Item, and \$350,000 in the Williams Air Force Base Economic Development Special Line Item.

In addition, Laws 1997, Chapter 240 increases available CEDC Fund monies by eliminating the Capital Markets Account within the CEDC Fund. Previously, the Capital Markets Account received registration fees from securities listed in the State of Arizona and used these fees for loans to help establish a stock exchange in Arizona. Under Chapter 240, securities registration fees will go to the CEDC Fund and may be expended on any of CEDC's financial assistance programs.

Housing Development/New Staff — The approved FY 1998 amount provides 1 FTE Position and \$49,600 from the Housing Trust Fund for an additional housing loan officer, followed by a decrease of \$2,500 in FY 1999 for one-time equipment. Beginning in FY 1998, Laws 1996, Chapter 355 allocates an additional 20% of the annual revenues from unclaimed property to the Housing Trust Fund for the development of affordable housing in rural areas of the state.

1/ Includes 20.5 FTE Positions funded from Special Line Items in FY 1998 and FY 1999.

2/ Laws 1996, Chapter 6, 7th Special Session appropriated up to \$1,000,000 from the General Fund to the Clean Air Fund in each fiscal year during which Farm and Home Settlement deposits are made to the General Fund.

3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

4/ Laws 1996, Chapter 182 transferred control of the Solar Quality Assurance Fund from the Department of Commerce to the Registrar of Contractors.

DEPARTMENT OF COMMERCE (Cont'd)

The new loan officer will enable the department to effectively manage a larger number of housing contracts.

Rural Marketing — The approved amounts provide 1 new FTE Position and \$217,100 from the CEDC Fund for rural marketing. This amount includes \$53,100 for a rural marketing representative and \$164,000 in the Advertising and Promotion Special Line Item for rural ad design and placement.

Database Enhancement — The approved amounts provide \$30,000 to enable the department to contract out for database enhancement and consolidation.

Equipment — The approved amounts include \$15,200 from the General Fund for lease-purchase payments. In addition, the FY 1998 amount includes one-time funding of \$20,800 to upgrade computer workstations and the Random Access Memory in LAN Servers. The approved FY 1999 amount also includes one-time funding of \$35,000 to upgrade computer workstations and replace 1 LAN Application Server.

International Trade Offices — The approved amounts provide funding from the General Fund for international trade offices located in Mexico, Japan, England, and Taiwan. Prior to FY 1998, \$170,000 in this Special Line Item came from the CEDC Fund. *(Please see the CEDC Fund Stabilization policy issue above for an explanation of why this Special Line Item is now entirely supported by the General Fund.)* Each office promotes Arizona products and encourages direct foreign investment in Arizona in a particular region of the world. For FY 1998 and FY 1999, the 4 offices' estimated budgets are allocated in the following manner:

Asian Pacific Trade Office	\$214,700
European Trade Office	\$400,000
Japan Trade Office	\$280,000
Mexico Trade Office	\$300,100

Business Assistance Center

Minority and Women-Owned Business — The approved amounts provide funding from the CEDC Fund to promote economic development of minority and women-owned business enterprises.

Small Business Advocate — The approved amounts provide funding from the CEDC Fund to promote the creation and growth of small Arizona businesses. The office also acts as an advocate for small business interests before the Governor, Legislature, state agencies, and the community at large.

Rural Community Assistance

Economic Development Matching Funds — The approved amounts provide funding from the CEDC Fund to support

local community job creation efforts. Grants up to \$10,000 are awarded on a competitive basis to communities with approved plans to design a long-range capital improvement strategy.

Main Street — The approved amounts provide funding for the historical preservation or refurbishment of downtown areas, or "main streets," in selected rural Arizona communities. The goal of the Main Street program, which is funded from the CEDC Fund, is to attract new businesses, jobs, and private investment to rural towns by improving the physical appearance of their downtown areas.

REDI Matching Grants — The approved amounts provide funding from the CEDC Fund for the Rural Economic Development Initiative (REDI) program, which offers special community project grants, up to \$5,000 each, for technical assistance for the economic development programs of rural communities.

Rural Tourism — The approved amounts provide 1 new FTE Position and continued funding from the General Fund to administer the Rural Tourism Development program. This program, created in 1993 by the Arizona Council for Enhancing Recreation and Tourism (ACERT), provides unified agency assistance to rural communities in support of their tourism development efforts. It is coordinated by the department in conjunction with state universities, other state agencies, and federal agencies.

National Marketing

Advertising and Promotion — The approved amounts include an increase of \$164,000 from the CEDC Fund for rural ad placement. Monies in this line item are used to advertise and promote the department's various programs through magazine ads, direct mail, special events, and the production of support materials such as "Business Profiles" of the various communities within the state and the semi-annual newsletter "Spirit of Success."

Indian Economic Development — The approved amounts provide funding from the CEDC Fund to promote economic development on Arizona Native American reservations.

Motion Picture Development — The approved amounts provide funding from the General Fund to attract film and television projects to locations throughout Arizona. The Motion Picture Office creates extensive advertising and promotion campaigns for this purpose. It also develops and updates the Arizona Film Commission Guide, a resource created for industry representatives listing every film professional residing in Arizona (actors, film crews, production companies, etc.) as well as statewide filming locations.

DEPARTMENT OF COMMERCE (Cont'd)

Senior Living Office — The approved amounts provide funding from the CEDC Fund to attract persons aged 55 or older to move to Arizona, and to recruit businesses to the state which produce goods or services targeted to this demographic segment. The Senior Living Office works in conjunction with the department's national marketing program, the public marketing arm of GSPED.

Strategic Finance

CEDC Commission — The approved amounts provide funding from the Lottery Fund to cover the Professional and Outside Services and member expenses of the Commerce and Economic Development Commission, which consists of 35 public and private sector members serving at the request of the Governor. The purpose of the commission is to provide oversight for the short-term and long-term economic development initiatives in the statewide economic development strategic plan.

Rural Development Bank Study — The approved amount reflects the elimination of one-time funding of \$75,000 from the CEDC Fund for a study examining the feasibility of establishing a state Rural Development Bank. The study results were the basis for Laws 1997, Chapter 208, which establishes the Greater Arizona Development Authority.

Workforce Recruitment and Job Training — The approved amounts provide funding from the General Fund for training grants to businesses either training or retraining new or existing employees for specific job opportunities. Training is conducted through the community college system, a licensed private postsecondary educational institution, or a community college operated by a tribal government, unless the employer requests another qualified training provider. At least 15% of the appropriation must go towards small businesses and at least 15% of the appropriation must go towards businesses located in rural areas of the state.

Mexico Projects

National Law Center for Inter-American Free Trade — The approved amounts continue to provide \$250,000 from the CEDC Fund for studies by the National Law Center for Inter-American Free Trade, a research and education center which seeks to identify and eliminate mechanical and structural obstacles to the free movement of goods and services among Mexico, Canada, and the United States. The approved amount will be used to match private monies for additional research projects, in addition to defraying center overhead and administrative costs.

Arizona Sonora Economic Development Study — The approved amounts reflect the elimination of funding for a study originally funded by Laws 1994, Chapter 6, 8th Special Session. The original appropriation provided \$300,000 for an 18-month study to examine ways of expanding trade between Arizona and Sonora. That study

examined industrial clusters, historical and current trade conditions, and opportunities related to tourism. The FY 1997 appropriation continued the study by examining 2 additional industrial clusters, mining and agribusiness.

Arizona Sonora Study Implementation — The approved amount adds \$30,000 from the General Fund above the original FY 1997 appropriation to implement components of the Arizona Sonora Economic Development Study originally funded by Laws 1994, Chapter 6, 8th Special Session. The study examined ways of expanding trade between Arizona and Sonora, with emphasis on historical and current trade conditions, industrial clusters, tourism, mining, and agribusiness. The approved amount will assist the Governor's Arizona-Mexico Commission in implementing components of the study's recommendations in conjunction with the private sector, local boards, and communities.

Border Infrastructure Office — The approved amounts provide funding from the CEDC Fund for a coordinator to oversee infrastructure financing preparation of Arizona border communities, and to serve as a liaison between those communities and public and private financing entities.

Other

Clean Air Fund — Laws 1996, Chapter 6, 7th Special Session appropriated up to \$1,000,000 from the General Fund to the Clean Air Fund in each fiscal year during which Farm and Home settlement deposits are made to the General Fund. Settlement deposits are expected to exceed \$1,000,000 per year in both FY 1998 and FY 1999.

Oil Overcharge Administration — The approved amounts provide funding from the Oil Overcharge Fund to administer the oil overcharge grant and loan restitution programs. It is estimated that the Oil Overcharge Fund will expend \$3,241,000 on these programs in both FY 1998 and FY 1999. Monies in the Oil Overcharge Fund are gradually declining and the Oil Overcharge Fund will have approximately \$4,000,000 remaining at the end of FY 1999.

Special Needs Housing — The approved FY 1998 amount provides 1 new FTE Position and \$70,100 from the General Fund for administration of federal housing grants which serve homeless seriously mentally ill citizens. This program was previously administered by the Department of Health Services. The transfer of the program follows the Executive's decision to consolidate all assisted housing and community development programs within the Department of Commerce.

Williams AFB Economic Development — The approved amounts provide funding from the General Fund to strategically market the Williams Gateway Airport to the global aviation marketplace. Prior to FY 1998, the CEDC Fund supported this Special Line Item. *(Please see the*

DEPARTMENT OF COMMERCE (Cont'd)

CEDC Fund Stabilization policy issue for an explanation of why this Special Line Item is now supported by the General Fund.) Marketing strategy includes direct mail campaigns, recruitment trips to aerospace companies, international aviation trade shows, print advertising, public relations, and special events. Through the Williams Gateway Airport Authority, the state works in cooperation with Mesa, Gilbert, Queen Creek, and the Gila River Indian Community.

Additional Appropriations: Greater Arizona Development Authority (Chapter 208) — This bill establishes the Greater Arizona Development Authority (GADA) as a corporate and political body of the state to help rural communities ("Greater Arizona") meet their infrastructure needs. GADA may issue bonds, guarantee debt obligations and provide technical and financial assistance to political subdivisions, special districts, and Indian tribes. GADA will be governed by a 9-member board consisting of the Directors of the Department of Commerce, the Department of Environmental Quality, and the Department of Transportation; the State Treasurer; and 5 members appointed by the Governor.

The bill also creates the Greater Arizona Development Authority Revolving Fund consisting of legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest. The bill appropriates from the General Fund to the GADA Revolving Fund \$2,800,000 in FY 1998, \$8,000,000 in FY 1999, and \$9,000,000 in FY 2000. Legislative appropriations to the GADA Revolving Fund may only be used to secure bonds. The bill also appropriates \$200,000 in FY 1998 from the General Fund to the Department of Commerce for GADA's first-year operating costs. Thereafter, earnings from the GADA Revolving Fund may be used for the department's operating costs as well as technical and financial assistance to communities. The Department of Commerce may hire up to 5 staff members to provide administrative support and technical services to GADA.

Air Quality Omnibus (Chapter 269) — The Arizona Clean Air Fund (ACAF) was created by Laws 1996, Chapter 6, 7th Special Session. (*For a description of the revenue sources and allowable uses of ACAF monies, please see page B-33 of the FY 1998/FY 1999 Non-Appropriated Funds book prepared by the JLBC Staff.*) This bill appropriates \$5,000,000 in FY 1999 from ACAF to the Department of Commerce Energy Office for distribution to cities within Maricopa and Pima Counties for matching grants to purchase alternative fuel buses. In addition, it appropriates \$5,747,300 in FY 1998 from ACAF to the Department of Environmental Quality's Emissions Inspection Fund for the support and maintenance of the Vehicle Emissions Inspection program.

Boxing Commission (Chapter 294) — Appropriates \$50,000 from the General Fund in FY 1998 and \$50,000 from the General Fund in FY 1999 to the Department of Commerce for operating costs of the high altitude sports training complex. The complex is located on the campus of Northern Arizona University.

Other Issues: Unclaimed Property Disbursement to the Housing Trust Fund — Laws 1996, Chapter 355 created the Housing Development Fund and allocated 20% of the annual revenues from unclaimed property, in addition to the existing 35%, to the Housing Trust Fund beginning in FY 1998. The additional 20% will be transferred to the Housing Development Fund to be used for loans or grants to develop affordable housing in rural areas of the state within 20 miles of an existing or planned prison facility. The other 35% allocated to the Housing Trust Fund may be used for the operation, construction, or renovation of low-income housing across the state. The table below estimates the unclaimed property revenue allocation from FY 1997 to FY 1999.

<u>Disbursement of Unclaimed Property Revenues</u>			
	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Unclaimed Property Revenues	\$19,695,700	\$22,847,000	\$26,502,500
Disbursements:			
Utility Assistance	(619,200)	(625,000)	(625,000)
Refunds	<u>(10,394,300)</u>	(12,057,400)	<u>(13,986,600)</u>
Subtotal	8,682,200	10,164,600	11,890,900
Housing Trust Fund (35% of Subtotal) ^{1/}	(3,038,700)	(3,557,600)	(4,161,800)
Additional to Housing Trust Fund (20% of Subtotal)	0	(2,032,900)	(2,378,200)
Racing-Related Funds (up to 20% of Subtotal) ^{2/}	0	(2,032,900)	(2,378,200)
Permanent School Fund ^{2/}	(57,300)	(59,600)	(59,600)
Administration Expenses	<u>(915,200)</u>	<u>(1,006,800)</u>	<u>(1,107,400)</u>
Remainder to General Fund	\$4,671,000	\$1,474,800	\$1,805,700

^{1/} As prescribed by Law 1996, Chapter 355 (see above).
^{2/} Beginning in FY 1998, Chapter 353 transfers 20% to the State Treasurer for distribution to 8 racing-related funds, up to their statutory maximums. The funds also receive revenue from pari-mutuel taxes and racing fees. For FY 1998, it is estimated that \$915,900 will be required to meet the maximums. Any un-used portion of the 20% will revert to the General Fund.
^{3/} Pursuant to Article XI, Section 8, Constitution of Arizona, unclaimed shares and dividends of any company incorporated under Arizona law are deposited in the Permanent State School Fund.

CONSTITUTIONAL DEFENSE COUNCIL

A.R.S. § 41-401

Michael Block, Chairman

JLBC Analyst: Bob Hull

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
Lump Sum Appropriations	0 ^{1/}	0	350,000	0
Total Appropriations	0	0	350,000 ^{2/}	0

Agency Description — The *Constitutional Defense Council* is to restore, maintain and advance the state's sovereignty and authority over issues that affect this state and the well-being of its citizens. Council members are the Governor or his designee, one person appointed by the President of the Senate and one person appointed by the Speaker of the House of Representatives.

Constitutional Defense Council — The approved amount for FY 1998 includes an increase of \$350,000 to provide monies for the cost of litigating continuing cases. No additional monies were approved for FY 1999. Approximately \$650,000 would be available for use during FY 1998 or FY 1999, after including an estimated non-lapsing balance for FY 1997 of \$300,000.

In FY 1995, the amount of \$1,000,000 was appropriated into the Constitutional Defense Council Revolving Fund by Laws 1994, Chapter 222. No additional funds were appropriated to the Council in FY 1996 or FY 1997. The revolving fund is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. Expenditures were \$18,400 in FY 1995, \$439,900 in FY 1996, and an estimated \$240,000 for FY 1997, leaving an estimated balance of \$300,000 available for use during FY 1998 or FY 1999.

- ^{1/} The General Fund expenditure occurred in FY 1995 when the original \$1,000,000 General Fund appropriation was deposited into the Constitutional Defense Council Revolving Fund.
- ^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as a Lump Sum to the Constitutional Defense Council Revolving Fund.

REGISTRAR OF CONTRACTORS

A.R.S. § 32-1101

Michael P. Goldwater, Director

JLBC Analyst: Lisa Cotter

Registrar of Contractors Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	111.0	111.8	112.8	112.8
Personal Services	2,781,800	2,804,500	3,066,100	3,160,900
Employee Related Expenditures	735,700	741,600	768,700	788,800
Professional and Outside Services	37,100	23,400	23,400	23,400
Travel - In State	193,300	199,600	224,400	224,400
Travel - Out of State	2,700	3,800	3,800	3,800
Other Operating Expenditures	781,900	822,300	946,800	946,500
Equipment	221,000	131,900	109,700	83,900
Operating Subtotal	4,753,500	4,727,100	5,142,900	5,231,700
Imaging Equipment	250,000	0	0 ^{1/}	0 ^{1/}
Incentive Pay	0	60,000	60,000	60,000
Office of Administrative Hearings	0	0	715,800 ^{2/}	718,000 ^{2/}
Total Appropriations	5,003,500	4,787,100	5,918,700 ^{3/4/}	6,009,700 ^{4/}

Agency Description — *The agency licenses, regulates and conducts examinations of residential and commercial construction contractors.*

Technical Issues — The approved amounts include a decrease of 1 FTE Position per the agency's request. The approved FY 1998 amount includes an increase of \$104,400 for the following one-time expenditures: three 4-wheel drive replacement vehicles for the Flagstaff and Prescott offices, 12 replacement computers, 7 fax machines for outlying offices, 16 workstations, and other office equipment. The approved FY 1999 amount includes an increase of \$83,900 for the following one-time expenditures: 12 computers, 17 workstations, and other office equipment. The approved amounts also include \$4,800 for the increased maintenance costs of the new 4-wheel drive vehicles.

Computer Staff — The approved FY 1998 amount includes an increase of 2 FTE Positions (Database Specialist III and Optical Disk Input Technician) and \$70,600, followed by a decrease of \$5,300 in FY 1999 for one-time equipment. The Database Specialist will help implement and maintain a relational database for the agency's new imaging system and

the Optical Disk Input Technician will scan paper files into the imaging system.

Investigator Reclassifications — The approved amounts include \$62,100 to fund a special recruitment rate for investigators that has been approved by the Arizona Department of Administration. The special recruitment rate resolves a disparity in the pay scales between inspectors and investigators of equal grade levels.

Contracts — The approved amounts include \$65,800 for increased repair and maintenance contracts for communications and computer equipment.

Demographic Increases — The approved amounts include an increase of \$29,500 for postage and telephone costs associated with a growing number of licensees and hearing cases. The approved amounts also include an increase of \$20,000 in Travel - In State to accommodate growth in the agency's number of extended dispatch vehicles.

- 1/ It is the intent of the Legislature to provide a supplemental appropriation during the Second Regular Session of the 43rd Legislature upon legislative approval of funding for the Registrar of Contractors' imaging system expansion as determined by a request for proposals for the total project cost of Phase II. (General Appropriation Act footnote)
- 2/ It is the intent of the Legislature that monies received by the Office of Administrative Hearings from the Registrar of Contractors be deposited into an Office of Administrative Hearings Fund. It is also the intent of the Legislature that future budget requests from the Registrar of Contractors and the Office of Administrative Hearings each reflect the annual cost of the services provided by the Office of Administrative Hearings for the Registrar of Contractors. (General Appropriation Act footnote)
- 3/ This 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, 1999. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

REGISTRAR OF CONTRACTORS (Cont'd)

Telecommunications Improvements — The approved FY 1998 amount includes \$22,100 for a statewide 800 number, with a decrease of \$300 in FY 1999 for one-time costs. The approved FY 1998 amount also includes \$9,000 to add a faxtext module to the agency's telephone system.

Imaging Equipment — In FY 1995, the Registrar of Contractors (ROC) received \$343,800 to purchase an imaging system for its Licensing Division. In FY 1996, an additional \$250,000 provided one-time funding that was used to complete the Licensing Division's imaging system. The ROC requested funding in FY 1998 to expand the imaging system to its Hearing and Recovery Fund Divisions (Phase II). The Legislature has agreed to consider funding the project as a FY 1999 supplemental appropriation once the ROC has completed a request for proposals for the full project cost of Phase II. (*Please see General Appropriation Act footnote reference.*)

Incentive Pay — The approved amounts provide funding for an agencywide incentive pay program.

Office of Administrative Hearings — The approved amounts reflect monies transferred from the ROC to the Office of Administrative Hearings (OAH) for Administrative Law Judges and associated services. In FY 1997, the ROC Fund supplied 31% of the operating monies for the OAH. For FY 1998 and FY 1999, the percentage share of OAH funding received from the ROC increases to 55% to meet its utilization of OAH services. (*Please see General Appropriation Act footnote reference.*)

CORPORATION COMMISSION

A.R.S. § 40-101

The Honorable Carl Kunasek, Commissioner/Chairman

JLBC Analyst: Brad Regens

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
<u>Program Summary</u>				
Administration/Hearing	1,823,500	1,816,400	1,729,500	1,767,600
Corporations	1,418,900	1,386,800	2,993,000	3,271,200
Securities	1,552,100	2,195,800	4,321,300	4,415,400
Railroad Safety	517,600	582,300	624,600	635,600
Utilities	4,864,600	4,857,400	5,024,700	5,038,300
Legal	1,026,600	1,008,800	1,112,000	1,133,800
Total Appropriations	11,203,300	11,847,500	15,805,100	16,261,900
<u>Expenditure Detail</u>				
FTE Positions	222.0	236.0	283.0 ^{1/2/}	283.0 ^{2/}
Personal Services	6,960,100	7,273,700	8,140,200	8,383,100
Employee Related Expenditures	1,500,000	1,525,000	1,696,600	1,742,400
Professional and Outside Services	189,400	154,900	251,900	219,900
Travel - In State	191,800	177,200	177,700	177,700
Travel - Out of State	47,200	59,300	60,300	60,300
Other Operating Expenditures	1,649,900	1,481,600	2,231,400	2,251,200
Equipment	175,100	3,000	102,500	344,400
Operating Subtotal	10,713,500	10,674,700 ^{3/}	12,660,600	13,179,000
Arts Trust Fund Administration	28,500	28,900	29,400	30,300
Model Business Corporation Act	21,800	0	0	0
Investment Management Act	0	601,900	640,700	657,600
Securities Revolving Fund	0	0	1,927,400	1,953,000
Railroad Warning Systems	131,100	192,000	192,000 ^{4/}	192,000 ^{4/}
Audits and Studies	253,400	350,000	260,000 ^{4/}	250,000 ^{4/}
Pipeline Safety Inspection & Training	55,000	0	95,000	0
Total Appropriations	11,203,300	11,847,500	15,805,100 ^{5/}	16,261,900 ^{5/}
<u>Fund Summary</u>				
General Fund	5,174,500	5,226,700	5,730,100	5,822,800
Utility Regulation Fund	5,945,300	5,990,000	6,162,900	6,297,400
Arizona Arts Trust Fund	28,500	28,900	29,400	30,300
Pipeline Safety Revolving Fund	55,000	0	95,000	0
Investment Management and Regulatory Enforcement Fund	0	601,900	640,700	657,600
Public Access Fund	0	0	1,219,600	1,500,800
Securities Regulatory and Enforcement Fund	0	0	1,927,400	1,953,000
Total Appropriations	11,203,300	11,847,500	15,805,100	16,261,900

^{1/} Includes 12 FTE Positions funded by the Public Access Fund and 29 FTE Positions funded by the Securities Regulatory and Enforcement Fund. These fund sources were created as Non-Appropriated Funds which became appropriated under state law in FY 1998. Thus, this funding and related FTE Positions are displayed for the first time in the FY 1998 column.

^{2/} Includes 44 FTE Positions funded from Special Line Items in FY 1998 and FY 1999.

^{3/} Laws 1997, Chapter 7, 1st Special Session appropriated \$16,800 for half-year funding to increase the salary of the 3 Corporation Commissioners beginning January 1, 1997.

^{4/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

CORPORATION COMMISSION (Cont'd)

Agency Description — *The Arizona Corporation Commission was established by Article 15 of the Arizona Constitution and consists of 3 statewide elected Commissioners, each serving 6-year terms. The commission's primary responsibilities are divided among divisions including Corporations, Securities, and Utilities. The Corporations Division administers the corporations code and provides public access to corporate annual reports, articles of incorporation, and corporate status change documents. The Securities Division regulates securities dealers and investment advisers, investigating possible violations of the Arizona Securities Act. The Utilities Division monitors approximately 500 public service corporations operating in Arizona. This division acts as an independent party in reviewing and establishing public utility rates, and monitoring compliance with commission regulatory decisions. Other functions of the commission include inspecting gas pipelines, operating the pipeline safety program, inspecting railroad track and hazardous cargo transport along railways, and also erecting warning devices at potentially dangerous railroad crossings throughout the state.*

Corporation Division Backlog — As a result of the Program Authorization Review (PAR), the approved FY 1998 amount for the Corporation Division includes an increase of \$281,300 and 6 FTE Positions. The PAR determined that the Corporations Division currently operates under a substantial backlog. Examiners review incoming documents and answer the phones resulting in documents such as articles of incorporation and corporate name changes to take 8 weeks or more to process. The 6 additional FTE Positions will facilitate the formation of a separate phone bank. To alleviate the backlog the approved amount includes \$12,000 to hire temporary positions and \$35,000 to outsource the division's document microfilming. The approved FY 1998 amount also includes \$53,800 in one-time funding to purchase workstations for the 6 new FTE Positions, as well as a fax machine and printer.

Corporation Division Processing System — As a result of the PAR, the approved FY 1999 amount includes \$282,100 in one-time funding to create a new processing system for the Corporation Division. This one-time increase funds the purchase of 2 machines to scan and microfilm every document upon receipt. In addition, the one-time increase funds 3 bar code printers which will print out and assign a bar code number to every document received to allow for easier document tracking and improved customer service.

Additional Office Space — The approved FY 1998 amount includes an increase of \$28,400 for additional office space and \$7,500 for one-time remodeling costs.

Equipment — The approved FY 1998 amount includes \$83,100 in one-time funding to replace 2 photocopy machines, 1 electronic cash register and several personal computers and printers. The approved FY 1999 amount includes \$35,900 in one-time funding to replace 1 photocopy machine, 1 laser printer and several personal computers.

Commissioners Salaries — The approved FY 1998 amount includes an increase of \$33,600 to raise the salary of the 3 Corporation Commissioners from \$54,600 to \$65,000. With the exception of legislators, elected official salaries are

determined by the recommendations of the Governor and the Commission on Salaries for State Elected Officials. The Corporation Commissioners, unlike most other elected officials, are permitted by the state Constitution to receive a salary increase while serving their terms.

Arts Trust Fund Administration — The approved FY 1998 amount in the Special Line Item includes \$29,400 in ongoing expenditures to fund 1 employee from the Arizona Arts Commission. The approved FY 1999 amount includes \$30,300 and 1 FTE Position. Pursuant to A.R.S. § 10-601, one-third of the fees collected by the commission from corporate annual report filings is remitted to the Arizona Arts Trust Fund. Monies from this account fund minor operating expenditures and the Personal Services and Employee Related Expenditures for 1 employee, who oversees the remittance.

Investment Management Act — Laws 1994, Chapter 311, 2nd Regular Session provides for the registration of securities dealers and investment advisers. A portion of the fees associated with registration are deposited in the Investment Management Regulatory and Enforcement Fund. The approved FY 1998 amount for the Investment Management Act Special Line Item includes \$640,700 and 14 FTE Positions. The approved FY 1999 amount includes \$657,600 and 14 FTE Positions. These employees review applications for registration, perform investigations, and educate the public about investments.

Securities Revolving Fund — Pursuant to Laws 1996, Chapter 335, this fund became subject to legislative appropriation in FY 1998. The approved FY 1998 amount includes \$1,927,400 and 29 FTE Positions. The approved FY 1999 amount includes \$1,953,000 and 29 FTE Positions. Monies in the fund are used for education, regulatory, investigative, and enforcement activities in the Securities Division.

Railroad Warning Systems — The approved amounts include \$192,000 for construction of warning devices at railway crossings. The approved amounts provide the 10% state match for Federal Funds for railway safety projects statewide.

CORPORATION COMMISSION (Cont'd)

Audits and Studies — The Corporation Commission hires outside consultants who provide professional expertise and advise Utilities Division staff during commission public utility rate hearings. Monies in this line item have historically constituted a non-reverting appropriation. Due to this, the line item has built up a healthy unexpended fund balance. The approved FY 1998 amount includes a reduction of \$90,000. The approved FY 1998 appropriation of \$260,000 from the Utility Regulation Revolving Fund in combination with an estimated carry-forward balance of \$634,100 provides a total of \$894,100 available for utility audits and studies. Estimated FY 1998 expenditures are \$400,000 leaving a carry-forward balance of approximately \$494,100. The approved FY 1999 amount includes a further reduction of \$10,000. The approved FY 1999 appropriation of \$250,000 in combination with an estimated carry-forward balance of \$494,100 provides a total of \$744,100 available for utility audits and studies. Estimated FY 1999 expenditures are \$350,000 leaving a carry-forward balance of approximately \$400,000.

Pipeline Safety Inspection and Training — The approved amount includes an increase of \$95,000 from the Pipeline Safety Revolving Fund in FY 1998 to fund programs which investigate gas and hazardous liquids pipeline facilities and educate the public about these facilities. This one-time increase provides for the purchase of various pieces of safety equipment used in detecting pipeline leaks.

BOARD OF COSMETOLOGY

A.R.S. § 32-501

Sue Sansom, Executive Director

JLBC Analyst: Chris Earnest

Board of Cosmetology Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>15.5</u>	<u>15.5</u>	<u>17.5</u>	<u>17.5</u>
Personal Services	303,900	345,300	404,800	417,200
Employee Related Expenditures	84,200	96,000	102,100	104,600
Professional and Outside Services	84,200	77,900	132,000	132,000
Travel - In State	24,800	25,000	25,000	25,000
Travel - Out of State	6,900	7,700	7,700	7,700
Other Operating Expenditures	126,100	139,500	141,800	144,700
Equipment	<u>1,000</u>	<u>0</u>	<u>22,000</u>	<u>0</u>
Operating Subtotal	631,100	691,400	835,400	831,200
Relocation and Equipment Replacement	<u>170,500</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Appropriations	801,600	691,400	835,400 ^{1/2}	831,200 ^{2/}

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

New Staff — The approved amount for FY 1998 includes an increase of \$62,400 for 2 additional staff persons followed by a decrease of \$12,600 in FY 1999 for one-time equipment. The positions will be used to help the board address a backlog in complaints and examinations.

Attorney General Services — The FY 1998 and FY 1999 amounts include an increase of \$43,700 for the board to contract with the Attorney General's Office for legal services. This amount will provide for an Assistant Attorney General to devote 60% of his or her time to cosmetology representation in complaint hearings, rule writing and other legal activities.

Exams Contract — The approved appropriations for FY 1998 and FY 1999 include an additional \$10,400 for a contract with the National Interstate Council of State Boards of Cosmetology (NIC). NIC provides and scores the exams administered by the board.

Relocation and Equipment Replacement — This was one-time funding to facilitate the board's move away from the Capitol Mall area.

^{1/} This 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, 1999. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

ARIZONA CRIMINAL JUSTICE COMMISSION

A.R.S. § 41-2404

Rex Holgerson, Executive Director

JLBC Analyst: Jim Hillyard

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	6.0	6.0	6.0	6.0
Personal Services	205,700	222,700	230,700	236,900
Employee Related Expenditures	36,200	45,600	44,800	46,500
Professional and Outside Services	1,600	0	0	0
Travel - In State	8,200	11,000	11,000	11,000
Travel - Out of State	2,300	2,300	2,300	2,300
Other Operating Expenditures	55,700	65,400	61,400	61,400
Operating Subtotal	309,700	347,000	350,200	358,100
Substance Abuse Surveys	22,400	0	25,000	0
Street Gang Prosecution	1,099,600	500,000	500,000	500,000
Drug and Gang Prevention Resource Center	203,000	230,000	0	0
Crime Victim Compensation	0	0	1,100,000	1,100,000
Crime Victim Assistance Program	0	0	450,000	450,000
Total	1,634,700	1,077,000	2,425,200	2,408,100
Additional Appropriations -				
Juvenile Justice; Implement Proposition 102, Ch. 220	0	0	500,000	0
Appropriation; Obscenity Prosecution, Ch. 244	0	0	250,000	250,000
Total Appropriations	1,634,700	1,077,000	3,175,200^{1/}	2,658,100^{1/}
<u>Fund Summary</u>				
General Fund	1,099,600	500,000	1,250,000	750,000
Criminal Justice Enhancement Fund	332,100	347,000	375,200	358,100
Crime Victim Assistance Fund	0	0	450,000	450,000
Crime Victim Compensation Fund	0	0	1,100,000	1,100,000
Drug Enforcement Account	203,000	230,000	0	0
Total Appropriations	1,634,700	1,077,000	3,175,200	2,658,100

Agency Description — *The commission was created to enhance the effectiveness and the coordination of the criminal justice system in Arizona; to monitor the criminal justice system and the progress and implementation of new and continuing criminal justice legislation; to identify needed revisions in the system or legislation; to make appropriate reports on the system and legislation; and to administer special funds for the enhancement of designated criminal justice system programs and activities in the state of Arizona. The Arizona Criminal Justice Commission (ACJC) receives 1.57% of Criminal Justice Enhancement Fund (CJEF) monies.*

Substance Abuse Surveys — Pursuant to A.R.S. § 41-2416, the commission is to conduct an annual drug survey when the Legislature specifically appropriates monies for that purpose. The statute was amended in 1991 to include appropriation-specific language so that the Legislature could have the flexibility of conducting the survey biennially.

Street Gang Prosecution — The approved amount provides \$500,000 in FY 1998 and FY 1999 from the General Fund to be distributed by ACJC to organizations involved in the prosecution of members of criminal street gangs.

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

ARIZONA CRIMINAL JUSTICE COMMISSION (Cont'd)

Crime Victim Compensation — The approved amount includes a base adjustment of \$1,100,000 to reflect the first-time appropriation of the Victim Compensation Fund. This program provides monetary compensation to victims of crime.

Crime Victim Assistance Program — The approved amount includes a base adjustment of \$450,000 to reflect the first-time appropriation of the Victim Assistance Fund. Crime Victim Assistance monies are distributed to various state and private non-profit agencies who provide services to victims of crime.

Additional Appropriations: Juvenile Justice: Implement Proposition 102 (Chapter 220) — Appropriates \$500,000 in FY 1998 from the General Fund to the Street Gang Revolving Fund for the purpose of investigating and prosecuting juvenile and adult gang offenses.

Appropriation: Obscenity Prosecution (Chapter 244) — The \$250,000 appropriated in each fiscal year shall be used to establish grants to county attorneys to improve the detection and prosecution of obscenity crimes. The grants are to be used to supplement any existing county funds being used for this purpose.

Capital Outlay: Juvenile Justice: Implement Proposition 102 (Chapter 220) — Appropriates \$1,000,000 from the General Fund to the new County Jail Juvenile Improvement Fund to be administered by ACJC. Monies in the fund shall be used to fund the construction of new juvenile beds in county jail facilities in which juveniles will be detained.

ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND - SUMMARY

A.R.S. § 15-1301

Wilbur Lewis, Ph.D., Superintendent

JLBC Analyst: Stefan Shepherd

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
<u>Program Summary</u>				
Phoenix Day School	5,177,800	5,575,900	5,912,600	6,080,400
Tucson Campus	12,894,600	13,340,700	13,479,600	13,706,500
Administration/Statewide Programs	3,562,900	3,775,100	4,624,000	4,707,400
Total Appropriations	21,635,300	22,691,700	24,016,200	24,494,300
<u>Expenditure Detail</u>				
FTE Positions	519.9	524.4	536.9	539.9
Personal Services	14,117,900	14,888,800	15,805,500	16,336,800
Employee Related Expenditures	3,068,700	3,053,100	3,287,800	3,390,000
Professional and Outside Services	415,400	485,500	491,800	370,200
Travel - In State	55,500	62,400	66,100	67,700
Travel - Out of State	1,300	7,000	7,000	7,000
Food	102,100	115,100	115,100	115,100
Other Operating Expenditures	3,545,300	3,282,700	3,532,900	3,564,000
Equipment	329,100	797,100	510,000	443,500
Operating Subtotal	21,635,300	22,691,700	23,816,200 ^{1/}	24,294,300 ^{1/}
Educational and Technical Equipment	0	0	200,000	200,000
Total Appropriations	21,635,300	22,691,700	24,016,200 ^{2/}	24,494,300 ^{2/}
<u>Fund Summary</u>				
General Fund	16,706,600	16,827,100	17,566,900	18,073,700
Permanent Special Education				
Institutional Voucher Fund	4,725,900	5,485,700	6,049,200	6,049,200
Endowment Earnings and Out-of-State				
Tuition	202,800	371,600	371,400	371,400
Enterprise Fund	0	7,300	0	0
Telecommunication Fund for the Deaf	0	0	28,700	0
Total Appropriations	21,635,300	22,691,700	24,016,200	24,494,300

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 existing school district cooperatives are operated. ASDB also serves children up to 2 years of age throughout the state. Systemwide, ASDB serves approximately 1,406 children: 526 students in the K-12 programs, 125 children in preschools, 366 infant/toddlers in regional areas, and 389 children through the 3 existing regional cooperatives.*

^{1/} Of the Operating Lump Sum appropriation, \$75,000 for Personal Services and Employee Related Expenditures shall revert to the state General Fund in FY 1998 and FY 1999 if the teachers at the Arizona State Schools for the Deaf and the Blind do not approve a teacher incentive pay plan of \$150,000 by June 1, 1998. The entire incentive pay plan shall be funded from within the total appropriations for FY 1998 and FY 1999. (General Appropriation Act footnote)

^{2/} General Appropriation Act appropriation format varies by program.

ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND - SUMMARY (Cont'd)

Fund Sources — ASDB receives appropriated funding from the following 5 sources: General Fund, Voucher Fund, Endowment Earnings, Out-of-State Tuition, and, for FY 1998 only, Telecommunication Fund for the Deaf monies. The voucher monies are received from the Arizona Department of Education (ADE). ADE is appropriated funding through a Special Line Item called Permanent Special Education Institutional Voucher Fund for the special education costs of students attending ASDB and Regional Cooperatives, in accordance with A.R.S. § 15-1202. ASDB must have an application approved by the Division of Special Education at ADE to receive voucher funding based on amounts set in statute, by disability category. ASDB will receive voucher funding for FY 1998 and FY 1999 based on actual enrollment in each of those years. If its student count increases or decreases from each year's enrollment estimate, its voucher funding will change accordingly.

The following represents the FY 1998 per pupil funding for each disability category:

Category	Rate
Visual Impairments	\$13,222.99
Hearing Impairments	10,404.24
Multiple Disabilities	11,341.36
Multiple Disabilities with Severe Sensory Impairments	14,718.45

These rates reflect an increase over the FY 1997 disability category rates due to an increase in the "Group B" special education weights for FY 1998 as approved in Laws 1997, Chapter 4, 1st Special Session.

Equity Salary Adjustment — The approved FY 1998 and FY 1999 amounts include General Fund and Voucher Fund monies for a salary equity adjustment for all positions at ASDB. The adjustment provides a full step adjustment for all ASDB employees, effective January 1, 1998, and another full step adjustment, effective January 1, 1999. The approved amount for FY 1998 includes \$215,600 in Personal Services and \$26,000 in Employee Related Expenditures for the FY 1998 adjustment. The approved amount for FY 1999 includes \$431,200 in Personal Services and \$52,000 in Employee Related Expenditures for the FY 1999 adjustment and annualization of the FY 1998 adjustment. The FY 1999 adjustment will need to be annualized in FY 2000.

The full step adjustment dollar amount varies by employee, but may be approximated as follows: between \$347 and \$1,534 for classified, between \$825 and \$2,107 for administrative, and \$1,393 for certified positions. This step increase represents a 2.75% increase for classified positions, 2.5% for administrative positions, and varies between 2.9%

and 6.3% for certified positions. The step adjustment is in lieu of the salary adjustments approved in the General Appropriation Act for other state employees in FY 1998 and FY 1999.

The Legislature also approved additional General Fund monies for a teacher incentive pay plan at ASDB. The additional \$67,000 in Personal Services and \$8,000 in Employee Related Expenditures in both FY 1998 and FY 1999 is to be used with \$75,000 from ASDB's operating budget to develop an incentive pay plan for instructional staff. The additional General Fund monies shall revert in FY 1998 and FY 1999 if teachers at ASDB do not approve a teacher incentive pay plan of \$150,000 by June 1, 1998 (see footnote #1).

The Arizona Department of Administration annually surveys similar personnel by education level in 5 school districts providing significant programs for sensory impaired children (currently Tucson Unified, Mesa Unified, Washington Elementary, Paradise Valley Union, and Scottsdale Union) to compare the salaries offered by ASDB. The results of the equity survey is reported for consideration to the JLBC, per A.R.S. § 15-1331. The 1996 salary equity study called for an inflationary adjustment and a partial step adjustment.

Educational and Technical Equipment — The approved FY 1998 and FY 1999 amounts, \$200,000, include an increase of \$100,000 GF and the creation of a new Educational and Technical Equipment Special Line Item in the Phoenix Day School for the Deaf and the Tucson Campus budgets. Monies in this line item will be used to purchase assorted educational and technical equipment such as computers that will be targeted at students.

**ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND -
PHOENIX DAY SCHOOL**

A.R.S. § 15-1301

General Fund and Permanent Special Education Institutional Voucher Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>136.4</u>	<u>137.4</u>	<u>147.4</u>	<u>147.4</u>
Personal Services	3,498,900	3,891,000	4,324,400	4,445,400
Employee Related Expenditures	800,300	798,600	904,400	927,000
Professional and Outside Services	135,300	59,300	20,300	20,300
Travel - In State	200	1,100	1,100	1,100
Travel - Out of State	0	1,500	1,500	1,500
Food	31,000	30,900	30,900	30,900
Other Operating Expenditures	455,800	396,700	394,200	394,200
Equipment	<u>256,300</u>	<u>396,800</u>	<u>115,800</u>	<u>140,000</u>
Operating Subtotal	5,177,800	5,575,900	5,792,600	5,960,400
Educational and Technical Equipment	<u>0</u>	<u>0</u>	<u>120,000</u>	<u>120,000</u>
Total Appropriations	5,177,800	5,575,900	5,912,600 ^{1/}	6,080,400 ^{1/}
Fund Summary				
General Fund	3,483,900	3,356,500	3,113,300	3,281,100
Permanent Special Education Institutional Voucher Fund	<u>1,693,900</u>	<u>2,219,400</u>	<u>2,799,300</u> ^{2/}	<u>2,799,300</u> ^{2/}
Total Appropriations	5,177,800	5,575,900	5,912,600	6,080,400

Program Description — *The Phoenix Day School for the Deaf (PDSD) provides a comprehensive educational program for hearing impaired students. PDSD is projected to serve 256 students in the K-12 programs in the following categories: 199 hearing impaired, 23 multiply disabled and 23 multiple disabilities with severe sensory impairments (MDSSI).*

Personnel Shift — The approved FY 1998 and FY 1999 amounts include an increase of \$235,200 and 6 FTE Positions from FY 1997 associated with a shift of personnel from the Tucson Campus to PSDS. The exact composition of the transfer has been left to ASDB's discretion.

Administrative Help — The approved FY 1998 and FY 1999 amounts include an increase of \$62,400 and 3 FTE Positions for administrative help related to increased enrollment. Monies will be used to hire a transportation assistant and 2 secretaries for the Personnel office and the Related Service Division.

Physical Therapist — The approved FY 1998 and FY 1999 amounts include an increase of 1 FTE Position for a physical therapist at PSDS. To fund this position, \$39,000 in Professional and Outside Services line previously used to contract for physical therapy services have been transferred to Personal Services and Employee Related Expenditures.

Training Days — The approved FY 1998 and FY 1999 amounts include an increase of \$13,400 to add training days to the schedule of instructional aides at PSDS.

Equipment — The approved FY 1998 amount includes a total of \$22,500 for replacement non-capitalized equipment, \$70,000 for 1 replacement bus, and a total of \$45,800 for 2 replacement cars. The approved FY 1999 amount includes a total of \$22,500 for replacement non-capitalized equipment and a total of \$140,000 for 2 replacement buses.

Educational and Technical Equipment — The approved FY 1998 and FY 1999 amounts include a total of \$120,000 for educational and technical equipment, an increase of \$100,000 from FY 1997. Further details on this new Special Line Item can be found in the Summary.

1/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

2/ Prior to the expenditure of any voucher funds in excess of the \$2,799,300 in FY 1998 and \$2,799,300 in FY 1999 shown above, the Arizona State 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, the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. (General Appropriation Act footnote)

**ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND -
TUCSON CAMPUS**

A.R.S. § 15-1301

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	313.7	317.2	308.2	308.2
Personal Services	8,294,000	8,603,200	8,673,600	8,913,500
Employee Related Expenditures	1,803,400	1,744,100	1,835,600	1,880,200
Professional and Outside Services	127,600	192,900	185,600	185,600
Travel - In State	11,500	5,800	5,800	5,800
Travel - Out of State	500	3,400	3,400	3,400
Food	71,100	84,200	84,200	84,200
Other Operating Expenditures	2,529,400	2,325,200	2,495,400	2,464,800
Equipment	57,100	381,900	116,000	89,000
Operating Subtotal	12,894,600	13,340,700	13,399,600	13,626,500
Educational and Technical Equipment	0	0	80,000	80,000
Total Appropriations	12,894,600	13,340,700	13,479,600 ^{1/}	13,706,500 ^{1/}
Fund Summary				
General Fund	9,659,800	9,695,500	9,940,200	10,195,800
Permanent Special Education				
Institutional Voucher Fund	3,032,000	3,266,300	3,139,300 ^{2/}	3,139,300 ^{2/}
Endowment Earnings and				
Out-of-State Tuition	202,800	371,600	371,400 ^{2/4/}	371,400 ^{2/4/}
Enterprise Fund	0	7,300	0	0
Telecommunication Fund for the Deaf	0	0	28,700	0
Total Appropriations	12,894,600	13,340,700	13,479,600	13,706,500

Program Description — *The Tucson Campus provides a comprehensive residential educational program for visually and hearing impaired students. The school currently serves 270 students in the K-12 programs in the following categories: 102 hearing impaired, 57 visually impaired, 71 multiple disabilities with severe sensory impairments and 40 multiply disabled students.*

Personnel Shifts — The approved FY 1998 and FY 1999 amounts include a decrease of \$235,200 GF and 6 FTE Positions from FY 1997 associated with a shift of personnel from the Tucson Campus to the Phoenix Day School for the Deaf. The exact composition of the transfer has been left to ASDB's discretion. The approved FY 1998 and FY 1999 amounts also include a decrease of \$99,000 and 3 FTE Positions from FY 1997 associated with transferring the Preschool programs out of the Tucson Campus and into the Administration/Statewide Programs cost center.

Training Days — The approved FY 1998 and FY 1999 amounts include an increase of \$36,500 GF to add training days to the schedule of teaching parents, night supervisors, and instructional aides at the Tucson Campus.

TDD Access — The approved FY 1998 amount includes a total of \$28,700 OF in one-time funding for the purchase of 72 telecommunication devices for the deaf (TDD's) and 4 phone lights for use on the Tucson Campus. This one-time appropriation is made from the Telecommunication Fund for the Deaf.

- ^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.
- ^{2/} Prior to the expenditure of any voucher funds in excess of the \$3,139,300 in FY 1998 and \$3,139,300 in FY 1999 shown above, the Arizona State 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, the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. (General Appropriation Act footnote)
- ^{3/} All out-of-state tuition collections above \$90,800 in FY 1998 and \$90,800 in FY 1999 received by the Arizona State Schools for the Deaf and the Blind are appropriated for operating expenditures and authorized capital outlay projects. (General Appropriation Act footnote)
- ^{4/} All endowment earnings above \$280,600 in FY 1998 and \$280,600 in FY 1999 received by the Arizona State Schools for the Deaf and the Blind are appropriated for operating expenditures. (General Appropriation Act footnote)

ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND - TUCSON CAMPUS (Cont'd)

Equipment — The approved FY 1998 amount includes a total of \$73,800 for replacement non-capitalized equipment and a total of \$14,000 for replacement capitalized equipment. The approved FY 1998 amount also includes \$70,000 for a replacement bus and a total of \$32,000 for 2 replacement cars. The approved FY 1999 amount includes a total of \$73,800 for replacement non-capitalized equipment and a total of \$14,000 for replacement capitalized equipment. The approved FY 1999 amount also includes \$75,000 for a replacement bus.

Educational and Technical Equipment — The approved FY 1998 and FY 1999 amounts include \$80,000 to purchase educational and technical equipment. *Further details on this new Special Line Item can be found in the Summary.*

**ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND -
ADMINISTRATION/STATEWIDE PROGRAMS**

A.R.S. § 15-1301

General Fund and Permanent Special Education Institutional Voucher Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	69.8	69.8	81.3	84.3
Personal Services	2,325,000	2,394,600	2,807,500	2,977,900
Employee Related Expenditures	465,000	510,400	547,800	582,800
Professional and Outside Services	152,500	233,300	285,900	164,300
Travel - In State	43,800	55,500	59,200	60,800
Travel - Out of State	800	2,100	2,100	2,100
Other Operating Expenditures	560,100	560,800	643,300	705,000
Equipment	15,700	18,400	278,200	214,500
Total Appropriations	3,562,900	3,775,100	4,624,000 ^{1/}	4,707,400 ^{1/}
Fund Summary				
General Fund	3,562,900	3,775,100	4,513,400	4,596,800
Permanent Special Education Institutional Voucher Fund	0	0	110,600 ^{2/}	110,600 ^{2/}
Total Appropriations	3,562,900	3,775,100	4,624,000	4,707,400

Program Description — *The Administration/Statewide Programs cost center coordinates programs that serve the entire state apart from the Tucson and Phoenix campuses. It includes 389 students in the 3 regional cooperatives and 125 students in 6 preschool programs. It also provides statewide resources to school districts. In addition, the cost center has responsibility for ASDB Administration.*

1 Program Authorization Review — Cooperative Programs Expansion — The approved FY 1998 amount includes an increase of \$364,400 and 6.5

FTE Positions for expansion of the Cooperative Programs to 2 new regions, including Maricopa County and a region to be determined by the agency. This expansion is based upon a Program Authorization Review (PAR) that determined the Cooperative Programs were a “cost-effective means of providing appropriate local educational programs for sensory impaired pupils.” The additional monies will fund the hiring of a coordinator and secretary for each of the 2 new regions. The monies also fund the hiring of staff to manage the overall statewide increase in enrollment, as listed below:

- 0.5 FTE secretary for existing regions,
- 0.5 FTE secretary for the central office,
- 1 FTE accounting technician, and
- 0.5 FTE personnel technician.

The approved FY 1998 amount also includes a total of \$19,000 in one-time non-capitalized equipment and a total of \$64,400 in one-time capitalized equipment.

In addition to the \$364,400 increase, the approved FY 1998 amount also includes a decrease of \$100,000 associated with the elimination of monies going to the Sensory Impairment Tuition Fund, which had been allocated on an ad hoc basis to aid local districts in paying for services.

The approved FY 1999 amount includes a further increase of \$139,200 and 2 FTE Positions for expansion of the Cooperative Programs to 1 new region to be determined by the agency, which will complete the statewide expansion of the program. The additional monies will fund the hiring of a coordinator and secretary for the new region. The approved FY 1999 amount also includes a total of \$5,600 in one-time non-capitalized equipment and a total of \$26,100 in one-time capitalized equipment.

1/ General Appropriation Act funds are appropriated as an Operating Lump Sum for the Program.

2/ Prior to the expenditure of any voucher funds in excess of the \$110,600 in FY 1998 and \$110,600 in FY 1999 shown above, the Arizona State 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, the Directors of the Joint Legislative Budget Committee and the Governor’s Office of Strategic Planning and Budgeting. (General Appropriation Act footnote)

ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND - ADMINISTRATION/STATEWIDE PROGRAMS (Cont'd)

LAN Computer — The approved FY 1998 amount includes an increase of \$398,000 and 1 FTE Position to begin installation of a new Local Area Network (LAN)/Wide Area Network (WAN) computer system. The additional monies will fund the hiring of a network engineer. The approved FY 1998 amount also includes a total of \$213,800 in one-time capitalized equipment and \$148,000 in one-time Professional and Outside Services monies for cabling and installation.

The approved FY 1999 amount includes a further increase of \$304,000 and 1 FTE Position to complete the LAN/WAN installation. The additional monies will fund the hiring of a database specialist. The approved FY 1999 amount also includes several one-time expenditures: \$24,100 in Professional and Outside Services, \$55,200 in non-capitalized equipment, and \$188,400 in capitalized equipment.

Preschool Voucher Funding — The approved FY 1998 and FY 1999 amounts include an increase of \$99,000 and 3 FTE Positions associated with the transfer of the Preschool Programs from the Tucson Campus to Administration/Statewide Programs.

Training Officer — The approved FY 1998 and FY 1999 amounts include an increase of \$33,100 and 1 FTE Position to hire a training officer. The training officer will address Arizona Department of Administration and Risk Management requirements and recommendations to reduce Worker's Compensation claims.

STATE BOARD OF DENTAL EXAMINERS

A.R.S. § 32-1201

Julie N. Chapko, Executive Director

JLBC Analyst: Brad Regens

Dental Board Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	2.0	2.0	2.0	2.0
Personal Services	238,000	238,000	250,100	257,200
Employee Related Expenditures	46,200	49,900	52,900	54,200
Professional and Outside Services	157,100	185,700	192,000	198,500
Travel - In State	7,300	7,800	9,600	9,600
Travel - Out of State	1,500	2,100	2,100	2,100
Other Operating Expenditures	101,900	110,300	122,100	125,700
Equipment	5,800	2,300	2,600	2,600
Total Appropriations	557,800 ^{1/}	596,100	631,400 ^{2/}	649,900 ^{3/}

Agency Description — *The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.*

Equipment — The approved FY 1998 and FY 1999 amounts include \$2,600 for the one-time purchase of 1 replacement computer each year.

Legal Services — The approved FY 1998 amount includes an increase of \$2,900 due to the board being assigned a new Assistant Attorney General who receives a higher salary. The approved FY 1999 amount includes a further increase of \$2,900.

Chief Investigator — The approved FY 1998 amount includes an increase of \$3,400 due to a higher salary for the Chief Investigator. The approved FY 1999 amount includes a further increase of \$3,600.

Travel - In State — The approved FY 1998 amount includes an increase of \$1,800 due to the filling of a vacant board member position.

^{1/} The board was originally appropriated \$600,300 for FY 1996, but was allowed to carry forward \$42,500 of that amount to FY 1997.

^{2/} This 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, 1999. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

ARIZONA DRUG AND GANG PREVENTION RESOURCE CENTER

A.R.S. § 41-617

Gail Chadwick, Director

JLBC Analyst: Jim Hillyard

Drug and Gang Prevention Resource Center Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	0.0	0.0	1.8	1.8
Personal Services	0	0	63,200	65,200
Employee Related Expenditures	0	0	18,700	18,900
Professional and Outside Services	0	0	24,100	24,100
Travel - In State	0	0	1,800	1,800
Travel - Out of State	0	0	1,400	1,400
Other Operating Expenditures	0	0	91,100	91,100
Equipment	0	0	4,900	4,900
Total Appropriations	0	0	205,200 ^{1/}	207,400 ^{1/}

Agency Description — *The Center was created to help organizations, individuals, neighborhoods, and communities decrease drug and gang problems. The Center is a statewide resource system providing information, training and an annual inventory and assessment of drug and gang prevention and treatment programs.*

Center Background and Other Funding — Drug and gang policy for the State of Arizona is coordinated by 2 groups. The Arizona Criminal Justice Commission (ACJC) is responsible for the coordination of enforcement efforts. The Drug and Gang Policy Council is responsible for the coordination of Arizona's education, prevention, and treatment programs. To aid in this effort, Laws 1990, Chapter 366 created the Arizona Prevention Resource Center to be "maintained at the direction of the Arizona Drug and Gang Policy Council."

The Center is housed within Arizona State University and is supported by selected Superior Court fees collected pursuant to A.R.S. § 12-284. The Center also receives revenues from Intergovernmental Agreements (IGAs) with the Department of Health Services, the Arizona Department of Education, the Governor's Office of Drug Policy, and from a number of grants from federal, state, and local agencies. While originally focused on substance abuse prevention and education, in recent years the Center's management has broadened its mission to include fighting a wide range of social problems associated with substance abuse.

Laws 1996, Chapter 189, however, amended the statutes associated with the Superior Court fees, changing the Center's name to the Arizona Drug and Gang Prevention Resource Center and requiring a more specific focus on drug and gang prevention and education. As a result, the Center's Superior Court fee revenues now exclusively funds drug and gang prevention. The remainder of the Center's operation,

which is funded by IGA's and grant revenues, however, has retained its broader focus.

The monies appropriated above represent the Superior Court fees associated with drug and gang prevention and make up 8.2% of the Center's total funding. These funds are collected by ACJC before being passed through to the Center for expenditure, and as a result, have appeared as part of ACJC's budget in past years. In FY 1998 and FY 1999, these monies are shown in the Center's budget to clarify their expenditure and enhance the Center's visibility.

IGA's and grant revenues make up the remaining 91.8% of the Center's funding. These monies are used to fund broader prevention activities and are currently non-appropriated, however, Laws 1997, Chapter 210 makes these monies appropriated in FY 2000.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS - SUMMARY

A.R.S. § 26-101

Glen W. Van Dyke, The Adjutant General

JLBC Analyst: Lisa Cotter

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
<u>Program Summary</u>				
Emergency Management	3,399,700	6,266,600	9,253,700	5,371,800
Military Affairs	3,846,200	3,723,400	5,654,800	5,509,400
Total Appropriations	7,245,900	9,990,000	14,908,500	10,881,200
<u>Expenditure Detail</u>				
FTE Positions	67.0	67.0	68.0 ^{1/}	68.0 ^{1/}
Personal Services	1,518,100	1,605,200	1,734,500	1,787,800
Employee Related Expenditures	398,600	378,000	421,300	432,300
Professional and Outside Services	21,800	44,200	44,200	44,200
Travel - In State	43,800	44,800	44,800	44,800
Travel - Out of State	21,900	18,100	18,100	18,100
Other Operating Expenditures	1,375,700	1,399,300	1,633,100	1,633,100
Equipment	17,300	6,700	14,900	20,800
Operating Subtotal	3,397,200	3,496,300	3,910,900	3,981,100
Special Line Items	3,848,700	6,493,700	8,932,600	5,032,600
Additional Appropriations	0	0	2,065,000	1,867,500
Total Appropriations	7,245,900	9,990,000	14,908,500 ^{2/}	10,881,200 ^{2/}
<u>Fund Summary</u>				
General Fund	7,218,500	9,368,300	14,060,800	10,833,500
Emergency Response Fund	27,400	47,700	47,700	47,700
State Highway Fund	0	574,000	800,000	0
Total Appropriations	7,245,900	9,990,000	14,908,500	10,881,200

Agency Description — *The department consists of the Emergency Management Division and the Military Affairs Division. The Emergency Management Division prepares and coordinates emergency response plans for the state. The Military Affairs Division operates the Arizona National Guard.*

^{1/} Includes 4.5 FTE Positions funded from Special Line Items in FY 1998 and FY 1999.
^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS -
EMERGENCY MANAGEMENT**

A.R.S. § 26-101

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>19.5</u>	<u>19.5</u>	<u>19.5</u> ^{1/}	<u>19.5</u> ^{1/}
Personal Services	417,300	399,200	420,300	433,300
Employee Related Expenditures	98,800	92,200	91,800	94,300
Professional and Outside Services	20,100	20,000	20,000	20,000
Travel - In State	5,600	6,000	6,000	6,000
Travel - Out of State	13,700	9,600	9,600	9,600
Other Operating Expenditures	160,700	154,800	209,800	209,800
Equipment	<u>0</u>	<u>4,700</u>	<u>2,200</u>	<u>2,300</u>
Operating Subtotal	716,200	686,500	759,700	775,300
Civil Air Patrol	61,500	61,500	61,500	61,500
1993 Flood Relief - Local Share	1,967,000	5,000,000	3,200,000 ^{2/}	1,600,000 ^{2/}
1993 Flood Relief - State Share	0	0	4,700,000 ^{2/}	2,400,000 ^{2/}
Emergency Response Commission	9,500	19,800	19,800	19,800
Emergency Response Fund Grants	27,400	47,700	47,700	47,700
Nuclear Emergency Management	<u>618,100</u>	<u>451,100</u>	<u>0</u>	<u>0</u>
Total	3,399,700	6,266,600	8,788,700	4,904,300
Additional Appropriations - Nuclear Emergency Appropriations and Assessment, Ch. 57	<u>0</u>	<u>0</u>	<u>465,000</u>	<u>467,500</u>
Total Appropriations	3,399,700	6,266,600	9,253,700 ^{3/}	5,371,800 ^{3/}
<u>Fund Summary</u>				
General Fund	3,372,300	5,644,900	8,406,000	5,324,100
Emergency Response Fund	27,400	47,700	47,700	47,700
State Highway Fund	<u>0</u>	<u>574,000</u>	<u>800,000</u>	<u>0</u>
Total Appropriations	3,399,700	6,266,600	9,253,700	5,371,800

Program Description — *The division coordinates emergency services with other state agencies, political subdivisions and the federal government to reduce the impact of natural and other disasters.*

Equipment — The approved FY 1998 amount provides one-time General Fund monies of \$2,200 and the approved FY 1999 amount provides one-time General Fund monies of \$2,300 for the state's 50% share for 1 computer and 1 printer per year.

Civil Air Patrol — The approved amounts partially offset required maintenance and operating costs of aircraft used by volunteers to aid in search and rescue and other emergency missions.

1993 Flood Relief - Local and State Share — Monies in the 1993 Flood Relief Special Line Items are appropriated for disaster assistance for damage resulting from the tropical winter storm of January 1993. The Federal Emergency Management Agency (FEMA) estimated total storm damage in 13 Arizona counties to be \$146,000,000. The federal, state and local shares for damage assistance are 75%, 15% and 10% respectively. Laws 1994, Chapter 224 declared legislative intent to pay the 10% local share along with the 15% state share. Laws 1996, Chapter 7, 5th Special Session approved funding for FY 1997, FY 1998 and FY 1999 to cover the unpaid portion of the total state and local match.

^{1/} Includes 4.5 FTE Positions funded from Special Line Items in FY 1998 and FY 1999.

^{2/} Appropriated by Laws 1996, Chapter 7, 5th Special Session.

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS - EMERGENCY MANAGEMENT (Cont'd)

In Laws 1996, Chapter 7, 5th Special Session, the Legislature appropriated \$5,000,000 for FY 1997 (\$4,226,000 from the General Fund and \$574,000 from the State Highway Fund) to the 1993 Flood Relief - Local Share Special Line Item. The Legislature also advanced appropriated \$7,100,000 from the General Fund and \$800,000 from the State Highway Fund for FY 1998 and \$4,000,000 from the General Fund for FY 1999 to pay for the remainder of the 1993 flood state and local shares. Laws 1997, Chapter 216 authorized the use of \$1,000,000 from the \$7,100,000 General Fund appropriation to relocate and reconstruct the town of Kearny's wastewater treatment plant. (Please see capital outlay discussion below.)

The table below shows total state appropriations of \$36,500,000 from FY 1993 through FY 1999, which covers the state's 25% share of \$146,000,000 for 1993 flood relief assistance. Please see the FY 1997 Appropriations Report (pg. 216) for a full history of state funding for 1993 flood relief efforts.

Total State Appropriations for 1993 Flood Relief	
FY 1993	\$2,800,000
FY 1994	8,600,000
FY 1995	5,300,000
FY 1996	2,900,000
FY 1997	5,000,000
FY 1998	7,900,000
FY 1999	<u>4,000,000</u>
Total	\$36,500,000

Emergency Response Commission — The approved amounts fund the Emergency Response Commission which plans and coordinates with local agencies to provide adequate response to possible emergency situations in Arizona.

Emergency Response Fund Grants — The approved amounts staff local emergency planning committees and equip local fire departments, fire districts, and public safety agencies to develop hazardous materials emergency response teams. By statute, 10% of monies collected in the Department of Environmental Quality's Hazardous Waste Management Fund, consisting of civil and criminal penalty and permit fees, are transmitted to the Emergency Response Fund for this purpose.

Nuclear Emergency Management — Prior fiscal year amounts refer to the annual appropriations to the Nuclear Emergency Management Fund. (See *Additional Appropriations* for more detail.)

Additional Appropriations: Nuclear Emergency Appropriation and Assessment (Chapter 57) — Appropriates \$878,400 in FY 1998 and \$880,800 in FY 1999 from the state General Fund to the Nuclear Emergency Management Fund, pursuant to A.R.S. § 26-306.1, for administering and enforcing the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Of the amount appropriated for FY 1998, \$465,000 and 4.5 FTE Positions are appropriated to the Department of Emergency and Military Affairs (DEMA), of which \$212,300 is disbursed to departments and agencies of Maricopa County. Of the amount appropriated for FY 1999, \$467,500 and 4.5 FTE Positions are appropriated to DEMA of which \$214,700 is disbursed to departments and agencies of Maricopa County. In both years, the remaining \$413,400 is appropriated to the Radiation Regulatory Agency. Monies appropriated to the Nuclear Emergency Management Fund are exempt from A.R.S. § 35-190, relating to lapsing of appropriations. Amounts equal to the appropriations, plus any applicable interest, are assessed against a consortium of corporations which operate the Palo Verde Nuclear Generating Station for deposit in the General Fund. In this way, the industry reimburses the state for all costs associated with planning and response for commercial nuclear generating site emergencies.

Capital Outlay: Transfer: Appropriation: Wastewater Facility (Chapter 57) — Appropriates \$250,000 from the General Fund to DEMA to relocate and reconstruct the town of Kearny's wastewater treatment facility, which was damaged by the 1993 floods. The bill also directs the department to utilize an additional \$1,000,000 for this project from the \$7,100,000 in the 1993 Flood Relief Special Line Items appropriated in FY 1998 from the General Fund by Laws 1995, Chapter 1, 1st Special Session, as amended by Laws 1996, Chapter 7, 5th Special Session.

Chapter 7, 1st Special Session — Laws 1996, Chapter 312 appropriated capital outlays of \$1,000,000 in FY 1997 and \$1,000,000 in FY 1998 for the Clifton Flood Control project. Chapter 7 (the Capital Outlay bill) shifts the FY 1998 \$1,000,000 appropriation to a FY 1997 supplemental appropriation to relocate the remaining families out of the Clifton floodplain as quickly as possible.

**DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS -
MILITARY AFFAIRS**

A.R.S. § 26-101

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>47.5</u>	<u>47.5</u>	<u>48.5</u>	<u>48.5</u>
Personal Services	1,100,800	1,206,000	1,314,200	1,354,500
Employee Related Expenditures	299,800	285,800	329,500	338,000
Professional and Outside Services	1,700	24,200	24,200	24,200
Travel - In State	38,200	38,800	38,800	38,800
Travel - Out of State	8,200	8,500	8,500	8,500
Other Operating Expenditures	1,215,000	1,244,500	1,423,300	1,423,300
Equipment	<u>17,300</u>	<u>2,000</u>	<u>12,700</u>	<u>18,500</u>
Operating Subtotal	2,681,000	2,809,800	3,151,200 ^{1/}	3,205,800 ^{1/}
Education Reimbursement	33,600	43,000	43,000	43,000
Unit Allowance	10,000	10,000	0	0
Service Contracts	852,300	852,300	852,300 ^{2/}	852,300 ^{2/}
Guardsmen - State Active Duty	26,500	5,300	5,300	5,300
Uniform Allowance	500	3,000	3,000	3,000
State Active Duty Law Enforcement Support (SPIN)	<u>242,300</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	3,846,200	3,723,400	4,054,800	4,109,400
Additional Appropriations -				
National Guard; Project Challenge, Ch. 293	<u>0</u>	<u>0</u>	<u>1,600,000</u>	<u>1,400,000</u>
Total Appropriations	3,846,200	3,723,400	5,654,800 ^{2/}	5,509,400 ^{2/}

Program Description — *The division manages and operates the National Guard of Arizona, which includes the Army and Air National Guard.*

Equipment — The approved FY 1998 amount provides one-time funding of \$12,700 to replace 4 computers, 1 laser printer, and 1 fax machine. The approved FY 1999 amount provides one-time funding of \$18,500 to replace 2 computers, 2 laser printers, and a copier.

Maintenance — The approved amounts include an increase of \$200,000 for maintenance costs in the Department of Emergency and Military Affairs' (DEMA's) 26 armories and 28 other 100% state-maintained buildings. In FY 1997, DEMA spent approximately \$1.38 per square foot to maintain total building space of 600,000 square feet. The increased funding will bring maintenance per square foot up to \$1.71 and enable DEMA to sufficiently sustain a facilities maintenance program.

New Position/Assistant Adjutant General for the Air National Guard — The approved amounts include 1 new FTE Position and \$52,700 for an Assistant Adjutant General for the Air National Guard. DEMA has recently changed its organizational structure to include 4 programs: Administration, Emergency Management, Army National Guard, and Air National Guard. With the reorganization, all programs but the Air National Guard had an authorized deputy director position. The new position will oversee the day-to-day operations of the Arizona Air National Guard. In addition, it is expected that several missions currently being done by the Air Force will be transferred to the National Guard. The Assistant Adjutant General for the Air National Guard will recruit such revenue-producing projects to

1/ It is the intent of the Legislature that by January 1 of each year and July 1 of each year, the Department of Emergency and Military Affairs shall report to the Speaker of the House of Representatives, the President of the Senate, and the Governor on the financial benefit of the new Assistant Adjutant General for the Air National Guard. (General Appropriation Act footnote)

2/ The \$852,300 appropriated for Service Contracts is exempt from A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 1998 monies remaining unexpended and unencumbered on October 31, 1998 shall revert to the state General Fund, and all FY 1999 monies remaining unexpended and unencumbered on October 31, 1999 shall revert to the state General Fund. (General Appropriation Act footnote)

3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS - MILITARY AFFAIRS (Cont'd)

Arizona. (Please see General Appropriation Act footnote reference.)

Education Reimbursement — The approved amounts reimburse guard members for a portion of their education costs.

Unit Allowance — The approved amount eliminates funding for this Special Line Item because Laws 1996, Chapter 110 established a Morale, Welfare and Recreational Fund for the National Guard and eliminated the unit allowance previously appropriated to DEMA for National Guard members.

Service Contracts — The approved amounts provide the state matching share for federal contracts. The matching share varies from 0% to 25% of costs. These contracts fund activities such as the operations, maintenance and security agreements for the Air National Guard, the Army Training Sites, and the Navajo Army Depot.

Guardsmen - State Active Duty — The approved amounts pay guard members called to active duty by the state government.

Uniform Allowance — The approved amounts subsidize the purchase of required uniforms and safety equipment by eligible guard members.

Additional Appropriations: National Guard: Project Challenge (Chapter 293) — Appropriates \$1,600,000 in FY 1998 and \$1,400,000 in FY 1999 from the General Fund for Project Challenge, a General Equivalency Degree (GED) and life skills program for high school dropouts run by the Arizona National Guard. The Project Challenge program consists of a 5-month residential phase at Williams Gateway Airport followed by a 1-year post residential mentor phase. The National Guard currently runs two 5-month residential sessions each year, with approximately 100 students completing each session.

Arizona's Project Challenge began in 1993 as part of a federal pilot program and has been funded with a federal budget of about \$2,700,000 up until now. However, the federal government reduced funding for Project Challenge in FY 1997 and may make additional cuts in future years. The state appropriation is intended to offset any cuts in federal funding, and the bill states that state monies will revert back to the General Fund if the program receives federal monies exceeding the approved budget.

DEPARTMENT OF ENVIRONMENTAL QUALITY

A.R.S. § 49-101

Russell F. Rhoades, Director

JLBC Analyst: Chris Earnest

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>379.9</u>	<u>413.5</u>	<u>477.6</u> ^{1/}	<u>477.6</u> ^{1/}
Personal Services	7,065,100	7,428,500	7,679,000	7,914,800
Employee Related Expenditures	1,503,000	1,600,600	1,635,100	1,678,500
Professional and Outside Services	98,200	151,900	134,900	134,900
Travel - In State	125,300	175,300	175,300	175,300
Travel - Out of State	21,900	35,200	17,600	17,600
Other Operating Expenditures	1,495,700	1,679,900	791,600	791,600
Equipment	<u>381,800</u>	<u>452,600</u>	<u>149,000</u>	<u>149,000</u>
Operating Subtotal	10,691,000	11,524,000	10,582,500	10,861,700
WQARF Priority Site Remediation	1,503,100	1,705,000	19,523,300 ^{2/3/4/}	19,523,300 ^{2/3/4/}
WQARF Federal Match	0	118,300	0	0
Lake Havasu City Dredging	500,000	0	0	0
Uniform Cleanup Standards	14,100	0	0	0
Environmental Health Reserve	0	100,000	0	0
Underground Storage Tank Program	0	3,000,000	0	0
Safe Drinking Water SRF	0	0	3,380,000	2,720,000
Air Quality Program	125,300	0	0	0
Air Permits Administration Program	3,312,400	5,001,200	4,702,000	4,779,300
Emissions Control Program	6,129,500	12,680,100	3,505,300	3,545,200
Hazardous Waste Program	219,500	305,400	341,800	330,300
Hazardous Waste Reserve	5,200	34,600	0	0
Solid Waste Program	365,100	884,800	985,000	983,300
Used Oil Program	152,600	0	0	0
Aquifer Protection Permit Program	591,300	669,800	692,300	711,600
Water Quality Program	<u>625,900</u>	<u>3,551,500</u>	<u>3,622,600</u>	<u>3,581,400</u>
Total	24,235,000	39,574,700	47,334,800	47,036,100
Additional Appropriations -				
Oxygenated Fuels, Ch. 117	0	0	50,000	0
Used Oil Amendments, Ch. 178	0	0	253,600	253,600
Underground Storage Tanks; Appropriation, Ch. 253	0	0	1,578,000	0
Air Quality Omnibus, Ch. 269	0	0	6,867,300	0
Greenfields Pilot Program, Ch. 296	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>70,000</u>
Total Appropriations	24,235,000	39,574,700	56,183,700 ^{2/3/7/}	47,359,700 ^{2/3/7/}
Fund Summary				
General Fund	13,299,500	21,417,100	32,279,700	29,140,200
Air Quality Fund	125,300	0	0	0
Air Permits Administration Fund	3,312,400	5,001,200	4,702,000	4,779,300
Emissions Inspection Fund	6,129,500	8,380,100	3,505,300	3,545,200
Hazardous Waste Fund	224,700	340,000	341,800	330,300
Solid Waste Fee Fund	365,100	884,800	985,000	983,300
Used Oil Fund	152,600	0	0	0
Water Quality Assurance Revolving Fund	0	0	5,000,000	5,000,000
Arizona Clean Air Fund	0	0	5,747,300	0
Water Quality Fee Fund	<u>625,900</u>	<u>3,551,500</u>	<u>3,622,600</u>	<u>3,581,400</u>
Total Appropriations	24,235,000	39,574,700	56,183,700	47,359,700

DEPARTMENT OF ENVIRONMENTAL QUALITY (Cont'd)

Agency Description — *The 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 improvement strategies. The Office of Waste Programs implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the clean up (remediation) of hazardous waste sites. The Office of Water Quality regulates drinking water and waste water systems, monitors and assesses waters of the state, and provides hydrologic analysis to support hazardous site remediation.*

Indirect Costs — The department charges every other appropriated and non-appropriated fund a federally authorized percentage of Personal Services and Employee Related Expenditures to pay for certain departmentwide overhead expenses. The amount assessed from each fund is placed in a non-appropriated Indirect Cost Fund and used for indirect costs such as rent, general accounting, telecommunication systems and Risk Management, as well as a share of other overhead personnel and functions. Over time, the Indirect Cost Fund has accumulated a large carry-forward balance. Due to the large balance, the approved FY 1998 and FY 1999 amounts include a reduction of \$800,000 from the department's General Fund appropriation. This amount is to be replaced with monies from the Indirect Cost Fund.

Funding Shift — The approved FY 1998 and FY 1999 amounts include a reduction of 2 FTE Positions and \$196,300 from the department's General Fund appropriation. These positions and their funding are being shifted to other appropriated and non-appropriated funds of the department.

WQARF Priority Site Remediation — The approved FY 1998 and FY 1999 amounts include an increase of \$12,700,000 from the General Fund to the Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation Program. This program is similar to the federal Superfund program and is designed to monitor, contain and remediate

contaminated groundwater. ADEQ currently has 28 sites listed on its WQARF priority site list. For FY 1998 and FY 1999, monies appropriated to WQARF total \$19,523,300. This amount consists of 3 parts:

- The \$12,700,000 approved increase;
- The \$1,823,300 that was appropriated to WQARF in FY 1997. (This amount includes monies that were appropriated to the WQARF Federal Match Special Line Item.); and
- The \$5,000,000 of non-General Fund revenues to WQARF that are appropriated in FY 1998 and FY 1999 pursuant to Laws 1997, Chapter 6, 1st Special Session.

Approximately 60% of these monies will be used to contract for clean-ups at priority sites for which no responsible party can be found. The remaining 40% will be used for other program components such as personnel costs, searching for responsible polluters, and legal support.

In addition, the Legislature took action to ensure the funding of WQARF beyond FY 1999. (*See Additional Legislation for more information.*)

WQARF Federal Match — For FY 1998 and FY 1999, the WQARF Federal Match Special Line Item will receive no appropriation. Monies that were appropriated to it in FY 1997 have been moved to the WQARF Priority Site

- 1/ Includes 247 FTE Positions funded from Special Line Items in FY 1998 and FY 1999.
- 2/ Monies appropriated for Water Quality Assurance Revolving Fund Priority Site Remediation shall be placed in the Water Quality Assurance Revolving Fund as authorized by A.R. S. § 49-282A1. (General Appropriation Act footnote)
- 3/ The department shall report quarterly to the Legislature in writing on the progress of WQARF activities, including emergency response, priority site remediation, cost-recovery activity, revenue and expenditure activity and other WQARF-funded program activity. The department shall submit the report to the members of the Joint Legislative Budget Committee and to the Director of the Joint Legislative Budget Committee Staff. (General Appropriation Act footnote)
- 4/ Of the \$19,523,300 appropriation for the WQARF Priority Site Remediation Program, not more than \$5,112,200 may be used for administrative costs of the program. (General Appropriation Act footnote) *This footnote was repealed by Laws 1997, Chapter 287 (see Additional Legislation).*
- 5/ General Appropriation Act funds are appropriated as a Modified Lump Sum by Agency.
- 6/ Up to \$1,250,000 of the state General Fund appropriation may be utilized temporarily to maintain existing environmental programs for which application for federal funds has been submitted. (General Appropriation Act footnote)
- 7/ Monies in the UST Administrative Processing Contract Special Line Item are to be used to contract with a firm for the purpose of reviewing underground storage tank reimbursement claims submitted to the Department of Environmental Quality, or upon review of the Joint Legislative Budget Committee, may be used for Department of Environmental Quality employees to provide claim administration. (General Appropriation Act footnote) *This footnote was repealed by Laws 1997, Chapter 253 (see Additional Appropriations).*
- 8/ 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 ongoing projects. (General Appropriation Act footnote)

DEPARTMENT OF ENVIRONMENTAL QUALITY (Cont'd)

Remediation line. Match requirements for federal Superfund sites in Arizona will be met from the WQARF Priority Site Remediation line.

Environmental Health Reserve — The approved amount includes a reduction of \$100,000, leaving the Environmental Health Reserve no appropriation in FY 1998 and FY 1999. The reserve is designed to allow ADEQ to address unbudgeted environmental emergencies. The fund has a balance of \$450,000, which is adequate for immediate emergency costs.

Underground Storage Tank Program — The department provides regulatory oversight and assistance to ensure that underground storage tank (UST) owners comply with tank standards. The revenue for the program include a 1¢ gasoline tax and tank registration fees. The UST Fund is used to provide tank owners partial coverage of corrective actions and to reimburse ADEQ if the state is required to take corrective action. The General Appropriation Act for FY 1998 and FY 1999 includes no appropriation for the UST program. Additional monies were added, however, through separate legislation. (*See Additional Appropriations for more information.*)

Safe Drinking Water SRF — The approved FY 1998 amount includes an increase of \$3,380,000 followed by a decrease of \$660,000 in FY 1999 for the new Safe Drinking Water State Revolving Fund. In 1996, the U.S. Congress passed legislation that made monies available to states to assist communities with installing and upgrading drinking water systems. To receive Federal Funds, states must provide a 20% match of state funds. The approved amounts will allow Arizona to draw \$16,900,000 in FY 1998 and \$7,300,000 in FY 1999 from the federal government.

Air Permits Administration Program — This program regulates and inspects stationary air pollution sources. It also takes enforcement actions necessary to comply with federal clean air regulations. The Air Permits Administration Fund revenues are derived from emissions and permit fees. The approved amount for FY 1998 and FY 1999 includes a decrease of \$435,000 in one-time expenses.

Emissions Control Program — The Emissions Control Program requires all 1981 or newer vehicles registered in Maricopa and Pima Counties to have a biennial emissions inspection. Maricopa County residents are subject to an IM/240 inspection, which is more stringent than the standard Pima County inspection. There are 5 components to the program's expenditures:

- **Operating Costs** - These costs include programmatic overhead such as personnel, travel and equipment expenses.
- **IM/240 Subsidy** - Current law stipulates that the maximum fee that can be assessed to the general public for an inspection is \$20 per biennium. Because the actual IM/240 inspection cost in Maricopa County is above the \$20 limit, the program subsidizes the difference. Pima County residents receive no subsidy as the inspection does not include the IM/240 and the cost is just \$6.65.
- **Repair Grants** - Grants are provided to low income families for vehicle repairs necessary to comply with relevant emissions standards.
- **Remote Sensing Contract** - The program has a contract with a private vendor to provide roadway devices (smog dogs) which measure the emissions of passing vehicles and read the vehicle's license plates. Owners of vehicles with excessive emissions are notified by mail and must get an emissions test.
- **Remote Sensing Tests** - The program provides a 100% subsidy to those required to have an inspection as a result of being measured in excess of emissions standards by a remote sensing device.

For FY 1998, a total of 52 FTE Positions and \$3,503,200 are appropriated from the Vehicle Emissions Inspection Fund. This amount is sufficient to cover the Operating Costs, Repair Grants, and the Remote Sensing Contract (*see table below*). This appropriation does not include the IM/240 Subsidy or the Remote Sensing Tests, as it was presumed that no further state-funded subsidies would be provided. During the legislative session, H.B. 2308 would have eliminated all state-funded emissions subsidies. In addition, H.B. 2308 would have required vehicle owners to pay an additional fee to cover the \$850,000 difference between the \$2,650,000 revenues of the program and the \$3,500,000 appropriation authority.

H.B. 2308 ultimately failed, leaving the program with the continued statutory requirement of subsidizing the IM/240 Inspection and the Remote Sensing Tests. The costs of these subsidies, combined with other program costs, total \$8,396,900. Anticipated program revenue, however, is only \$2,649,600, leaving the program with a funding shortfall of \$5,747,300. This amount is provided in Laws 1997, Chapter 269, which appropriates \$5,747,300 from the Arizona Clean Air Fund to the Vehicle Emissions Inspection Fund. (*See Additional Appropriations*).

DEPARTMENT OF ENVIRONMENTAL QUALITY (Cont'd)

<u>Vehicle Emissions Inspection Fund</u>		
	<u>FY 1998</u>	<u>FY 1999</u>
REVENUES		
Beginning Balance	\$ 1,633,400	\$ 0
Revenues	<u>1,016,200</u>	<u>1,016,200</u>
Total Available	\$ 2,649,600	\$ 1,016,200
EXPENDITURES		
Operating Costs ^{1/}	\$ 2,526,000	\$ 2,568,000
IM/240 Subsidy	4,237,000	4,962,300
Repair Grants ^{1/}	50,000	50,000
Remote Sensing Contract ^{1/}	927,200	927,200
Remote Sensing Tests	<u>656,700</u>	<u>729,000</u>
Total Expenditures	\$ 8,396,900	\$ 9,236,500
Funding Shortfall ^{2/}	(5,747,300)	(8,220,300)

^{1/} The General Appropriation Act appropriated \$3,503,200 from the VEI Fund in FY 1998 and \$3,545,200 in FY 1999. This amount consist of Operating Costs, Repair Grants and Remote Sensing Contract in each respective year.

^{2/} Laws 1997, Chapter 269 appropriated \$5,747,300 from the Arizona Clean Air Fund to the VEI Fund in FY 1998 to cover the FY 1998 funding shortfall.

The approved amount for FY 1999 is \$3,545,200. Again, this amount does not include the IM/240 or Remote Sensing Tests subsidies. Unless legislation is passed to discontinue these subsidies, the program will face an even larger funding shortfall than in FY 1998. A funding source for FY 1999 has yet to be designated.

Hazardous Waste Program — The FY 1998 approved amount includes \$16,900 to develop a handbook to help small businesses comply with state and federal hazardous waste regulations. The FY 1999 approved amount is decreased by \$11,000 for the one-time costs of the handbook.

Hazardous Waste Reserve — The department reserves an amount each year for unbudgeted hazardous waste emergencies. The approved FY 1998 and FY 1999 amounts do not include an appropriation for this purpose. Currently, the reserve has an approximate \$90,000 balance. This amount is sufficient to meet the immediate costs of a hazardous waste emergency.

Solid Waste Program — The approved FY 1998 amount includes \$102,100 from the Solid Waste Fee Fund for 2 FTE Positions, followed by a decrease of \$17,000 in FY 1999 for one-time equipment. The 2 FTE Positions will be used to provide technical assistance, inspections and oversight to the state's recycling facilities, transfer stations, and non-municipal solid waste landfill facilities.

Aquifer Protection Permit Program — ADEQ issues aquifer protection permits (APP) to facilities whose activities or

waste discharges could pose a threat to groundwater. The program also reviews facility plans for waste discharge. The APP revenue stream is deposited into the Water Quality Fee Fund.

Water Quality Program — This program ensures water quality by monitoring and regulating drinking and waste water sources. In FY 1997, the program received an additional 20 FTE Positions to help the department address backlogs in facility and construction inspections, water quality certifications, and APPs. Travel and Equipment costs associated with the positions were postponed until FY 1998 in order to determine them more accurately. The approved FY 1998 amount includes \$138,400 from the Water Quality Fee Fund to address these costs. The approved FY 1999 amount is decreased by \$77,300 for one-time equipment.

Additional Appropriations: Oxygenated Fuels (Chapter 117) — This act requires the sale of reformulated fuel in Area A (the Maricopa non-attainment area) to meet more stringent federal standards. The act includes a \$50,000 appropriation from the General Fund to ADEQ to adopt rules for record keeping and reporting to ensure compliance with the new standards.

Used Oil Amendments (Chapter 178) — This act adopts, by reference, the federal used oil regulations and repeals the existing state used oil requirements. Included in this repeal is the elimination of the 6¢ penalty tax for each gallon of used oil that is burned. The act appropriated \$253,600 from the General Fund in FY 1998 and FY 1999 to offset the lost penalty revenue. The appropriation is split 50% between the Used Oil Fund and the Solid Waste Fee Fund.

Underground Storage Tanks: Appropriation (Chapter 253) — This act appropriates \$1,578,000 from the General Fund in FY 1998 to ADEQ for deposit in the Underground Storage Tank Assurance Account. The monies will be used to partly reimburse storage tank owners for the costs of cleaning up leaking underground tanks. In addition, the act amended the General Appropriation Act by eliminating 2 UST Special Line Items and a corresponding footnote. The Special Line Items and the footnotes would have limited the administrative expenses of the UST Program.

Air Quality Omnibus (Chapter 269) — This act made 3 appropriations to ADEQ for air quality enhancement purposes. An appropriation of \$5,747,300 is made to the Vehicle Emissions Inspection Fund in FY 1998. This amount will cover funding shortfalls and provide program support and inspection subsidies. (See discussion under Emissions Control Program above.) The act also created a new non-appropriated Lawn Mower Retirement Fund and appropriates \$1,000,000 to it in FY 1998. The fund will be

DEPARTMENT OF ENVIRONMENTAL QUALITY (Cont'd)

used to provide vouchers to owners who retire high emitting lawn mowers. In addition, the act appropriated \$120,000 in FY 1998 to ADEQ for the department to analyze and reduce false failure rates on IM/240 emissions inspections.

Greenfields Pilot Program (Chapter 296) — The act creates a pilot voluntary soil remediation program within ADEQ to identify and remediate up to 100 “brownfields” within the state and return them to productive use. The act creates a non-appropriated Greenfields Program Fund for the administration of the program. There is a \$100,000 appropriation to the fund in FY 1998 and \$70,000 in FY 1999. These amounts will be paid back to the General Fund as ADEQ collects program fees.

Additional Legislation: 1997 WQARF Program Amendments (Chapter 287) — This act restructured the WQARF Priority Site Remediation Program. Among other provisions, the act eliminated “joint liability” and replaced it with “proportionate liability.” Under proportionate liability, a property owner can only be held responsible for the remediation of their portion of a contaminated property. The remediation of pollution for which no responsible party can be found, or the orphan shares, will now be paid by the state.

The program’s funding was also restructured. The act eliminates provisions in A.R.S. § 42-1341 that require an annual \$2,900,000 appropriation to WQARF from the Transaction Privilege Tax. The program will now be funded in part by a \$15,000,000 transfer from the Corporate Income Tax to the WQARF at the beginning of each fiscal year. In addition, WQARF generates other revenue from various license and registration fees. At the end of each fiscal year, the State Treasurer will adjust the \$15,000,000 transfer so that when combined with the WQARF fee generated revenue, the fund receives \$18,000,000 annually. The first transfer and adjustment will occur in FY 2000.

This act also amended the General Appropriation Act by removing a footnote that would have capped WQARF program administration costs.

GOVERNOR'S OFFICE OF EQUAL OPPORTUNITY

Executive Order 93-20

Michael R. Moreno, Director

JLBC Analyst: Brad Regens

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>3.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
Personal Services	104,100	157,100	164,900	169,900
Employee Related Expenditures	17,700	27,800	28,200	28,900
Professional and Outside Services	4,000	4,000	4,000	4,000
Travel - In State	800	800	800	800
Travel - Out of State	700	700	700	700
Other Operating Expenditures	<u>31,700</u>	<u>47,500</u>	<u>49,800</u>	<u>50,600</u>
Total Appropriations	159,000	237,900	248,400 ^{1/}	254,900 ^{1/}

Agency Description — *The agency monitors equal opportunity plans submitted annually by each state agency and assists agencies in equal employment opportunity training and evaluation.*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

STATE BOARD OF EQUALIZATION

A.R.S. § 42-172.01

David Schweikert, Chairperson

JLBC Analyst: Bob Hull

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>7.5</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>
Personal Services	279,700	415,800	431,800	442,400
Employee Related Expenditures	59,900	68,400	72,500	74,200
Professional and Outside Services	57,800	126,900	107,600	107,600
Travel - In State	14,400	38,700	38,700	38,700
Travel - Out of State	2,300	0	0	0
Other Operating Expenditures	140,900	154,100	156,000	155,900
Equipment	<u>20,800</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Appropriations	575,800	803,900	806,600 ^{1/}	818,800 ^{1/}

Agency Description — *The State Board of Equalization consists of 17 members. The board hears property tax appeals for properties in Maricopa and Pima Counties. Property tax appeals in other counties continue to be heard by their respective County Boards of Equalization. Of the 17 members, the 7 gubernatorial appointments also hear appeals of centrally valued properties and equalization orders by the Department of Revenue.*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

BOARD OF EXECUTIVE CLEMENCY

A.R.S. § 31-401

Duane Belcher, Sr., Chairman

JLBC Analyst: Lorenzo Martinez

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>39.0</u>	<u>37.0</u>	<u>36.0</u>	<u>33.0</u>
Personal Services	1,059,800	1,119,500	1,137,000	1,104,200
Employee Related Expenditures	251,600	242,700	250,900	239,900
Professional and Outside Services	45,700	55,600	15,600	15,600
Travel - In State	28,300	39,900	35,900	34,100
Travel - Out of State	1,600	2,000	2,000	2,000
Other Operating Expenditures	283,500	225,000	228,400	233,200
Equipment	<u>12,300</u>	<u>6,500</u>	<u>6,500</u>	<u>6,500</u>
Total Appropriations	1,682,800	1,691,200	1,676,300 ^{1/2}	1,635,500 ^{1/2}

Agency Description — The board consists of 7 full-time members. The board conducts home arrest, parole, or work furlough release hearings at all adult prison institutions for prisoners convicted prior to January 1, 1994. The board considers executive clemency actions such as pardons, commutations and absolute discharges for all prisoners convicted on or after January 1, 1994.

Truth in Sentencing Impact — The approved FY 1998 amount includes a decrease of \$28,800 and 1 FTE Position, followed by a FY 1999 decrease of \$72,300 and 3 FTE Positions from anticipated reductions in workload resulting from truth in sentencing legislation.

Other — The approved FY 1998 amount includes decreases of \$40,000 from savings resulting from outsourcing data processing services and \$4,000 from travel savings resulting from the implementation of telephone hearings. The approved FY 1999 amount includes a further decrease of \$1,800 from the implementation of telephone hearings.

Additional Legislation: Board of Executive Clemency (Chapter 134) — The bill reduces the Board of Executive Clemency membership from 7 members to 5 members. Pursuant to the bill, the reduction in board membership will not occur until January 1998. Therefore, the reversion required by the General Appropriation Act footnote will only reflect partial year savings in FY 1998.

^{1/} The Board of Executive Clemency shall revert to the state General Fund a total of \$62,000 for each full-time membership reduction enacted by legislation. (General Appropriation Act footnote) (See *Additional Legislation*)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

STATE BOARD OF FUNERAL DIRECTORS AND EMBALMERS

A.R.S. § 32-1301

George Beard, Executive Director

JLBC Analyst: Jim Rounds

Board of Funeral Directors and Embalmers Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
Personal Services	94,300	95,400	100,400	103,400
Employee Related Expenditures	20,500	20,500	21,400	21,900
Professional and Outside Services	28,700	30,100	35,900	33,700
Travel - In State	1,800	6,300	6,300	6,300
Travel - Out of State	1,000	0	0	0
Other Operating Expenditures	<u>20,000</u>	<u>28,000</u>	<u>22,100</u>	<u>22,100</u>
Total Appropriations	166,300	180,300	186,100 ^{1/2}	187,400 ^{2/}

Agency Description — *The board licenses, registers, and regulates embalmers, prearranged funeral salespersons, crematories, and funeral homes. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

Technical Issues — The approved FY 1998 amounts include an increase of \$2,800 for the agency's portion of shared office costs. The approved FY 1999 amounts include a further increase of \$1,200.

Statute and Rules Revisions — The approved FY 1998 amounts include an increase of \$3,000 for the one-time expenses associated with statute and rules revisions.

Newsletter Publication — The approved FY 1998 and FY 1999 amounts include a reduction of \$5,900 associated with reducing the agency newsletter from a quarterly publication to a semiannual publication.

1/ This 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, 1999. (General Appropriation Act footnote)

2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

ARIZONA GAME AND FISH DEPARTMENT

A.R.S. § 17-201

Duane L. Schroufe, Director

JLBC Analyst: Bruce Groll

Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
<u>Program Summary</u>				
Administrative and Field Services	15,443,300	16,180,500	18,835,400	18,982,500
Watercraft Licensing	1,434,500	1,452,400	1,595,500	1,594,600
Game, Non-Game, Fish and Endangered Species Wildlife	245,400	275,400	282,700	281,800
Total Appropriations	17,123,200	17,908,300	20,713,600	20,858,900
<u>Expenditure Detail</u>				
FTE Positions	271.5	271.5	271.5	271.5
Personal Services	7,426,400	7,653,500	8,027,600	8,233,400
Employee Related Expenditures	2,466,200	2,454,400	2,549,200	2,632,000
Professional and Outside Services	352,400	234,600	284,600	284,600
Travel - In State	250,100	265,900	275,900	275,900
Travel - Out of State	56,000	30,700	30,700	30,700
Other Operating Expenditures	3,257,900	3,656,700	3,886,000	3,886,000
Equipment	402,900	765,000	1,533,400	1,383,200
Operating Subtotal	14,211,900	15,060,800	16,587,400	16,725,800
Pittman-Robertson/Dingell-Johnson				
Matching	2,208,000	2,208,000	2,208,000 ^{1/}	2,208,000 ^{1/}
Coop Fish and Wildlife Research	40,000	40,000	40,000 ^{1/}	40,000 ^{1/}
Regional Field Offices Lease-Purchase	180,600	178,500	157,200	164,100
Waterfowl Conservation	35,300	43,500	43,500	43,500
Land & Water Conservation Recreation				
Development	67,600	0	0	0
Wildlife Endowment	10,300	8,000	8,000	8,000
PSPRS Unfunded Liability	0	0	1,000,000	1,000,000
Performance Based Incentives Program	0	0	300,000 ^{2/2/}	300,000 ^{2/2/}
Watercraft Reimbursement to Game and Fish Fund	359,500	359,500	359,500	359,500
Non-Game Wildlife Reimbursement to Game and Fish Fund	10,000	10,000	10,000	10,000
Total Appropriations	17,123,200	17,908,300	20,713,600 ^{4/2/}	20,858,900 ^{4/2/}
<u>Fund Summary</u>				
Game and Fish Fund	15,149,500	15,950,500	18,626,700	18,766,900
Watercraft Licensing Fund	1,434,500	1,452,400	1,595,500	1,594,600
Game, Non-Game, Fish and Endangered Species Fund	245,400	275,400	282,700	281,800
Capital Improvement Fund	180,600	178,500	157,200	164,100
Waterfowl Conservation Fund	35,300	43,500	43,500	43,500
Land and Water Conservation Recreation				
Development Fund	67,600	0	0	0
Wildlife Endowment Fund	10,300	8,000	8,000	8,000
Total Appropriations	17,123,200	17,908,300	20,713,600	20,858,900

ARIZONA GAME AND FISH DEPARTMENT (Cont'd)

Agency Description — *The Arizona Game and Fish Department manages Arizona wildlife populations through the operation of hunting and fishing license programs, enforcement actions for the unlawful taking of game, and wildlife habitat protection and development. A 5-member commission appointed by the Governor oversees department operations and provides policy direction for the director. The department has 3 major programs: 1) the Administrative and Field Services program encompasses the major G & F Department functions, such as wildlife management, wildlife law enforcement, habitat development and protection, general agency administration, and also supports 6 regional Game and Fish offices; 2) the Watercraft Licensing program is responsible for the administration of boat registration, the enforcement of boating safety laws, and implementation of an information and education program relating to boating and boating safety, and receives funding from watercraft registration fees, license taxes and penalty assessments; and 3) the Game, Non-Game, Fish and Endangered Species Wildlife program conducts research on non-game wildlife, endangered species, and related habitat for use in the department's management plan for these wildlife, and receives funding from taxpayers who elect the "check-off" option for non-game wildlife on their Arizona state income tax form. Other department functions include operating fish hatcheries, conducting the annual lottery draw for hunting tags, conducting wildlife research, producing a variety of wildlife publications, and implementing the Off-Highway Vehicle program.*

Technical Issues — The approved amounts include an increase of \$50,000 in Professional and Outside Services for pilot and law enforcement training and data base management; a \$10,000 increase for Travel - In State to offset increased travel and lodging expenses of commissioners and staff; and a \$174,500 increase for field operations, hunting license draws, the addition of Desert West and Green Valley lakes to the Urban Fisheries program, and increased maintenance and operating expenses. The approved FY 1998 amount also includes \$372,300 for capitalized replacement equipment, of which \$279,800 is a one-time increase, and an additional one-time increase of \$87,500 for FY 1999.

Pittman-Robertson/Dingell-Johnson Act — The approved amounts provide for the state's 25% match for federal wildlife restoration and sport fishing projects.

Cooperative Fish and Wildlife Research — The approved amounts provide funding for ongoing wildlife and conservation research projects conducted with the University of Arizona.

Regional Field Offices Lease-Purchase — The approved FY 1998 amount includes a reduction of \$21,300 as requested by the agency for the department's lease-purchase payment for regional field offices in Kingman and Yuma. The approved FY 1999 amount includes an increase of \$6,900 for the lease-purchase payment.

Waterfowl Conservation — The approved amounts facilitate the purchase of waterfowl habitat with Waterfowl Conservation Fund monies. Funding is also used to contract with an artist to provide art work for the annual duck stamp and to market this art work.

Wildlife Endowment — The approved amounts provide for reimbursement to the Game and Fish Fund for wildlife conservation and management purposes.

PSPRS Unfunded Liability — The approved amounts and establishment of a new Special Line Item are provided to expedite payoff of a \$5,800,000 unfunded Public Safety Personnel Retirement System (PSPRS) actuarial accrued liability and to account for annual payments.

- 1/ Any part of the appropriation of \$40,000 for Cooperative Fish and Wildlife Research and \$2,208,000 for Pittman - Robertson/Dingell - Johnson Act may be used for the purpose of matching federal and apportionment funds. (General Appropriation Act footnote)
- 2/ The \$300,000 in FY 1998 and \$300,000 in FY 1999 for the Performance Based Incentives Special Line Item shall be used for Personal Services and Employee Related Expenditures to implement a performance based incentives pilot program for 262.5 eligible FTE Positions in accordance with Laws 1995, Chapter 43. This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 3/ It is the intent of the Legislature that the Arizona Game and Fish Department shall be eligible for any statewide general pay adjustments in addition to the amounts provided herein. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 5/ The Game and Fish Commission has committed to use up to \$200,000 annually from the Fisheries Federal Aid and Heritage Funds for FY 1998 and FY 1999 to implement a portion of this state's share of a joint participation agreement with the states of California and Nevada, the United States Department of the Interior, the United States Bureau of Reclamation and the United States Fish and Wildlife Service entitled the "Lower Colorado River Multi-Species Conservation Program Agreement," as adopted by the Commission, February 6, 1997. When these monies are combined with monies from the Department of Water Resources through an intergovernmental agreement, a total of \$275,000 in FY 1998 and \$280,000 in FY 1999 shall be available for the Lower Colorado River Agreement. The purpose of the agreement is to conserve habitat and work toward the protection and recovery of native and listed endangered species on the lower Colorado River 100-year floodplain, pursuant to the Endangered Species Act, and to reduce the likelihood of additional species being listed as threatened or endangered. It is the intent of the Commission and the Legislature that these monies shall be used for state game and fish administration as is consistent with Arizona and federal law. (General Appropriation Act footnote)

ARIZONA GAME AND FISH DEPARTMENT (Cont'd)

The initial liability was incurred in 1971 when department game wardens, who previously were under the State Retirement System, became eligible for public safety retirement through a Joinder Agreement between the department and PSPRS. Historically however, when these game wardens were promoted into other classifications, their PSPRS retirement was reverted to the State Retirement System, until 1986, when the Game and Fish Department and PSPRS amended the Joinder Agreement to restore Public Safety Retirement eligibility and accrued benefit credits to 85 department rangers. The ruling resulted in an additional unfunded PSPRS actuarial accrued liability approximating \$6,600,000 and an exceptionally high retirement rate of 18.26%. The department's 18.26% contribution rate consists of 10.91% for "normal" retirement costs and 7.35% for amortization of the unfunded actuarial accrued liability with a 22-year amortization payment through 2016. The \$1,000,000 annual special line payment would:

- Reduce the time to payoff by 14 years to 2002;
- Eventually save approximately \$950,000 in employer contributions; and
- Subsequently reduce Employee Related Expenditures by lowering the department's contribution rate.

The \$950,000 savings estimate is based upon interest earnings that would be generated by PSPRS if the additional \$1,000,000 is contributed for 5 years at 9%; each dollar of investment income earned from the additional contributions is one less dollar that will be needed in employer contributions.

Performance Based Incentives Program — The approved amounts and establishment of a new Special Line Item are provided for Personal Services and Employee Related Expenditures to implement a Performance Based Incentive Pay Pilot Program for 262.5 eligible FTE Positions.

Reimbursements to Game and Fish Fund — The approved amounts include a total of \$369,500: from the Watercraft Licensing Fund, \$359,500 to reimburse the Game and Fish Fund for watercraft law enforcement and registration services performed by the Administrative and Field Services program on behalf of the Watercraft program; and from the Game, Non-Game, Fish and Endangered Species Fund, \$10,000 to reimburse the Game and Fish Fund for functions performed by the Administrative and Field Services program on behalf of the Non-Game Wildlife program.

Phoenix Regional Office Local Area Network (LAN) Upgrade — The approved amounts include a total biennial one-time increase of \$707,300 appropriated as follows: for FY 1998, an increase of \$269,100 from the Game and Fish Fund to fund the Phoenix and regional offices LAN upgrade and

implement the communication upgrade to provide for compatible network capabilities shared by the department's Phoenix office and its 6 regional offices; and for FY 1999, a further increase of \$169,100 for a total FY 1999 appropriation of \$438,200 to complete the LAN upgrade.

Optical Imaging System Scanner, Server and Storage — The approved FY 1998 amount provides a one-time increase of \$127,000 from the Game and Fish Fund to complete Phase II and Phase III funding for an optical reader scanner to more efficiently document and retrieve licensing data, provide financial support to all areas of the department in managing information and maintaining records and files, and facilitate watercraft registration, license dealer, and big game hunt drawing programs.

Capital Outlay: Chapter 2, 1st Special Session — Sections 1F and 2F of this act appropriate a total of \$1,956,100 for the following purposes:

- Building Renewal, from the Game and Fish Fund, \$212,600. Of this amount, up to 25% may be used for infrastructure replacement and repair, or building modifications to comply with the Americans with Disabilities Act.
- Facilities improvements, from the Game and Fish Fund, \$138,500.
- Shooting range development, from the Game and Fish Fund, \$50,000.
- Migratory waterfowl habitat, from the Waterfowl Conservation Fund, \$100,000.
- Tucson office expansion, from the Capital Improvement Fund, \$355,000.
- Lease-purchase payoff of the Yuma Game and Fish Building, from the Game and Fish Fund, \$1,100,000.

DEPARTMENT OF GAMING

A.R.S. § 5-601

Gary Husk, Director

JLBC Analyst: Jim Rounds

Permanent Tribal-State Compact Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	44.0	68.0	67.0	71.0
Personal Services	1,414,700	1,859,200	2,145,500	2,315,000
Employee Related Expenditures	301,000	462,100	472,400	510,400
Professional and Outside Services	539,000	486,300	514,700	551,000
Travel - In State	68,600	94,700	98,300	99,700
Travel - Out of State	56,800	180,000	100,000	100,000
Other Operating Expenditures	522,000	523,300	637,300	669,100
Equipment	170,500	215,600	109,200	35,600
Operating Subtotal	3,072,600	3,821,200	4,077,400	4,280,800
Arbitration Expense	0	80,000	220,000 ^{1/}	220,000 ^{1/}
Total Appropriations	3,072,600	3,901,200	4,297,400^{2/2/}	4,500,800^{2/2/}

Agency Description — *The Department of Gaming regulates Indian gaming activities authorized by the state-tribal gaming compacts. The program is funded from the Permanent Tribal-State Compact Fund, which receives monies from Indian tribes that have compacts with the state to reimburse the state for administrative and regulatory expenses. The fund also receives monies from gaming employees to finance investigations of their backgrounds. A portion of the monies remaining in the fund at the end of the fiscal year is returned to the Indian tribes.*

Technical Issues — The approved FY 1998 and FY 1999 amounts include a reduction of 7 FTE Positions and \$20,900 in associated ERE expenses. The eliminated FTE Positions were vacant.

The approved FY 1998 and FY 1999 amounts include a reduction of \$215,600 for the elimination of one-time funding for equipment and a reduction of \$80,000 in Travel - Out of State.

Equipment — The approved FY 1998 amounts include an increase of \$21,400 for one-time costs associated with replacement computers and replacement gaming testing devices. The approved FY 1999 amounts include an increase of \$25,600 for one-time costs associated with replacement computers, a fax machine and a laser printer.

Salt River Pima-Maricopa Indian Community Casinos — The approved FY 1998 amounts include an increase of 6 FTE Positions and \$463,000. The approved FY 1999 amounts include a further increase of 4 FTE Positions and \$199,700. In November 1996, Arizona voters passed Proposition 201

which allows non-compacted Indian tribes to negotiate gaming compacts with the state. The additional 10 FTE Positions and associated funding will allow the department to meet its enforcement and inspection responsibilities concerning the Salt River Pima-Maricopa Indian Community's 2 planned casinos.

Arbitration Expense — The approved FY 1998 and FY 1999 amounts include an increase of \$140,000 for arbitration expenses. Disputes between the state and the compacted tribes may be resolved through arbitration. The Department of Gaming anticipates that all future disputes will require arbitration. The increase in funding will cover the costs associated with an additional 240 hours of attorney/arbitrator time which is anticipated to be necessary to resolve future disputes. The increase in funding will also cover arbitration costs associated with the Salt River Pima-Maricopa Indian Community's 2 planned casinos.

1/ Prior to the transfer of monies from the Arbitration Special Line Item for other enforcement expenditures, the Department of Gaming shall submit their proposal to the Joint Legislative Budget Committee for review. (General Appropriation Act footnote)
 2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
 3/ It is the intent of the Legislature, that monies to be used for the regulation of the 2 planned Salt River Pima-Maricopa Indian Community casinos, excluding monies to be used for equipment, shall revert on a quarterly basis, to the Permanent Tribal-State Compact Fund if the anticipated opening of a new casino does not occur during that particular quarter for the year funded. (General Appropriation Act footnote)

ARIZONA GEOLOGICAL SURVEY

A.R.S. § 27-151

Larry D. Fellows, State Geologist

JLBC Analyst: Chris Earnest

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	13.3	13.3	13.3	13.3
Personal Services	413,000	426,600	451,200	465,100
Employee Related Expenditures	82,100	83,200	87,600	90,000
Travel - In State	14,800	33,300	37,800	37,800
Travel - Out of State	1,600	2,000	2,000	2,000
Other Operating Expenditures	179,300	176,500	186,600	191,600
Equipment	63,000	21,500	15,100	9,100
Total Appropriations	753,800	743,100	780,300 ^{1/}	795,600 ^{1/}

Agency Description — *The Geological Survey investigates Arizona's geology and regulates the drilling and production of oil, gas, and other energy resources. The Survey also provides technical advice and assistance to state and local government agencies, industry, and other members of the public concerning the geologic environment and the development and use of mineral resources in Arizona.*

Technical Issues — The approved FY 1998 and FY 1999 amounts include \$3,700 for a position reclassification and \$5,300 for Internet access and service. The FY 1999 amount also includes \$9,100 to replace 3 computers.

Replacement Vehicle — The approved FY 1998 amount includes \$15,100 to replace a department-owned vehicle. The new vehicle will be placed in the Arizona Department of Administration Motor Pool. In conjunction with this vehicle, the approved FY 1998 and FY 1999 amounts include an additional \$4,500 for travel and a reduction of \$1,100 in funding used to operate the vehicle being replaced.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

GOVERNMENT INFORMATION TECHNOLOGY AGENCY

A.R.S. § 41-3501

Director to be Named

JLBC Analyst: Lynne Smith

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	0.0	0.0	17.0	17.0
Personal Services	0	0	1,073,400	1,200,500
Employee Related Expenditures	0	0	183,400	200,800
Professional and Outside Services	0	0	400,000	450,000
Travel - In State	0	0	10,000	10,000
Travel - Out of State	0	0	15,600	15,600
Other Operating Expenditures	0	0	257,500	259,800
Equipment	0	0	38,200	25,000
Operating Subtotal	0	0	1,978,100	2,161,700
Year 2000 - Agency Projects	0	0	17,330,000 ^{1/2/}	10,077,000 ^{1/2/}
Integrated Judicial Information System	0	0	100,000 ^{4/}	0
Total Appropriations	0	0	19,408,100 ^{2/}	12,238,700 ^{2/}
Fund Summary				
General Fund	0	0	10,100,000	8,000,000
Information Technology Fund	0	0	1,978,100	2,161,700
State Highway Fund	0	0	6,364,000	1,577,000
Personnel Division Fund	0	0	500,000	500,000
Board of Cosmetology Fund	0	0	190,000	0
Technical Registration Fund	0	0	85,000	0
Watercraft Licensing Fund	0	0	75,000	0
Technology and Telecommunication Fund	0	0	62,000	0
Board of Accountancy Fund	0	0	54,000	0
Total Appropriations	0	0	19,408,100	12,238,700

Agency Description — *The Government Information Technology Agency (GITA) is responsible for statewide Executive Branch information technology planning, coordinating, and consulting. GITA also provides staff support to the Information Technology Authorization Committee (ITAC), which oversees information technology for all 3 branches of government. The department is funded by a 0.15% charge on state agency payrolls.*

Establish GITA — Effective July 1, 1997, Laws 1996, Chapter 342 created 1) a separate Executive agency, the Government Information Technology Agency, responsible

for statewide information technology planning, coordinating, and consulting, and 2) a Legislative, Executive, Judicial, and private sector committee, the Information Technology

1/ It is the intent of the Legislature that monies appropriated to the Government Information Technology Agency through the Year 2000 - Agency Projects Special Line Item shall be used only for expenditures allowed by the fund from which they were appropriated and any unexpended monies shall revert to the fund of origin. (General Appropriation Act footnote)

2/ It is the intent of the Legislature that any Year 2000 expenditures from agencies' base budgets be funded by reductions in administration, not reductions in services. Each agency shall report the following: the fund source, the amount of Year 2000 expenditures absorbed within the base budget, and an explanation of how funds were reallocated so as to avoid a reduction in services. The Governor's Office of Strategic Planning and Budgeting and the Joint Legislative Budget Committee Staff shall compile this information and report to the Joint Legislative Budget Committee for each FY 1998 and FY 1999 by July 31, 1998 and July 31, 1999, respectively. (General Appropriation Act footnote)

3/ The state General Fund appropriation for Year 2000 may be used for agencies with other fund sources. If such state General Fund monies are used, the Director of the Government Information Technology Agency shall report to the Joint Legislative Budget Committee and Office of Strategic Planning and Budgeting such expenditures and the Legislature may consider a supplemental appropriation to reimburse the state General Fund. (General Appropriation Act footnote)

4/ It is the intent of the Legislature that the \$100,000 from the state General Fund for review and approval of an Integrated Judicial Information System is appropriated to the Government Information Technology Agency for administrative purposes only and is subject to control by the Information Technology Authorization Committee. (General Appropriation Act footnote)

5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

GOVERNMENT INFORMATION TECHNOLOGY AGENCY (Cont'd)

Authorization Committee, responsible for oversight of Executive, Legislative, and Judicial information technology (IT). The bill transferred the Executive Branch IT planning, coordinating, and consulting functions from the Arizona Department of Administration (ADOA) to GITA, leaving ADOA with responsibility for a centralized Data Center and telephone services to state agencies. Appropriate portions of ADOA were transferred to GITA. ADOA is performing some GITA functions in an interim capacity until GITA is established in FY 1998. The FY 1998 appropriation for ADOA includes reductions which, on a statewide level, help offset the new appropriation for GITA.

GITA and ITAC are expected to improve the coordination and effectiveness of IT used by state agencies. The new agency and committee also are expected to reduce waste and duplication associated with over \$200,000,000 spent annually on IT for state government.

The approved FY 1998 amount for operation of GITA includes a total of 17 FTE Positions and \$1,978,100 from the Information Technology Fund. To allow transfer of filled positions from ADOA, 13 FTE Positions are funded on a full-year basis. To allow hiring of vacant positions after the new agency is established, 4 FTE Positions are funded for 8 months.

The approved FY 1999 amount includes an increase of \$121,500 to annualize the funding for positions hired mid-year in FY 1998. The FY 1999 appropriation also includes an increase of \$50,000 in Professional and Outside Services for private sector IT consultants to assist the GITA staff in overseeing and providing expertise on state agencies' IT projects.

Year 2000 - Agency Projects — The "Year 2000" computer problem refers to a necessity to alter IT functions that use a 2-digit code for the year (e.g., 1997 is "97," thus the year 2000 is "00.") Initial estimates were that the state has 70 million lines of computer code needing revision. The

Governor has directed state agencies to absorb the majority of their Year 2000 costs by reallocating priorities within their existing budgets.

This Special Line Item appropriation includes a total of \$17,330,000 in FY 1998 and \$10,077,000 in FY 1999 to centrally fund individual state agencies' Year 2000 costs beyond those that can be absorbed within existing agency budgets. GITA will allocate amounts to individual agencies, as required. Central funding will provide flexibility and oversight for resolution of Year 2000 problems in various state agencies. The approved amounts are shown in the table below.

The Special Line Item appropriation also includes General Appropriation Act footnotes to clarify that monies from a dedicated fund cannot be spent on an unrelated agency's Year 2000 project; specify that agencies must use reductions in administration, rather than reductions in services, to fund Year 2000 projects; clarify that General Fund monies may be used for Other Fund agencies, but the Legislature may consider a supplemental appropriation to repay the General Fund; and require various reports.

Integrated Judicial Information System — This Special Line Item appropriation includes a one-time total of \$100,000 in FY 1998 for ITAC to oversee IT projects for the Judiciary. The appropriation is being made to GITA solely for administrative purposes. ITAC oversees IT for all 3 branches of state government; while GITA advises the Legislative and Judicial Branches on IT projects, but oversees only the Executive Branch. Please refer to the General Appropriation Act footnote on the prior page. More information on the Integrated Judicial Information System is included in the Appropriations Report section on the Judiciary.

Other Issues: GITA Responsibilities — The GITA Director shall serve as the Chief Information Officer for state

<u>Year 2000 - Agency Projects</u>			
<u>Fund Source</u>	<u>Recipient</u>	<u>FY 1998</u>	<u>FY 1999</u>
General Fund	Various Agencies	\$10,000,000	\$8,000,000
State Highway Fund	Department of Transportation	6,364,000	1,577,000
Personnel Division Fund	ADOA Human Resources Division	500,000	500,000
Board of Cosmetology Fund	Board of Cosmetology	190,000	0
Technical Registration Fund	State Board of Technical Registration	85,000	0
Watercraft Licensing Fund	Arizona Game and Fish Department	75,000	0
Tech. & Telecom. Fund	ADOA Information Services Division	62,000	0
Board of Accountancy Fund	Board of Accountancy	54,000	0
Total		\$17,330,000	\$10,077,000

GOVERNMENT INFORMATION TECHNOLOGY AGENCY (Cont'd)

government. GITA has responsibility to administer the state's Executive Branch IT resources, including the following: establish statewide standards; serve as statewide coordinator; critically evaluate and approve/disapprove agency IT plans; mandate necessary revisions to maintain the statewide standards and coordination; temporarily suspend the expenditure of monies if an IT project is at risk of failing to achieve its intended results or does not comply with state requirements; provide IT consulting services; and provide staff support for ITAC. GITA will approve projects with a total acquisition cost of \$25,000 to \$1,000,000 and make recommendations to ITAC for projects with a total cost of over \$1,000,000. An agency's IT plan must be approved before purchases are approved. Status of the approval process must be noted in an agency's budget request. The JLBC Staff will not consider an agency's budget request for an IT project unless it goes through the GITA/ITAC approval process.

Information Technology Authorization Committee — ITAC consists of 14 members: 4 persons from private industry with IT expertise; 2 legislators (ex-officio); 2 directors of state agencies; 1 federal government representative (ex-officio); 1 local government representative (ex-officio); 1 member from either private industry or state government; the Director of the Governor's Office of Telecommunications Policy; the Administrative Director of the Courts; and the GITA Director, who shall serve as the ex-officio chairman of the committee. The committee has oversight responsibilities for Executive, Legislative, and Judicial IT, including the following: approve centralized IT policies, standards and the statewide plan; approve purchases with a total cost over \$1,000,000; monitor major or critical projects; temporarily freeze approved funds if a project is at risk of failing to achieve its intended results or does not comply with state requirements; decide appeals from agencies on GITA's decisions.

Information Technology Fund — Laws 1996, Chapter 342 also established an IT Fund. From January 1, 1997 through June 30, 1997, the pro rata charge on Personal Services deposited to the ADOA Personnel Fund shall be reduced by 0.15%, and agencies currently paying that charge will instead pay a 0.15% pro rata charge to the IT Fund. Beginning July 1, 1997, the ADOA Personnel Fund pro rata share shall be 0.9%, and all agencies shall pay the 0.15% pro rata charge to the IT Fund.

OFFICE OF THE GOVERNOR

A.R.S. § 41-101

The Honorable Fife Symington, Governor

JLBC Analyst: Bob Hull

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
Lump Sum Appropriation	4,468,800	4,974,200	5,305,100 ^{1/2/}	5,331,800 ^{1/2/}
Total Appropriations	4,468,800	4,974,200	5,305,100	5,331,800

Agency Description — *The Governor is the state's Chief Executive Officer and responsible for the execution of state laws. The Office of the Governor includes the Office for Women's Services, the Office for Children, and the Office for Drug Policy. Each of these offices has been created by Executive Order. The Office of Sonora was established and placed in the Office of the Governor by a statute enacted in 1993. Legislation enacted in 1995 established the Governor's Telecommunications Policy Office and assigned it to the Office of the Governor.*

Roosevelt v. Bishop — The approved amount for FY 1998 includes an increase of \$100,000 for legal fees involving the Roosevelt v. Bishop lawsuit.

- ^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{2/} Included in the lump sum appropriations of \$5,305,100 for FY 1998 and \$5,331,800 for FY 1999 is \$10,000 each year for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

Executive Order No. 95-17

Peter J. Burns, Director

JLBC Analyst: Bob Hull

General Fund and Office for Excellence in Government Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>42.0</u>	<u>43.0</u>	<u>43.0</u>	<u>43.0</u>
Office of Strategic Planning and Budgeting	1,625,400	1,732,800	1,789,700	1,835,200
Office for Excellence in Government	<u>1,167,200</u>	<u>2,091,000</u>	<u>2,133,700</u>	<u>2,169,400</u>
Total Appropriations	2,792,600	3,823,800	3,923,400 ^{1/}	4,004,600 ^{1/}
Fund Summary				
General Fund	2,703,000	3,323,800	3,423,400	3,504,600
Office for Excellence in Government Fund	<u>89,600</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Total Appropriations	2,792,600	3,823,800	3,923,400	4,004,600

Agency Description — *The Governor's Office of Management and Budget was created by Executive Order to coordinate the Office of Strategic Planning and Budgeting and the Office for Excellence in Government. The Office of Strategic Planning and Budgeting advises the Governor in the preparation of the Executive budget and provides the Executive Branch a central resource for the compilation, analysis and investigation of state fiscal matters. It facilitates a strategic planning process and assists agencies in preparation and execution of their budgets. The Office for Excellence in Government was created by Executive Order and provides management consulting services for the Executive Branch.*

FTE Positions — The approved amounts for FY 1998 and FY 1999 include 24 FTE Positions for the Office of Strategic Planning and Budgeting, and 19 FTE Positions for the Office for Excellence in Government.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum for the Program.

ARIZONA COUNCIL FOR THE HEARING IMPAIRED

A.R.S. § 36-194I

Stuart R. Brackney, Director

JLBC Analyst: Jennifer Vermeer

General Fund and Telecommunication Fund for the Deaf	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	5.0	5.0	9.0	9.0
Personal Services	145,200	151,100	247,400	255,000
Employee Related Expenditures	36,100	34,100	58,700	60,100
Professional and Outside Services	9,400	17,800 ^{1/}	3,712,500	3,712,500
Travel - In State	2,400	3,100	13,100	13,100
Travel - Out of State	1,400	0	0	0
Other Operating Expenditures	30,100	51,900	383,700	374,300
Equipment	0	0	0	0
Total Appropriations	224,600	258,000	4,415,400^{2/}	4,415,000^{2/}
<u>Fund Summary</u>				
General Fund	224,600	258,000	257,400	254,300
Telecommunication Fund for the Deaf	0	0	4,158,000	4,160,700
Total Appropriations	224,600	258,000	4,415,400	4,415,000

Agency Description — *The agency acts as an information and referral resource for the deaf and the hearing impaired and administers a statewide telephone access program. The agency also provides educational materials to the general public.*

Technical Issues — The approved amount for FY 1998 includes a decrease of \$16,600 from the General Fund and an increase of \$16,600 from the Telecommunication Fund for the Deaf (TDD). In the past, the General Fund supported the total administrative cost of the agency. Since the TDD Fund's programs utilize these services as well, these costs were prorated to both fund sources according to the number of FTE Positions allocated to each fund source. The TDD Fund, which receives monies from a 1.1% surcharge on local telephone bills, became newly appropriated in FY 1998 by Laws 1996, Chapter 335.

Telephone System Upgrade — The approved amount for FY 1998 includes an increase of \$2,800 from the General Fund and an increase of \$2,200 from the TDD Fund for equipment and increased annual contract costs associated with upgrading the Council's telephone system. The system currently has 4 outbound lines for 9 staff persons. The approved amount for FY 1999 includes decreases of \$1,400 from the General Fund and \$1,200 from the TDD Fund to reflect the elimination of the one-time costs associated with upgrading the telephone system.

Legal Interpreter Guidelines — The approved amount for FY 1998 includes an increase of \$8,000 from the General Fund for one-time printing and postage costs associated with publishing new rules regarding the qualifications of sign

language interpreters in court, administrative and law enforcement proceedings. The consent decree filed in Layton, Nover v. State of Arizona required the changes in these rules. The approved amount for FY 1999 includes a decrease of \$8,000 from the General Fund to reflect the elimination of these one-time costs.

TDD Relay Program — The TDD Relay program is funded from the TDD Fund and is operated through a contract with the private telephone company MCI at an annual cost of approximately \$3,700,000. The contract is paid from the Professional and Outside Services line item.

Additional Legislation: Health Omnibus Reconciliation Bill (Chapter 5, 1st Special Session) — A.R.S. § 42-1472 sets the cap for the Telecommunication Services Excise Tax at 1.6% and authorizes the Joint Legislative Tax Committee (JLTC) to set the rate within this statutory range. With the approval of JLTC for FY 1996, the Telecommunication Services Excise Tax was levied at a 1.1% surcharge on local telephone bills. The entire amount was allocated to the TDD Fund. Laws 1996, Chapter 5, 5th Special Session allocated 0.3% of the revenues from this tax to the Poison Control Fund for FY 1997 to operate the state's 2 poison control centers. The legislation also fixed a rate of 0.8% to be allocated to the TDD Fund. Laws 1997, Chapter 5, 1st Special Session continued this allocation for FY 1998 and FY 1999.

^{1/} Laws 1997, Chapter 7, 1st Special Session appropriated \$5,000 for unanticipated costs associated with the consent decree filed in Layton, Nover v. State of Arizona. The consent decree required the state to revise the rules regarding the qualifications of legal interpreters.

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

ARIZONA HISTORICAL SOCIETY

A.R.S. § 41-821

Ben Hill, Interim Executive Director

JLBC Analyst: Brad Regens

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	62.0	64.5	64.5 ^{1/}	64.5 ^{1/}
Personal Services	1,129,900	1,207,700	1,272,400	1,311,800
Employee Related Expenditures	249,500	248,000	261,000	267,900
Professional and Outside Services	37,400	47,900	47,900	47,900
Travel - In State	10,000	20,500	20,500	20,500
Other Operating Expenditures	369,800	370,400	357,000	357,000
Equipment	14,100	14,200	0	0
Operating Subtotal	1,810,700	1,908,700	1,958,800	2,005,100
Journal of Arizona History	5,000	5,000	5,000	5,000
Historical Society Grants	30,000	80,000	80,000 ^{2/}	80,000 ^{2/}
Library Acquisitions	1,300	1,500	1,500	1,500
Papago Park Museum	1,938,700	2,163,700	2,241,700	2,260,000
Total Appropriations	3,785,700	4,158,900	4,287,000 ^{3/4/}	4,351,600 ^{3/4/}

Agency Description — *The Arizona Historical Society acquires, preserves, maintains, and publicly exhibits archival and museum objects pertaining to the history of Arizona, the West, and the Indian tribes inhabiting the state. The Society's major museums are in Yuma, Flagstaff, Tucson, Phoenix and Tempe (Papago Park).*

Journal of Arizona History — The appropriation provides for the publishing of the Journal as required pursuant to A.R.S. § 41-824A. The Journal is published quarterly.

Historical Society Grants — A.R.S. § 41-821H and A.R.S. § 41-821I allow the Arizona Historical Society (ASH) to contract with certified county historical societies for services to be performed for the benefit of the state. Such services may include restoration and maintenance of historical buildings, curation and registration of historical artifacts, and personnel costs incurred by the county historical society in presenting or preserving historic materials. Contracts are awarded where historical materials are in the greatest need of additional care. To qualify as a certified historical society, the society must be nonprofit and have a functioning program of historical value. Certification and contract agreements are reviewed annually.

Library Acquisitions — The appropriation provides for the purchase of rare manuscripts for placement in the permanent library collection.

Papago Park Museum — The approved FY 1998 and FY 1999 amounts include 23.5 FTE Positions.

Reporting Requirement — On March 23, 1996 the AHS Non-Appropriated Fund data maintained outside the Arizona Department of Administration financial accounting system was corrupted. AHS was unable to provide their Non-Appropriated Fund balances nor their expenditures until December of 1996. Beginning in FY 1998, AHS is required to submit quarterly expenditure reports to enable the Legislature to monitor the Society's progress in improving its accounting practices.

Laws 1997, Chapter 58 also requires all monies received by the AHS to be deposited with the State Treasurer and requires the State Treasurer to submit a quarterly report of Non-Appropriated Fund expenditures to the Joint Legislative Budget Committee.

^{1/} Includes 23.5 FTE Positions funded from Special Line Items in FY 1998 and FY 1999.

^{2/} Of the \$80,000 appropriation for Historical Society grants, \$50,000 shall revert if the City of Phoenix does not make its agreed upon cash contribution pursuant to the memorandum of understanding executed between the City of Phoenix and the Arizona Historical Society. (General Appropriation Act footnote)

^{3/} The Arizona Historical Society shall submit quarterly expenditure reports on all funds to the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote)

^{4/} General Appropriation Act funds are appropriated as a Modified Lump Sum by Agency.

PRESCOTT HISTORICAL SOCIETY OF ARIZONA

A.R.S. § 41-831

Richard S. Sims, Director

JLBC Analyst: Brad Regens

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	16.0	16.0	17.0	17.0
Personal Services	399,500	410,700	461,300	475,600
Employee Related Expenditures	121,600	118,300	124,600	127,800
Professional and Outside Services	3,200	3,300	3,300	3,300
Travel - In State	900	400	400	400
Other Operating Expenditures	74,200	85,000	86,600	86,600
Equipment	10,000	0	5,000	5,000
Total Appropriations	609,400	617,700	681,200 ^{1/}	698,700 ^{1/}

Agency Description — *The Prescott Historical Society preserves and maintains the Old Governor's Mansion, together with the other buildings and properties of the Sharlot Hall Museum located in Prescott. The Society is responsible for acquiring, preserving and publicly exhibiting archival and museum objects pertaining to the history, geological and anthropological life of Arizona and the West.*

Equipment — The approved FY 1998 and FY 1999 amounts include \$5,000 for the one-time purchase of 2 replacement computers each year.

Museum Curator — The approved amount includes an increase of \$33,700 and the addition of 1 FTE Position to fund and equip a new collection-based curator. The new curator will catalog the Society's growing collection, produce exhibits focusing on the anthropological and archaeological history of the Central Arizona Highlands and plan cultural education programs.

Capital Outlay: Chapter 2, 1st Special Session — Appropriates \$130,000 from the General Fund to the Prescott Historical Society to complete the purchase of the 2 remaining parcels of land in the city block on which the Sharlot Museum sits. With this appropriation, a total of \$390,000 has been appropriated for this project.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

BOARD OF HOMEOPATHIC MEDICAL EXAMINERS

A.R.S. § 32-2901

Elaine LeTarte, Executive Director

JLBC Analyst: Jim Hillyard

Board of Homeopathic Medical Examiners Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	0.5	0.5	0.5	0.5
Personal Services	14,500	14,700	21,900	22,400
Employee Related Expenditures	2,000	3,800	4,000	4,000
Professional and Outside Services	10,700	11,100	12,100	12,300
Travel - In State	1,300	1,300	1,300	1,300
Other Operating Expenditures	2,200	2,300	2,300	2,300
Total Appropriations	30,700	33,200	41,600 ^{1/2}	42,300 ^{2/}

Agency Description — *The board licenses and regulates medical physicians who practice homeopathy, a system of medical treatment based on the use of small quantities of remedies which in larger doses produce symptoms of the disease. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

Board Member Per Diem — The approved amount provides an additional \$6,500 for board member per diem in each year to fund the increase in board member per diem required by Laws 1995, Chapter 197.

Complaint Investigation — The approved amount provides an additional \$1,500 in each year to fund an increase in contract complaint investigation services.

1/ This 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, 1999. (General Appropriation Act footnote)

2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

ARIZONA COMMISSION OF INDIAN AFFAIRS

A.R.S. § 41-541

Eleanor Descheeny-Joe, Executive Director

JLBC Analyst: Jim Rounds

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	4.0	4.0	3.0	3.0
Personal Services	102,500	109,400	90,100	92,900
Employee Related Expenditures	27,100	18,800	18,400	18,900
Professional and Outside Services	600	0	0	0
Travel - In State	6,000	6,800	6,800	6,800
Other Operating Expenditures	38,400	35,100	36,700	37,500
Equipment	6,800	1,300	0	0
Operating Subtotal	181,400	171,400	152,000	156,100
Indian Town Hall	4,000	4,000	4,000	4,000
Total Appropriations	185,400	175,400	156,000 ^{1/2}	160,100 ^{2/}

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.*

Technical Issues — The approved FY 1998 and FY 1999 amounts include a reduction of \$2,300 for the elimination of one-time funding for office equipment and furniture.

Elimination of Position — The approved FY 1998 and FY 1999 amounts include a reduction of 1 FTE Position and \$30,000 in Personal Services and related costs.

Indian Town Hall — The approved FY 1998 and FY 1999 amounts fund 2 statewide educational forums.

^{1/} The Commission of Indian Affairs shall report to the Joint Legislative Budget Committee by October 31, 1997. The report shall provide an update on the Commission of Indian Affairs' progress on meeting goals established in the FY 1995 Strategic Plan. The report shall also describe the Commission of Indian Affairs' method of incorporating issues developed at the 1997 Indian Town Hall into its strategic plan. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

INDUSTRIAL COMMISSION OF ARIZONA

A.R.S. § 23-101

Larry Etchechury, Director

JLBC Analyst: Jim Rounds

Administrative Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
<u>Program Summary</u>				
Administration	2,692,800	2,625,300	3,429,800	2,819,800
Claims	2,562,500	2,626,200	2,634,300	2,678,200
Administrative Law Judge	3,810,600	3,888,900	4,007,300	4,074,800
Labor	403,300	454,900	484,700	496,400
Special Fund	574,100	661,200	687,800	703,800
Occupational Safety and Health	1,586,800	1,655,600	1,725,100	1,765,800
Legal Counsel	877,200	921,700	1,071,900	1,108,900
Total Appropriations	12,507,300	12,833,800	14,040,900	13,647,700
<u>Expenditure Detail</u>				
FTE Positions	271.0	272.0	277.0	278.0
Personal Services	6,729,600	7,183,300	7,692,300	7,950,900
Employee Related Expenditures	1,561,900	1,656,900	1,753,100	1,796,000
Professional and Outside Services	1,494,600	1,492,600	1,393,600	1,393,600
Travel - In State	170,700	170,400	173,900	177,300
Travel - Out of State	11,400	13,800	13,800	13,800
Other Operating Expenditures	2,470,500	2,316,800	2,309,800	2,309,800
Equipment	68,600	0	704,400	6,300
Total Appropriations	12,507,300	12,833,800	14,040,900 ^{1/}	13,647,700 ^{1/}

Agency Description — *The Industrial Commission regulates the workers' compensation insurance industry. The commission is also responsible for child labor issues, occupational safety and health issues, wage claim dispute resolutions, licensing of private employment agencies and providing workers' compensation coverage for claimants of uninsured and self-insured employers or insolvent carriers.*

Technical Issues — The approved FY 1998 and FY 1999 amounts include a reduction of \$23,800 due to the elimination of one-time funding for equipment, and a reduction of \$149,000 due to the elimination of funding for data processing services that are no longer required.

Optical Disk Library Unit — The approved FY 1998 amounts include an increase of \$600,200 for computer equipment and \$13,800 for related costs associated with the replacement of the computer that performs all workers' compensation activities.

Employer Database — The approved FY 1998 amounts include an increase of \$103,000 for the acquisition and consulting services associated with an new employer database to assist with the identification of employers that are not in compliance with current workers' compensation laws.

New Staff — The approved FY 1998 and FY 1999 amounts include:

- An increase of 2 FTE Positions and \$91,500 for computer programming and investigative support associated with the acquisition of the new employer database.
- An increase of 1 FTE Position and \$43,800 for claims awards processing.
- An increase of 1 FTE Position and \$26,600 for a secretary to assist with processing Administrative Law Judge decisions in the Tucson office.
- An increase of 2 FTE Positions and \$58,700 for administrative support.
- An additional 1 FTE Position and \$38,800 for an additional investigator.
- A decrease of 1 FTE Position as a base adjustment.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

DEPARTMENT OF INSURANCE

A.R.S. § 20-101

John Greene, Director

JLBC Analyst: Brad Regens

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	102.9	102.9	99.0 ^{1/}	99.0 ^{1/}
Personal Services	2,096,400	2,263,200	2,386,200	2,459,400
Employee Related Expenditures	505,100	499,100	511,800	525,300
Professional and Outside Services	53,300	66,400	15,000	15,000
Travel - In State	3,500	9,200	4,200	4,200
Travel - Out of State	10,100	10,100	10,100	10,100
Other Operating Expenditures	1,138,400	805,100	720,900	720,600
Equipment	20,300	0	8,800	0
Operating Subtotal	3,827,100	3,653,100	3,657,000	3,734,600
Insurance Rate Publication	39,200	72,000	42,000	42,000
Fraud Unit	682,300	671,100	700,700	717,300
Total	4,548,600	4,396,200	4,399,700	4,493,900
Additional Appropriations -				
Managed Care; Health Care Appeals, Ch. 100	0	0	60,800	234,700
Insurance Fraud Unit; Peace Officers, Ch. 281	0	0	320,000 ^{2/}	320,000 ^{2/}
Total Appropriations	4,548,600	4,396,200	4,780,500 ^{3/}	5,048,600 ^{3/}

Agency Description — *The department regulates the insurance industry. The department's major duties include solvency regulation, collection and audit of insurance premium taxes, agent licensing, company certification, consumer assistance, complaint resolution, rate and policy form regulation, and administration of companies in receivership.*

Overhead Expenses — The approved amounts include a reduction of \$150,600 due to reallocation of the Risk Management, Rent, and Operations and Maintenance overhead charges between the department's General Fund appropriation and its Non-Appropriated Funds. The approved amounts include \$395,600 in FY 1998 and \$395,900 in FY 1999 to cover the overhead expenses associated with 83 General Fund FTE Positions in each year.

Vacant FTE Positions — Per the agency's request, the approved amounts include the reduction of \$10,000 and the elimination of 3.9 vacant FTE Positions.

Replacement Equipment — The approved FY 1998 amount includes \$8,800 for the one-time purchase of replacement office equipment.

Insurance Rate Publication — Laws 1993, Chapter 1, 5th Special Session, requires the department to hold public hearings in at least 5 geographical areas, report on the profit or loss of auto insurance, compile auto insurance premium comparisons and complaint ratios, and provide copies of the premium comparisons and complaint ratios to the Department of Transportation for distribution to the public. This Special Line Item includes funding for costs associated with providing copies of the premium comparisons and complaint ratios. The approved amounts include a reduction of \$30,000 to reflect actual printing costs.

Fraud Unit — Laws 1994, Chapter 154 established a fraud unit in the department, starting in FY 1995. This Special Line Item funds 16 FTE Positions. The Fraud Unit investigates suspected fraud committed against insurance companies and reports alleged violations to the Attorney General. The department annually assesses insurance

^{1/} Includes 16 FTE Positions funded from Special Line Items in FY 1998 and FY 1999.

^{2/} Chapter 281 increases annual insurer assessments to fund the Fraud Unit. The bill appropriates the amount of the increased assessment, or \$320,000, whichever is less. For display purposes, we have assumed that the assessment will generate at least \$320,000 in revenue.

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

DEPARTMENT OF INSURANCE (Cont'd)

companies for the administration and operation of the Fraud Unit. Each year the fee is revised so that the total is at least 95% but not more than 110% of the appropriated budget of the Fraud Unit for the prior fiscal year.

Additional Appropriations: Managed Care: Health Care Appeals (Chapter 100) — The bill establishes a standardized appeals process for review of a denial by a health insurer of a requested medical or health care service or claim. For cases involving coverage issues, the Director of the Department of Insurance, within 5 business days after receiving the member's claim, shall determine if the service or claim is or is not covered. For FY 1998, the department is appropriated \$60,800 and 1 FTE Position to address coverage claim issues. For FY 1999, the department is appropriated an additional \$173,900 and 5 FTE Positions. Beginning December 31, 1998 and each year thereafter, the Director shall report to the President of the Senate and the Speaker of the House of Representatives the number of requests for external independent review, including requests regarding coverage or medical necessity, and the specific number of requests referred by the Director and the results of those referrals.

Insurance Fraud Unit: Peace Officers (Chapter 281) — The bill increases the maximum annual fee, from \$500 to \$700, assessed to each insurer for the administration and operation of the Fraud Unit and the prosecution of fraud. The increased assessment is deposited in the General Fund. For FY 1998 and FY 1999, the Department of Insurance is in turn appropriated from the General Fund, the amount of the increased assessment or \$320,000, whichever is less. In FY 1998 and FY 1999, at least \$120,000 per year shall be used only for the prosecution of fraud.

STATE LAND DEPARTMENT

A.R.S. § 37-102

J. Dennis Wells, Land Commissioner

JLBC Analyst: Jim Rounds

General Fund and Environmental Special Plate Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	160.0	174.0	176.0 ^{1/}	176.0 ^{1/}
Personal Services	4,710,700	5,365,600	5,681,600	5,856,900
Employee Related Expenditures	1,087,400	1,184,100	1,241,000	1,273,600
Professional and Outside Services	436,400	501,600	539,200	539,200
Travel - In State	168,000	241,400	242,000	242,000
Travel - Out of State	8,200	2,200	2,200	2,200
Other Operating Expenditures	2,755,400	3,335,400	3,336,100	3,340,600
Equipment	115,000	211,700	123,900	103,200
Operating Subtotal	9,281,100	10,842,000	11,166,000	11,357,700
Litigation Expenses	16,700	0	0	0
Legal Advertising	7,400	0	0	0
CAP User Fees	1,155,800	1,521,200	1,872,300	1,872,300
Water Rights Filing Fees	1,500	0	0	0
Water Litigation	29,200	0	0	0
Illegal Dump Supervision	50,000	0	0	0
Natural Resource Conservation Districts	310,700	320,000	460,000	460,000
Conservation Education	30,000	30,000	864,400	864,400
Board of Appeals	11,100	0	0	0
Streambed Ownership	184,500	185,000	186,200	187,500
Legal Assistance	143,300	200,000	200,000	200,000
Land 2000	36,800	0	0	0
Total Appropriations	11,258,100	13,098,200	14,748,900 ^{2/2/}	14,941,900 ^{2/2/}
Fund Summary				
General Fund	11,258,100	13,098,200	13,848,900	14,040,400
Environmental Special Plate Fund	0	0	900,000	901,500
Total Appropriations	11,258,100	13,098,200	14,748,900	14,941,900

Agency Description — *The agency manages the state's 9.5 million acres of trust land on behalf of its 14 beneficiaries. In order to generate revenue, the agency plans, leases, and sells trust land. The agency also generates revenue by collecting royalties from the operators of 2 copper mines on state land.*

Technical Issues — The approved FY 1998 and FY 1999 amounts include a reduction of \$211,700 due to the elimination of one-time funding for equipment.

The approved FY 1998 and FY 1999 amounts include the transfer of 7 Special Line Items, funding 2 FTE Positions and \$316,100 to the operating budget. The Special Line Items are Litigation, Legal Advertising, Water Rights Filing Fees, Water Litigation, Illegal Dump Supervision, Board of Appeals, and Land 2000.

The approved FY 1998 and FY 1999 amounts incorporate the fact that the Arizona Department of Administration will begin paying for the periodic testing for environmental damage to recently leased state lands. The State Land Department will still be responsible for any costs unrelated to environmental contamination.

Equipment — The approved FY 1998 amounts include an increase of \$119,000 for computer equipment and upgrades,

^{1/} Includes 1 FTE Position funded from a Special Line Item in FY 1998 and FY 1999.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{3/} It is the intent of the Legislature that the State Land Department, in suppressing wildland fires on or near urban areas, shall seek reimbursement from the urban political subdivisions for all costs associated with suppressing the wildland fires within the political subdivisions' boundaries and 1 mile beyond those boundaries. (General Appropriation Act footnote)

STATE LAND DEPARTMENT (Cont'd)

1 replacement office copier and 1 replacement truck used to fight wildfires. The approved FY 1999 amounts also include an increase of \$98,300 for computer equipment and a new truck.

Colorado River Ownership Study — The approved FY 1998 and FY 1999 amounts include an increase of \$37,600 for a contracted study to determine land ownership along the Colorado River.

Environmental Special Plate Fund — The approved FY 1998 and FY 1999 amounts include a base adjustment of \$898,500 to reflect the first-time appropriation of the Environmental Special Plate Fund. Of the additional FY 1998 and FY 1999 amounts, \$64,100 is to be retained in the operating budget and be used for 2 FTE Positions for administrative assistance to the Arizona Advisory Council on Environmental Education.

CAP User Fees — When the department received its 39,006 acre-foot allocation of Central Arizona Project (CAP) water for state trust lands, it entered into a 50-year subcontract with the Central Arizona Water Conservation District to repay construction costs associated with the project. The approved FY 1998 and FY 1999 amounts include an increase of \$351,000 to meet obligations concerning the repayment of a portion of the federal construction costs associated with the Central Arizona Project.

Natural Resource Conservation Districts (NRCDS) — Thirty-one NRCDS serve as vehicles for the U.S. Soil Conservation Service to provide technical assistance primarily to farmers and ranchers. The approved FY 1998 and FY 1999 amounts include an additional \$140,000 to increase funding to \$14,840 per NRCDS.

Conservation Education — The Arizona Advisory Council on Environmental Education distributes grants from monies received from specially designed license plates. The approved FY 1998 and FY 1999 Special Line Item amounts include all Environmental Special Plate Fund monies, less \$64,100 to be used on 2 FTE Positions for administrative purposes.

Each NRCDS that supports an environmental education center will receive a \$5,000 grant from the Environmental Special Plate Fund monies. If 18 NRCDS continue to support the centers, a total of \$90,000 will be distributed as grants. In addition, the advisory council may distribute up to four \$30,000 grants to 4 environmental education sites that meet certain criteria.

Laws 1997, Chapter 247 designates for FY 1998 three \$30,000 grants to be awarded to 3 specific sites. The fourth grant will still be distributed at the discretion of the advisory council.

Streambed Ownership — The approved FY 1998 and FY 1999 amounts fund 1 Water Resources Engineer and outside consultants to research and determine the ownership of watercourses in Arizona.

Legal Assistance — The approved FY 1998 and FY 1999 amounts include monies to contract with the Attorney General for additional assistance in cases involving the sale and lease of urban lands.

Additional Legislation: State Land Omnibus Code Revisions (Chapter 249) — During periods of extreme fire danger, an additional \$1,000,000 may be spent to “pre-position” equipment and fire suppression resources to provide for an enhanced initial attack on wildland fires. The Wildland Fire Emergency Council shall determine when periods of extreme fire danger exist and must approve any expenditure for “pre-positioning” activities.

Supplemental Appropriations: Adjustments: (Laws 1997, Chapter 7, 1st Special Session) — The Governor may authorize an additional \$2,464,300 in FY 1997 for payment of remaining obligations concerning wildfire suppression.

LAW ENFORCEMENT MERIT SYSTEM COUNCIL

A.R.S. § 28-235

Captain C. H. Johnston, Business Manager

JLBC Analyst: Jim Hillyard

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	1.0	1.0	1.0	1.0
Personal Services	26,200	30,100	31,700	32,700
Employee Related Expenditures	5,300	5,900	8,300	8,400
Professional and Outside Services	1,700	2,100	3,900	3,900
Travel - In State	1,400	2,100	2,100	2,100
Other Operating Expenditures	10,100	5,100	5,100	5,100
Equipment	2,000	2,800	1,000	0
Total Appropriations	46,700	48,100	52,100 ^{1/}	52,200 ^{1/}

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

Officer Testing Costs — The approved amount provides an additional \$1,800 in each year to fund the testing and ranking of sworn DPS personnel for promotion purposes.

Office Equipment — The approved amount includes \$1,000 in FY 1998 to replace portions of the Council's office furniture.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

LEGISLATURE - SUMMARY

Arizona Constitution
Article IV, Section I

JLBC Analyst: Bob Hull

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
Program Summary				
House of Representatives	7,735,400	8,152,400	8,431,900 ^{1/2/}	8,601,200 ^{1/2/}
Senate	5,556,000	6,070,300	6,263,700 ^{1/2/}	6,392,800 ^{1/2/}
Auditor General	9,226,400	9,540,500	9,883,900	10,094,100
Joint Legislative Budget Committee	2,031,500	2,137,200	2,165,900	2,220,500
Legislative Council	4,004,600	3,517,500	3,973,200	3,952,700
Dept. of Library, Archives & Public Records	5,275,400	5,646,400	6,194,200	6,298,600
Total	33,829,300	35,064,300	36,912,800	37,559,900
Additional Appropriations -				
Children and Family Services, Ch. 189	0	0	75,000	0
Juvenile Justice; Implement Proposition 102, Ch. 220	0	0	750,000	0
Total Appropriations	33,829,300	35,064,300	37,737,800	37,559,900

Legislative Summary — *The legislative authority of the state is vested in the Legislature by the Constitution. The Legislature consists of a Senate and a House of Representatives elected by the voters of Arizona. In addition to the staff employed by each body of the Legislature, there are 4 state agencies that are established within the legislative branch and governed by statutorily created committees of the Legislature. They are: the Auditor General, the Joint Legislative Budget Committee, the Legislative Council, and the Department of Library, Archives and Public Records.*

House of Representatives — The House of Representatives is made up of 60 members, 2 of whom are elected from each of the 30 legislative districts. The officers and employees of the House of Representatives consist of the Speaker of the House, a Chief Clerk of the House, and other employees as the House directs.

Senate — The Senate is made up of 30 members elected from each of the 30 legislative districts. The officers and employees of the Senate consist of the President of the Senate, a Secretary of the Senate, and other employees as the Senate directs.

Additional Appropriations: Children and Family Services (Chapter 189) — The approved amount for FY 1998 includes an increase of \$75,000 jointly to the House of Representatives and the Senate to hire a consultant to assist

the Joint Legislative Children and Families Reorganization Study Committee.

Juvenile Justice; Implement Proposition 102 (Chapter 220) — The approved amount for FY 1998 includes an increase of \$750,000 to the Committee on Juvenile Justice to contract for an audit to review the performance and cost effectiveness of all agencies that provide services to juveniles who are diverted from juvenile court or who are adjudicated delinquent or incorrigible, including the Governor's Office for Children, the Department of Juvenile Corrections, county detention facilities and community based alternative programs.

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- 3/ Included in the lump sum appropriations of \$8,431,900 for FY 1998 and \$8,601,200 for FY 1999 is \$1,000 each year for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- 4/ Included in the lump sum appropriations of \$6,263,700 for FY 1998 and \$6,392,800 for FY 1999 is \$1,000 each year for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)

LEGISLATURE - AUDITOR GENERAL

A.R.S. § 41-1279.01

Douglas R. Norton, Auditor General

JLBC Analyst: Bob Hull

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	170.0	170.0	175.0	179.0
Personal Services	6,373,400	6,636,000	6,945,000	7,156,100
Employee Related Expenditures	1,197,400	1,250,700	1,261,300	1,287,900
Professional and Outside Services	248,200	328,100	328,100	328,100
Travel - In State	322,200	395,900	395,900	395,900
Travel - Out of State	15,200	20,000	20,000	20,000
Other Operating Expenditures	877,300	773,400	775,600	778,000
Equipment	94,700	136,400	158,000	128,100
Operating Subtotal	9,128,400	9,540,500	9,883,900	10,094,100
Attorney General Special Review	98,000	0	0	0
Total Appropriations	9,226,400	9,540,500	9,883,900 ^{1/2}	10,094,100 ^{1/2}

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

Charter School Procedural Reviews — The approved amounts for FY 1998 and FY 1999 include an increase of 5 FTE Positions, but no additional dollars, to review audit contracts and audit reports of charter schools, to perform procedural reviews of charter schools, and to conduct follow-up compliance status reviews of actions taken by charter schools to correct problems cited in 90-day deficiency letters. The approved amount for FY 1999 includes an additional 4 FTE Positions for the estimated additional reviews in FY 1999. It is the intent of the Legislature that the Auditor General fund this issue from its non-lapsing continuing appropriations.

Attorney General Special Review — The Auditor General reviewed financial records of the Attorney General-Department of Law, and reported the results to the Joint Legislative Committee on Legal Representation.

^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

LEGISLATURE - JOINT LEGISLATIVE BUDGET COMMITTEE**A.R.S. § 41-1272**

Ted A. Ferris, Director

JLBC Analyst: Bob Hull

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>34.0</u>	<u>34.0</u>	<u>34.0</u>	<u>34.0</u>
Personal Services	1,463,300	1,529,800	1,596,700	1,644,500
Employee Related Expenditures	269,600	273,100	276,300	283,100
Professional and Outside Services	159,500	125,000	99,800	99,800
Travel - In State	13,900	13,000	7,000	7,000
Travel - Out of State	14,100	11,800	19,500	19,500
Other Operating Expenditures	111,100	134,500	158,500	158,500
Equipment	<u>0</u>	<u>50,000</u>	<u>8,100</u>	<u>8,100</u>
Total Appropriations	2,031,500	2,137,200	2,165,900 ^{1/2}	2,220,500 ^{1/2}

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

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

LEGISLATURE - LEGISLATIVE COUNCIL

A.R.S. § 41-1301

Mike E. Braun, Executive Director

JLBC Analyst: Bob Hull

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	47.0	51.0	53.0 ^{1/}	54.0 ^{1/}
Personal Services	1,869,900	2,041,100	2,163,100	2,257,700
Employee Related Expenditures	342,900	359,500	391,700	408,600
Professional and Outside Services	248,400	123,000	126,000	128,000
Travel - In State	1,100	11,500	7,500	7,500
Travel - Out of State	8,600	15,000	15,000	15,000
Other Operating Expenditures	579,100	673,100	925,200	790,700
Equipment	954,600	79,000	75,000	75,000
Operating Subtotal	4,004,600	3,302,200	3,703,500	3,682,500
Ombudsman Citizens Aide Office	0	215,300 ^{2/}	269,700	270,200
Total Appropriations	4,004,600	3,517,500	3,973,200 ^{2/4/5/}	3,952,700 ^{2/4/5/}

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

Legislative Service — The approved amounts for FY 1998 and FY 1999 include increases of 1 FTE Position and \$268,000 for increased computer maintenance workload and to purchase updates and enhancements to the Arizona Legislative Information System (ALIS). The approved amount for FY 1999 includes additional increases of 1 attorney/research FTE Position and \$40,900 to handle anticipated workload and operating increases, and a decrease of \$137,000 in the purchase of updates and enhancements to ALIS.

Ombudsman Citizens Aide Office — This office is responsible for acting in an ombudsman capacity to investigate citizens' complaints regarding administrative acts of state agencies, and if they have been unfairly treated to recommend appropriate remedies. The approved amount for FY 1998 and FY 1999 includes increases of 1 FTE Position and \$64,600 for an increased Ombudsman Office workload.

Capital Outlay: Legislature Building Improvements (Chapter 273) — Appropriates \$1,000,000 from the General Fund to the Legislative Council for building improvements to the House of Representatives and Senate Buildings.

Improvements may include major maintenance and repair and preliminary design of a House addition, compliance with the federal Americans with Disabilities Act, and the procurement of a wireless computer system. Before any monies are spent from the appropriation, the Director of the Legislative Council shall submit an expenditure plan to the Joint Legislative Budget Committee.

Additional Legislation: Driver Licenses (Chapter 183) — The bill transfers \$5,000 annually beginning FY 1998 from the State Highway Fund to Legislative Council for the multistate highway transportation agreement.

^{1/} Includes 4 FTE Positions funded from Special Line Items in FY 1998 and FY 1999.

^{2/} Appropriated by Laws 1995, Chapter 281.

^{3/} Dues for the Council of State Governments shall only be expended upon an affirmative vote of the Legislative Council. (General Appropriation Act footnote)

^{4/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**LEGISLATURE - DEPARTMENT OF LIBRARY,
ARCHIVES AND PUBLIC RECORDS**

A.R.S. § 41-1331

GladysAnn Wells, Director

JLBC Analyst: Brad Regens

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	119.1	119.1	120.1	120.1
Personal Services	2,665,500	2,904,200	3,079,300	3,174,800
Employee Related Expenditures	608,500	664,400	700,500	718,900
Professional and Outside Services	107,800	4,000	4,000	4,000
Travel - In State	12,800	13,800	13,800	13,800
Travel - Out of State	6,000	2,800	6,800	6,800
Other Operating Expenditures	795,500	1,132,100 ^{1/2/}	1,436,200	1,432,300
Equipment	128,900	5,500	600	50,400
Operating Subtotal	4,325,000	4,726,800	5,241,200	5,401,000
Library Acquisitions	438,400	469,200	469,200	469,200
Grants-in-Aid	452,000	390,400	406,800	351,400
Radio Reading for the Blind	60,000	60,000	77,000	77,000
Total Appropriations	5,275,400	5,646,400	6,194,200 ^{2/4/}	6,298,600 ^{2/4/}

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

Records Management Center — The approved amounts include an increase of \$21,600 and 1 FTE Position to fund and equip 1 warehouse worker. The new warehouse worker will help resolve the current backlog of public records ready for destruction and conduct an inventory audit. The approved FY 1998 amount includes \$600 in one-time funding for equipment associated with the new FTE Position.

State Law Library Rent — The approved amounts include the transfer of \$486,000 from the Judiciary budget to the state Department of Library, Archives, and Public Records (DLAPR) budget to cover the lease-purchase payment for 27,770 square feet of space in the Arizona State Court Building. In FY 1995, responsibility for operating the State Law Library was transferred to DLAPR. Not transferred at the time was the appropriation for the Law Library rent.

Travel - Out of State — The approved amounts include an increase of \$4,000 to allow staff member attendance at 2 additional national conferences.

Equipment — The approved FY 1999 amount includes \$50,400 in one-time funding for replacement equipment throughout the agency, including \$10,400 to replace the telephone system at the Braille and Talking Book Library.

Library Acquisitions — The approved amounts include \$469,200 to continue subscriptions to periodicals and loose-leafs, and to purchase reference materials.

Grants-in-Aid — The approved FY 1998 amount includes an increase of \$16,400 in state matching funds for receipt of federal dollars under the Library Services and Construction

1/ Laws 1997, Chapter 7, 1st Special Session appropriated \$258,000 to secure the release of \$1,239,800 in Federal Funds withheld since FY 1992 due to non-compliance of the federal Maintenance of Effort requirement regarding state aid to public libraries.

2/ The amount of \$258,000 for Maintenance of Effort compliance shall revert to the state General Fund if the United States Department of Education does not release to the Department of Library, Archives and Public Records withheld FY 1992 federal monies for library development. (General Appropriation Act footnote)

3/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

LEGISLATURE - DEPARTMENT OF LIBRARY, ARCHIVES, AND PUBLIC RECORDS (Cont'd)

Act (LSCA) Titles I, II, and III, and a reduction of \$55,400 for FY 1999, providing the minimal state contribution necessary in each year to continue receipt of these Federal Funds. Receipt of LSCA monies is dependant on the state's ability to meet a maintenance-of-effort requirement which is tied to the state contribution made 2 years prior to the current fiscal year.

During FY 1997, these state contributions provided Arizona with \$2,053,300 in Federal Funds. These funds were, in turn, provided to county and municipal libraries throughout the state for library development and were used to fund the state Interlibrary Loan Program, State Reference Center Services, Youth Summer Reading Program, Librarian Continuing Education Program, and LSCA Administration. LSCA is one of the few grant programs administered by the U.S. Department of Education which is not forward funded. The state does not receive notification of what amount of funding will be provided until mid-October, after 3 months have elapsed in the state fiscal year. Therefore, the amount of the grant to be received in each of the next 2 fiscal years is unknown at this time.

Radio Reading for the Blind — The approved amounts include an increase of \$17,000 to help offset the costs of providing first-time radio reading service to northern Arizona residents. This appropriation provides for the statewide radio information service for the blind, visually impaired, and physically disabled.

DEPARTMENT OF LIQUOR LICENSES & CONTROL

A.R.S. § 4-101

Howard Adams, Director

JLBC Analyst: Chris Earnest

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	45.0	48.0	44.0	44.0
Personal Services	1,098,000	1,225,300	1,344,300	1,385,600
Employee Related Expenditures	333,900	315,600 ^{1/}	341,300	348,100
Professional and Outside Services	46,400	77,100	80,800	80,800
Travel - In State	93,100	94,800	94,800	94,800
Travel - Out of State	0	1,000	1,000	1,000
Other Operating Expenditures	487,300	322,200	320,100	320,100
Equipment	17,800	0	0	0
Operating Subtotal	2,076,500	2,036,000	2,182,300	2,230,400
Automation Lease-Purchase	543,200	543,200	543,200	543,200
Total Appropriations	2,619,700	2,579,200	2,725,500 ^{2/}	2,773,600 ^{2/}
Fund Summary				
General Fund	2,619,700	2,530,000	2,725,500	2,773,600
Automated File and Retrieval Fund	0	49,200	0	0
Total Appropriations	2,619,700	2,579,200	2,725,500	2,773,600

Agency Description — *The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.*

Technical Issue — The approved FY 1998 and FY 1999 amounts include a reduction of \$14,400 and 4 FTE Positions. The positions were abolished by the department in FY 1996. The Personal Services monies associated with these positions were largely used to upgrade other positions in the department.

Computer Support — The approved FY 1998 and FY 1999 amounts include an additional \$65,400 to support the department's automated file and retrieval system. Of this amount, \$52,900 will be used for software and hardware maintenance costs. The remaining \$12,500 will be used to upgrade the department's 2 computer support positions.

Special Investigator's Salary — Included in the FY 1998 and FY 1999 amounts is \$51,400 for the department to increase the hiring rate of Special Investigators and Special Investigator Supervisors. This funding will allow the department to increase the Special Investigator's minimum salary from \$27,200 to \$30,900 and the supervisor's from \$30,300 to \$34,400.

Automation Lease-Purchase — In FY 1994, the department obtained third-party financing to purchase an automated file and retrieval system. The total line of credit made available was \$2,225,000 at an interest rate of 6.48%. The approved FY 1998 and FY 1999 amounts provide the monies necessary to make loan payments in those years. Payments will be complete at the close of FY 1999.

^{1/} Laws 1997, Chapter 7, 1st Special Session appropriated \$49,200 for hardware and software maintenance of the department's automated file and retrieval system.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

ARIZONA STATE LOTTERY COMMISSION

A.R.S. § 5-501

Joseph Spicola, Executive Director

JLBC Analyst: Jim Rounds

Lottery Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>122.0</u>	<u>121.0</u>	<u>121.0</u>	<u>121.0</u>
Personal Services	2,710,600	3,683,900	3,869,700	3,988,600
Employee Related Expenditures	679,500	847,100	800,700	822,300
Professional and Outside Services	341,700	196,900	196,900	196,900
Travel - In State	146,100	183,900	183,900	183,900
Travel - Out of State	13,500	16,700	16,700	16,700
Other Operating Expenditures	1,412,000	1,086,700	1,084,400	871,500
Equipment	<u>431,200</u>	<u>68,800</u>	<u>607,000</u>	<u>0</u>
Operating Subtotal	5,734,600	6,084,000	6,759,300	6,079,900
Instant Tickets	2,307,200	3,168,800 ^{1/}	2,916,800 ^{2/}	3,602,500 ^{2/}
Advertising	9,649,600	9,727,300	11,000,000 ^{3/}	11,000,000 ^{4/}
On-Line Vendor Fees	1,869,500	5,080,900	6,809,500 ^{4/}	6,826,200 ^{4/}
Retailer Commissions	15,530,400	15,774,000	18,825,000 ^{5/}	20,184,600 ^{5/}
Sales Incentive Program	50,000	50,000	50,000	50,000
Telecommunications	1,888,600	1,816,600	1,918,000 ^{6/}	1,989,800 ^{6/}
Distribution of Settlement Proceeds	<u>0</u>	<u>1,600,000</u> ^{1/}	<u>0</u>	<u>0</u>
Total	37,029,900	43,301,600	48,278,600 ^{7/8/9/10/11/}	49,733,000 ^{7/8/9/10/11/}
Additional Appropriations - State Lottery, Ch. 214	0	0	3,922,800 ^{12/13/}	4,637,800 ^{12/13/}
Total Appropriations	37,029,900	43,301,600	52,201,400	54,370,800

- ^{1/} Laws 1997, Chapter 7, 1st Special Session appropriated \$446,300 for instant ticket printing, and \$1,600,000 to give the Lottery the authority to distribute to Lottery retailers out-of-court settlement monies from the former on-line vendor.
- ^{2/} In addition to the amounts shown above for the operating budget, an amount equal to 3.1% of instant ticket sales is appropriated for the printing of instant tickets, or for contractual obligations concerning the outsourcing of instant ticket operations. This amount is currently estimated to be \$3,171,900 in FY 1998 and \$3,203,200 in FY 1999. (General Appropriation Act footnote) Subsequently, based upon the revised forecast that incorporates legislative and administrative changes to Lottery operations, this amount is estimated to be \$2,916,800 in FY 1998 and \$3,602,500 in FY 1999.
- ^{3/} In addition to the amounts shown above, an amount equal to 3.7% of gross 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 \$9,671,800 in FY 1998 and \$9,305,500 in FY 1999. (General Appropriation Act footnote) Subsequently, based upon the revised forecast that incorporates legislative and administrative changes to Lottery operations, this amount is estimated to be \$11,000,000 in both FY 1998 and FY 1999.
- ^{4/} An amount equal to a percentage of gross Lottery game sales as determined by the matrix set forth in contract is appropriated for payment of on-line vendor fees. This amount is currently estimated to be \$4,956,900 in FY 1998 and \$4,619,000 in FY 1999 or 3.1% of sales. (General Appropriation Act footnote) Subsequently, based upon the revised forecast that incorporates legislative and administrative changes to Lottery operations, this amount is estimated to be \$6,809,500 in FY 1998 and \$6,826,200 in FY 1999.
- ^{5/} In addition to the amounts shown above for the operating budget, an amount equal to 6% of gross Lottery game sales is appropriated for payment of sales commissions to ticket retailers. The amount is currently estimated to be \$15,684,000 in FY 1998 and \$15,090,000 in FY 1999. (General Appropriation Act footnote) Subsequently, legislation has increased this to 7%. The revised estimates which are based upon the new forecast and additional legislation, are \$21,962,500 in FY 1998 and \$23,548,700 in FY 1999. The FY 1998 and FY 1999 numbers for retailer commissions listed in the table represent 6% of the revised forecast. The additional 1% is included in Additional Appropriations.
- ^{6/} If the number of on-line terminals exceeds 2,483 in FY 1998 or 2,576 in FY 1999, amounts above \$1,918,000 in FY 1998 and \$1,989,800 in FY 1999 may be expended at the average rate of \$63.50 per additional terminal per month, up to the allowable terminals set forth in contract. (General Appropriation Act footnote)
- ^{7/} 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 the Senate 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. (General Appropriation Act footnote)
- ^{8/} 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. (General Appropriation Act footnote) Laws 1997, Chapter 214 removed the restriction for Telecommunications.

ARIZONA STATE LOTTERY COMMISSION (Cont'd)

Agency Description — *The Arizona Lottery is responsible for administering sanctioned games of chance to generate revenues for the state. The beneficiary funds are the Local Transportation Assistance Fund (LTAF), the County Assistance Fund (CAF), the Heritage Fund, the Commerce and Economic Development Commission (CEDC), the Arizona Clean Air Fund (ACAF), the LTAF specifically for mass transit uses, various health and welfare programs, and the General Fund. A portion of unclaimed prizes benefits the Court Appointed Special Advocate (CASA) program.*

Technical Issues — The approved FY 1998 amounts include a reduction of \$68,800 due to the elimination of one-time funding for equipment. The approved FY 1999 amounts include a reduction of \$188,500 to reflect the payoff portion of the AS400 computer lease.

Computer Upgrades — The approved FY 1998 amounts include an additional \$607,000 for the one-time upgrade and system backup of the agency's AS400 computer system. The processor upgrade will allow for more instant ticket games to be marketed. The backup system is necessary to be in compliance with the Multi-State Lottery (MUSL) requirements concerning Powerball operations.

Instant Tickets — The approved FY 1998 and FY 1999 amounts fund the printing and distribution of the instant ticket games. The appropriation is equal to 3.1% of instant ticket sales.

Advertising — The approved FY 1998 and FY 1999 amounts fund the promotion of all Lottery games. The appropriation is equal to 3.7% of gross sales up to \$11,000,000.

On-Line Vendor Fees — The approved FY 1998 and FY 1999 amounts fund the payment of fees to the vendor who operates the on-line games. The appropriation is based on the percentage of sales set forth in contract and is currently set at 3.1% of on-line sales. If the new contract includes a higher percent or includes instant ticket operations, the appropriation will adjust to accommodate the contractual language.

Retailer Commissions — The approved FY 1998 and FY 1999 amounts fund the payment of commissions to retailers who sell Lottery products. The appropriation is

equal to 7% of gross sales. (See *Additional Appropriations narrative.*)

Sales Incentive Program — The approved FY 1998 and FY 1999 amounts provide incentives to employees in the Lottery's Marketing Division to work with retailers to increase sales of Lottery products.

Telecommunications — The approved FY 1998 and FY 1999 amounts fund all of the Lottery's telecommunications expenses, including those for the retailer terminal network. The approved amounts include an increase of \$101,400 in FY 1998 and a further increase of \$71,800 in FY 1999 to fund monthly charges for an additional 226 retailers over the 2-year period.

Additional Appropriations: State Lottery (Chapter 214) — In FY 1998 and FY 1999, Laws 1997, Chapter 214 appropriates to the operating budget an additional 1.5% of gross Lottery sales over the JLBC Staff sales forecast that was used to formulate the budget (\$261,400,000 in FY 1998 and \$251,500,000 in FY 1999). Based on the higher revised JLBC Staff forecast of Lottery sales that incorporates legislative and planned administrative changes to operations, the JLBC Staff estimates that the FY 1998 and FY 1999 additional appropriations will equal \$785,300 and \$1,273,700 respectively.

Furthermore, Chapter 214 appropriates an additional 1% of gross Lottery sales (for a total of 7% of gross Lottery sales) for payment of commissions to retailers who sell Lottery products. The additional appropriation is currently estimated to equal \$3,137,500 in FY 1998 and \$3,364,100 in FY 1999. One-half of the additional appropriation must be distributed based upon performance measures developed by the Lottery and approved by the Joint Legislative Budget Committee.

^{9/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{10/} Advertising, Instant Tickets, On-Line Vendor Fees, and Retailer Commissions are appropriated as a percentage of sales and, therefore, the amounts shown for those line items are estimates only.

^{11/} Prior to contracting with a vendor of instant ticket operations, the Arizona Lottery shall report to the Joint Legislative Budget Committee for review, the results of the competitive government review by the Office of Excellence in Government, and potential operating savings from a reduction in Personal Services and related costs associated with outsourcing instant ticket operations. (General Appropriation Act footnote)

^{12/} Appropriates an estimated additional \$785,300 in FY 1998 and an estimated additional \$1,273,700 in FY 1999, or 1.5% of gross sales over \$261,400,000 in FY 1998 and \$251,500,000 in FY 1999 to the operating budget. Prior to the expenditure of this additional appropriation, the Lottery Commission shall submit an expenditure proposal to the JLBC for review.

^{13/} Appropriates an additional \$3,137,500 in FY 1998 and an additional \$3,364,100 in FY 1999, or an additional 1% of gross sales for use as retailer commissions.

ARIZONA STATE LOTTERY COMMISSION (Cont'd)

In addition to the appropriations described above, Chapter 214 also reduces the percent of sales that the state receives as profit from on-line games from 31.5% to 29%, and reduces the percent of sales that the state receives as profit from instant ticket games from 31.5% to 21.5%. The reduction in state profit will allow for a higher percent of sales to be used as prizes. The Lottery believes that this will increase sales and increase state profit despite the fact that the state will be receiving a smaller return on each ticket.

Capital Outlay: Chapter 2, 1st Special Session — Appropriates \$21,600 from the State Lottery Fund to the Arizona State Lottery Commission for building renewal. Of this amount, up to 25% may be used for infrastructure replacement and repair, or building modifications to comply with the Americans with Disabilities Act.

Other Issues — Based partly on the added flexibility from Laws 1997, Chapter 214, the Lottery is planning to implement a new on-line Bingo game, market more instant ticket games, change the format of the Lotto and Fantasy 5 games, and pay a higher percent of sales as prizes from both on-line games and instant ticket games. All of these issues have revenue enhancing characteristics and are incorporated into the following revised JLBC Staff forecast. However, the JLBC Staff has a concern as to whether this will be a profit

maximizing strategy, or a sales maximizing strategy. The FY 1997 Master List of State Government Programs states that the Lottery was established to maximize profit to the state.

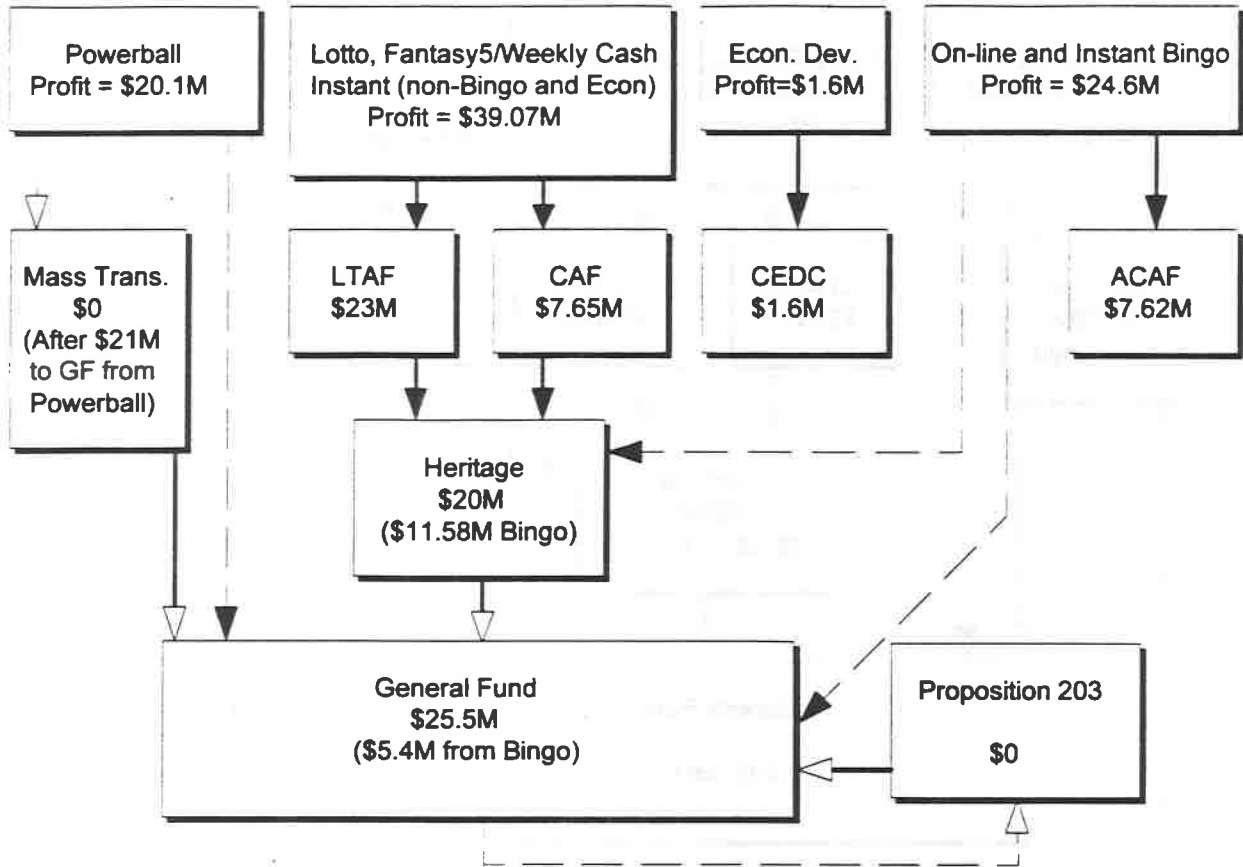
Revised Lottery Sales Forecast and Profit Distribution — Subsequent to Laws 1997, Chapter 214, the JLBC Staff has revised its FY 1998 and FY 1999 forecast of Lottery sales. The revised forecast incorporates the legislative and planned administrative changes. The following table provides a detail of total Lottery sales and total profit to the state, while the following flow charts provide a detail of the distribution of Lottery profits to the benefiting funds.

LOTTERY SALES BY GAME			
	FY 1998		FY 1999
Powerball	\$69,300,000 ^{1/}		\$ 65,800,000 ^{1/}
Lotto	62,900,000 ^{1/}		61,600,000 ^{1/}
Fantasy 5/Weekly Cash	15,860,000 ^{1/}		14,000,000 ^{1/}
Instant (Non Bingo/Econ. Dev.)	75,490,000 ^{2/}		97,000,000 ^{2/}
Instant (Econ. Dev.)	7,440,000 ^{2/}		8,840,000 ^{2/}
Instant (Bingo)	11,160,000 ^{2/}		10,370,000 ^{2/}
On-Line Bingo	<u>71,600,000</u> ^{3/}		<u>78,800,000</u> ^{1/}
Total Sales	\$313,750,000		\$336,410,000
Total State Profit	<u>\$ 85,370,000</u>		<u>\$ 88,840,000</u>

^{1/} 29.0% return to the state.
^{2/} 21.5% return to the state.
^{3/} 30.0% return to the state (in FY 1998 only).

ARIZONA STATE LOTTERY COMMISSION (Cont'd)

FY 1998: JLBC Forecast of Lottery Profit Distribution Under Laws 1997, Chapter 214*



Key:

- ▶ = \$ flowing to next fund.
- ▶ = No \$ available to flow to next fund.
- -▶ = \$ flowing due to stipulation.
- -▶ = No \$ flow until stipulation is met.

***Changes to Lottery profit distribution made by Laws 1997, Chapter 214**

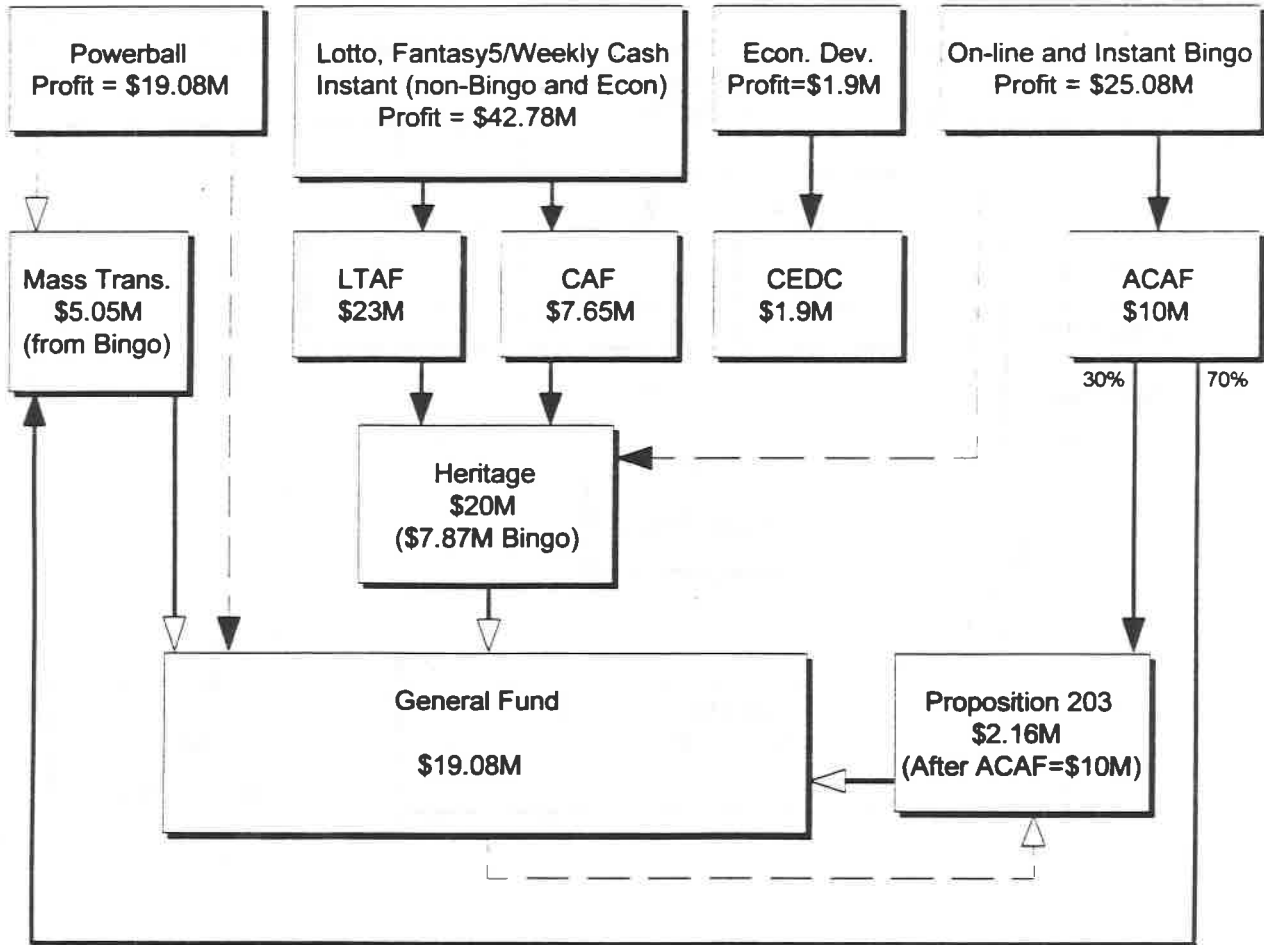
- 1) On-line Bingo at 31% to the state in FY 1998 only (29% in other years).
- 2) Other on-line games at 29% to the state (previously set at 31.5%).
- 3) Instant games at 21.5% to the state (previously set at 31.5%).
- 4) Mass Transit program now eligible for Lottery profits after the General Fund receives \$21M from Powerball (previously set at \$45M from all games).

Fiscal Impact:

Impact relative to budget forecast = \$0

ARIZONA STATE LOTTERY COMMISSION (Cont'd)

FY 1999: JLBC Forecast of Lottery Profit Distribution Under Laws 1997, Chapter 214*



Key:

- = \$ flowing to next fund.
- (dashed) = No \$ available to flow to next fund.
- -> = \$ flowing due to stipulation.
- -> (dashed) = No \$ flow until stipulation is met.

***Changes to Lottery profit distribution made by Laws 1997, Chapter 214:**

- 1) All on-line games at 29% to the state (previously set at 31.5%).
- 2) Instant games at 21.5% to the state (previously set at 31.5%).
- 3) ACAF capped at \$10M (previously not capped).
- 4) Proposition 203 still in original flow of funds, however, now is eligible for 30% of Bingo monies after ACAF receives \$10M.
- 5) Mass Transit deposits after GF receives \$21M from Powerball (previously \$45M from all sources), however, now is eligible for 70% of Bingo monies after ACAF receives \$10M.

Fiscal Impact:

Impact relative to budget forecast = \$(1,920,000).

(This amount is derived by comparing the pre-Chapter 214 forecasted GF deposit of \$21M with the post-Chapter 214 forecasted GF deposit of \$19.08M).

BOARD OF MEDICAL EXAMINERS

A.R.S. § 32-1401

Mark Speicher, Executive Director

JLBC Analyst: Jim Hillyard

Board of Medical Examiners Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	42.5	43.5	44.5 ^{1/}	44.5 ^{1/}
Personal Services	1,137,400	1,325,900	1,386,000	1,427,900
Employee Related Expenditures	261,300	286,000	310,900	318,800
Professional and Outside Services	212,800	338,700	651,400	724,700
Travel - In State	36,000	50,300	50,300	50,300
Travel - Out of State	7,900	8,800	8,800	8,800
Other Operating Expenditures	443,500	439,900	454,400	454,700
Equipment	6,300	5,300	93,000	0
Operating Subtotal	2,105,200	2,454,900	2,954,800	2,985,200
Attorney General - Legal Fees	196,200	196,400	202,300 ^{2/}	208,400 ^{2/}
Examinations	24,800	254,800	16,500	16,500
Total Appropriations	2,326,200	2,906,100	3,173,600 ^{3/4/}	3,210,100 ^{2/}

Agency Description — *The agency licenses, regulates and conducts examinations of medical doctors and physician's assistants.*

Computer Equipment and Software — The \$93,000 appropriated in FY 1998 funds the upgrading of 20 computers to higher grade processors, the installation of a new operating system, and the Board of Medical Examiners (BOMEX) file management system.

Court Reporting Costs — The approved amount provides \$22,000 of Professional and Outside Services in FY 1998 and FY 1999 to fund court reporting costs. Court reporters are required at formal disciplinary hearings.

Monitored Aftercare — Laws 1996, Chapter 220 eliminated the non-appropriated BOMEX Monitored Aftercare Fund. Monies in this fund supported the rehabilitation of physicians impaired by drug and alcohol abuse. From FY 1998 forward, these activities will be funded through the board's appropriated budget. As a result, 1 FTE Position and \$356,000 have been moved to the board's appropriated budget in FY 1998 and FY 1999.

Attorney General - Legal Fees — Appropriates \$197,100 in FY 1998 and \$197,300 in FY 1999 for Attorney General - Legal Fees. These dollars are specifically designated to pay the expenses of 2 Assistant Attorney General Positions, an

Administrative Assistant, and a 0.5 FTE Legal Secretary Position.

Examinations — The approved amount eliminates \$238,300 from the board's FY 1998 and FY 1999 Examinations Special Line Items. In FY 1996, BOMEX arranged for the national physician's licensing exam to be given by an independent testing center. As a result, BOMEX will no longer bear the costs associated with testing. An amount of \$16,500 has been left in the Examinations Special Line Item to fund tests ordered by the board. When, in the course of an investigation, the board orders a physician to take the examination, the board must still bear the cost of the examination.

^{1/} Includes 1 FTE Position funded Special Line Items in FY 1998 and FY 1999.

^{2/} The \$197,100 appropriated for Attorney General - Legal Fees in FY 1998 and the \$197,300 appropriated for Attorney General - Legal Fees in FY 1999 is specifically designated to pay for the expenses of the 2 Assistant Attorney General positions, 1 Administrative Assistant position, and the 0.5 Legal Secretary position assigned to the Board of Medical Examiners. Any monies not expended for the purpose specified shall revert to the Board of Medical Examiners Fund. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{4/} This 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, 1999. (General Appropriation Act footnote)

BOARD OF MEDICAL STUDENT LOANS

A.R.S. § 15-1723

Christopher A. Leadem, Ph.D., Chairman

JLBC Analyst: Bruce Groll

General Fund and Medical Student Loan Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	0.0	0.0	0.0	0.0
Medical Student Loans	113,900	236,600	305,600	316,400
Total Appropriations	113,900	236,600	305,600 ^{1/}	316,400 ^{1/}
<u>Fund Summary</u>				
General Fund	113,900	236,600	286,200	295,800
Medical Student Loan Fund	0	0	19,400 ^{2/}	20,600 ^{2/}
Total Appropriations	113,900	236,600	305,600	316,400

Agency Description — *The board is authorized to grant loans to students of the University of Arizona College of Medicine, make a full investigation of the ability, character and qualification of each loan applicant, and administer the loan program. Medical students who participate in the Medical Student Loans program agree to serve the State of Arizona in medically underserved areas for at least 2 years, or 1 year of service for each year of loan support, whichever is longer, upon graduation. As an incentive for service, the board is authorized to impose upon participants who have signed contracts, liquidated damages equal to the full amount borrowed, in addition to repaying the loan at a 7% interest rate.*

Medical Student Loans — The amounts appropriated to the board shall be deposited in the Medical Student Loan Fund as prescribed by A.R.S. § 15-1725, including repaid student loan funds. The appropriated amounts may be used to grant loans to qualified applicants.

The \$286,200 for FY 1998 and \$295,800 for FY 1999 from the General Fund, and an estimated \$19,400 for FY 1998 and \$20,600 for FY 1999 from the Medical Student Loan Fund will provide a total sum available for medical student loans in each fiscal year of \$305,600 and \$316,400, respectively. The approved amounts from the Medical Student Loan Fund reflect the first-time appropriation of the Medical Student Loan Fund. These combined levels of support will permit the board to provide average loan amounts of \$19,123 in FY 1998 and \$19,784 in FY 1999 per student, respectively, which is the legal maximum loan level including inflation, for continued funding of 16 medical students.

Laws 1992, Chapter 338 authorized the Board of Medical Student Loans to grant the maximum loan amount for tuition plus a stipend adjusted for inflation based on the percentage change in the Gross Domestic Product (GDP) Price Deflator. For FY 1998, based on an estimated 2% change in the GDP Price Deflator, this amount is \$11,363. Tuition of \$7,760 plus the \$11,363 stipend equals \$19,123. This amount is approximately 82% of the average standard cost of education for a medical student (\$23,320 per year).

For FY 1999, due to expected level future loan repayment revenue, the approved amount includes an increase of \$9,600 General Fund support to offset inflationary and tuition increases to continue funding for 16 currently enrolled students at the legal maximum loan amount of \$19,784. This sum is based on a \$11,624 stipend, as calculated using an estimated 2.3% change in the GDP Price Deflator, plus tuition of \$8,160. The stabilization in loan repayment revenue is predicated on the fact that more students are now fulfilling their service commitments to the State of Arizona in medically underserved areas.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{2/} The approved amounts from the Medical Student Loan Fund reflect the first-time appropriation of the Medical Student Loan Fund.

MILITARY AIRPORT PRESERVATION COMMITTEE

A.R.S. § 41-3301

Analyst: Jim Hillyard

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
Military Airports ^{1/}	0	0	0	0
Total Appropriations	0	0	0	0

Agency Description — *The Arizona Military Airport Preservation Committee is established to encourage the preservation and long-term viability of military airports and private property rights in the vicinity of military airports.*

Additional Legislation — Military Airports; Baseline Study (Chapter 28) — Laws 1995, Chapter 62 created the Military Airport Preservation Committee and made an appropriation of \$200,000 to fund the development of legal descriptions of land within the noise contours of Luke Air Force Base and the Marine Corps Air Station Yuma. Laws 1996, Chapter 338 made these monies non-lapsing. Laws 1997, Chapter 28 expanded the scope of use of these monies to include broad baseline studies of a number of military airports. The \$200,000 appropriation has not yet been expended.

^{1/} The \$200,000 appropriation from FY 1995 is available for use and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations to the special agency funds until June 30, 1999.

STATE MINE INSPECTOR

A.R.S. § 27-121

The Honorable Douglas K. Martin, State Mine Inspector

JLBC Analyst: Chris Earnest

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	14.0	19.0	19.0 ^{1/}	18.0 ^{1/}
Personal Services	418,200	475,200	533,100	553,800
Employee Related Expenditures	92,400	102,500	106,900	111,700
Professional and Outside Services	5,100	0	0	0
Travel - In State	56,800	83,300	82,000	82,000
Travel - Out of State	2,400	1,700	3,600	3,600
Other Operating Expenditures	107,800	103,600	118,800	121,400
Equipment	26,700	50,900	93,400	43,900
Operating Subtotal	709,400	817,200	937,800	916,400
Mined Land Reclamation	0	100,000	102,200	64,500
Elevator Inspection	0	0	5,000	0
Total Appropriations	709,400	917,200	1,040,000 ^{2/}	980,900 ^{2/}

Agency Description — *The State Mine Inspector is an elected constitutional officer. The Mine Inspector inspects the health conditions and safety of mining operations, investigates mining accidents, identifies abandoned mines, and conducts safety certification classes for mine employees.*

Abandoned Mines Program — The State Mine Inspector's Office is statutorily required to locate, classify and eliminate public safety hazards at abandoned mines throughout the state. The program was initiated midway through FY 1997 and was given partial funding for that year. The approved FY 1998 and FY 1999 amounts include \$69,200 to provide full-year funding.

Replacement Equipment — The approved FY 1998 amount includes \$63,400 for replacement equipment, followed by a decrease of \$49,500 in FY 1999 for one-time expenses. The FY 1998 amount includes \$44,500 to replace 2 federal vehicles. The new vehicles are to be placed in the Arizona Department of Administration (ADOA) Motor Pool as required by A.R.S. § 41-803. The amount also includes funding to replace 3 computers, 1 laser printer, and 1 gas detector pump.

Mined Land Reclamation — Certain mining and exploration companies are required to submit reclamation plans to the State Mine Inspector for the surface disturbed by their operations. The Office then reviews these plans for approval. The approved FY 1999 amount includes a reduction of 1 FTE Position and \$39,500 as the majority of the plan reviews should be completed by the start of

FY 1999. It is anticipated that FY 2000 resources for this program will be further reduced.

Elevator Inspection — The approved FY 1998 amount includes \$5,000 for a new Elevator Inspection Special Line Item. This amount will be used to contract with a consultant to inspect the safety conditions of mining elevators throughout the state. The appropriation is eliminated in FY 1999. The Mine Inspector's Office expects to have one of its current inspectors certified to inspect elevators by that time.

^{1/} Includes 2 FTE Positions funded from Special Line Items in FY 1998 and 1 FTE Position funded from Special Line Items in FY 1999.

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

DEPARTMENT OF MINES AND MINERAL RESOURCES

A.R.S. § 27-101

H. Mason Coggin, Director

JLBC Analyst: Chris Earnest

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	8.0	8.0	8.0	8.0
Personal Services	261,900	266,100	279,300	287,800
Employee Related Expenditures	54,300	57,600	61,700	63,200
Professional and Outside Services	100	2,500	0	0
Travel - In State	3,500	5,300	5,300	5,300
Other Operating Expenditures	362,600	371,000	386,100	400,500
Equipment	9,300	4,000	0	2,700
Total Appropriations	691,700	706,500	732,400 ^{1/}	759,500 ^{1/}

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. These minerals are identified, cataloged and displayed at the museum.*

Technical Issues — The approved FY 1999 amount includes \$2,700 to replace a photocopy machine.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

NATUROPATHIC PHYSICIANS BOARD OF MEDICAL EXAMINERS

A.R.S. § 32-501

John L. Brewer, Executive Director

JLBC Analyst: Jim Hillyard

Board of Naturopathic Physicians Examiners Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	1.0	1.0	1.0	1.0
Personal Services	41,900	31,600	38,400	39,600
Employee Related Expenditures	9,200	5,800	6,900	7,000
Professional and Outside Services	11,800	17,900	23,500	23,500
Travel - In State	800	300	300	300
Other Operating Expenditures	6,400	16,400	9,300	9,300
Equipment	0	0	4,000	4,000
Operating Subtotal	70,100	72,000	82,400	83,700
Examination Writing	0	0	11,000 ^{1/}	0
Total Appropriations	70,100	72,000	93,400 ^{2/2/}	83,700 ^{3/}

Agency Description — *The board licenses and regulates physicians and medical assistants who practice naturopathy; certifies physicians to dispense natural remedies; and accredits and approves naturopathic medical schools, internships, and programs. Naturopathy is a system of medical diagnosis and treatment based on the use of natural remedies and non-invasive methods. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

Examination Writing — The approved amount provides \$11,000 in FY 1998 for the board to write its own licensing examination. In the past, the board has contracted for the nationally used NPLEX examination, however, a dispute has developed between the test's distributor and the board. The monies appropriated, therefore, will allow the board to develop its own examination and bank of test questions.

Base Increase — The appropriated amount included an increase of \$15,000 to the board's base budget in FY 1998 and FY 1999.

- ^{1/} The \$11,000 appropriated for Examination Writing in FY 1998 shall not be transferred to any other area of the board's budget without the prior review of the Joint Legislative Budget Committee. (General Appropriations Act footnote)
- ^{2/} This 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, 1999. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as a Modified Lump Sum with Special Line Items by Agency.

ARIZONA NAVIGABLE STREAM ADJUDICATION COMMISSION

A.R.S. § 37-1121

Christina Waddell, Executive Director

JLBC Analyst: Jim Rounds

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	2.0	2.0	2.0	2.0
Personal Services	20,400	61,900	67,800	69,800
Employee Related Expenditures	9,200	12,200	14,600	15,200
Professional and Outside Services	19,800	22,900	90,900	22,900
Travel - In State	1,100	3,600	5,300	5,300
Other Operating Expenditures	24,800	16,800	31,100	31,400
Equipment	15,300	0	0	0
Total Appropriations	90,600	117,400	209,700 ^{1/}	144,600 ^{1/}

Agency Description — *The Arizona Navigable Stream Adjudication Commission is a 5-member body charged with determining the ownership of watercourses in the state by establishing whether or not the watercourses were navigable at the time of statehood.*

Technical Issues — The approved FY 1998 and FY 1999 amounts include an additional \$2,400 for board member per diem, and an additional \$1,700 for board member in-state travel.

Public Notice — The approved FY 1998 and FY 1999 amounts include an additional \$14,000 for announcements in major newspapers concerning public hearings on watercourse navigability.

Small Stream Navigability Criteria — The approved FY 1998 amounts include an additional \$68,000 for one-time funding of contractual work to determine small stream navigability criteria.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

STATE BOARD OF NURSING

A.R.S. § 32-1602

Joey Ridenour, Executive Director

JLBC Analyst: Jennifer Vermeer

Board of Nursing Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	26.7	26.7	26.7	26.7
Personal Services	742,000	875,700	930,500	958,800
Employee Related Expenditures	147,600	180,100	184,600	189,600
Professional and Outside Services	161,300	160,000	211,000	211,000
Travel - In State	17,700	10,700	20,700	20,700
Travel - Out of State	18,600	14,300	11,200	10,400
Other Operating Expenditures	268,100	186,200	215,600	215,800
Equipment	134,300	120,000	0	0
Operating Subtotal	1,489,600	1,547,000	1,573,600	1,606,300
Supplemental Costs	59,500	0	0	0
Total Appropriations	1,549,100	1,547,000	1,573,600 ^{1/2}	1,606,300 ^{2/}

Agency Description — *The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.*

Technical Issues — The approved amount for FY 1998 includes a decrease of \$3,100 for Travel - Out of State and an increase of \$10,000 for Travel - In State to reflect the board's actual travel expenses. The approved amount for FY 1999 includes a decrease of \$800 for Travel - Out of State due to fewer out-of-state conferences.

Position Reclassification — The approved amount for FY 1998 includes an increase of \$13,600 for the reclassification of positions within the licensing department. The increase is intended to address high turnover and a large number of vacancies within the department.

The approved amount for FY 1998 also includes an increase of \$6,000 for increased dues and fees associated with subscriptions to the board's professional organizations and publications.

Legal Costs — The approved amount for FY 1998 includes an increase of \$51,000 for Attorney General legal services due to large increases in complaint investigation and resolution workload. From FY 1995 to FY 1996 the number of complaints increased from 600 to 1,435 and the number of consent agreements increased from 182 to 333.

Board Newsletter — The approved amount for FY 1998 includes an increase of \$25,000 for increased postage and printing costs associated with the board's newsletter. The cost of publishing the newsletter has increased due to a 50% increase in the number of investigations and an increase in the board's constituency.

^{1/} This 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, 1999. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**BOARD OF EXAMINERS OF NURSING CARE INSTITUTION
ADMINISTRATORS AND ADULT CARE HOME MANAGERS**

A.R.S. § 36-446.02

Christine Springer, Executive Director

JLBC Analyst: Jim Rounds

Nursing Care Institution Administrators'

**Licensing and Adult Care Home
Managers' Certification Fund**

	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	0.7	1.2	1.7	1.7
Personal Services	32,300	36,200	50,600	52,100
Employee Related Expenditures	7,800	9,300	13,900	14,100
Professional and Outside Services	27,400	34,800	41,600	42,200
Travel - In State	500	4,700	4,700	4,700
Travel - Out of State	1,200	1,100	1,100	1,100
Other Operating Expenditures	8,600	5,800	11,200	10,000
Total Appropriations	77,800	91,900	123,100 ^{1/2}	124,200 ^{2/}

Agency Description — *The board licenses, certifies, and regulates administrators of nursing care institutions and managers of adult care homes. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

Technical Issues — The approved FY 1998 amounts include an increase of \$6,800 for the agency's portion of shared office costs. The approved FY 1999 amounts include a further increase of \$1,000.

Office Supplies — The approved FY 1998 and FY 1999 amounts include an increase of \$3,700 for office supplies due to the increase in the number of applications received.

Administrative Assistant II — The approved FY 1998 and FY 1999 amounts include an additional 0.5 FTE Position and \$13,800 for administrative support.

Salary Increase — The approved FY 1998 and FY 1999 amounts include an increase of \$2,500 for a salary increase for the agency director.

Rules Revisions — The approved FY 1998 amounts include an increase of \$1,000 for one-time printing and postage costs associated with revising agency rules.

Equipment — The approved FY 1998 Other Operating Expenditure amount includes an increase of \$400 for the one-time costs associated with the purchase of a new printer.

1/ This 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, 1999. (General Appropriation Act footnote)

2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

OCCUPATIONAL SAFETY AND HEALTH REVIEW BOARD

A.R.S. § 23-422

Carl Triphahn, Chairman

JLBC Analyst: Jim Rounds

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	0.0	0.0	0.0	0.0
Personal Services	600	700	700	700
Professional and Outside Services	6,600	7,400	7,400	7,400
Travel - In State	200	900	900	900
Total Appropriations	7,400	9,000	9,000 ^{1/2/3/}	9,000 ^{1/2/}

Agency Description — *The board reviews cases involving violations of the state's occupational safety and health laws. The cases start with an informal conference with the Industrial Commission's Occupational Safety and Health Division Director. If the case cannot be resolved, the employer can request a hearing before an Industrial Commission Administrative Law Judge. If either the Director of the Occupational Safety and Health Division or the employer disagrees with the ruling, it can be appealed before the Occupational Safety and Health Review Board.*

- 1/ A like amount of board expenses is paid for by the federal government as part of a grant. These monies are included in the non-appropriated budget of the Industrial Commission's Occupational Safety and Health Division.
- 2/ Pursuant to A.R.S. § 23-422, the appropriation is exempt from A.R.S. § 35-190, relating to lapsing appropriations.
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

BOARD OF OCCUPATIONAL THERAPY EXAMINERS

A.R.S. § 32-3401

Kenneth D. Fink, Executive Director

JLBC Analyst: Lisa Cotter

Occupational Therapy Board Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	2.0	2.0	2.0	2.0
Personal Services	52,700	55,800	58,700	60,400
Employee Related Expenditures	10,800	11,000	13,400	13,800
Professional and Outside Services	4,100	3,200	4,100	4,100
Travel - In State	1,000	3,200	4,500	4,500
Travel - Out of State	300	700	1,100	1,100
Other Operating Expenditures	27,200	20,600 ^{1/}	22,600	22,800
Equipment	0	0	2,500	0
Total Appropriations	96,100	94,500	106,900^{2/}	106,700^{2/}

Agency Description — *The board examines and licenses occupational therapists and occupational therapy assistants, investigates complaints, and holds hearings to enforce standards of practice.*

Technical Changes — The approved amounts include increases of \$400 in Travel - Out of State and \$2,000 to fully fund the rent for a larger state-owned office space. The approved FY 1998 amount also includes one-time funding of \$2,500 for a replacement computer. The approved amounts include a decrease of \$1,000 for computer repairs that will no longer be needed because of the new computer.

Growth in Number of Licensees — The approved amounts include an increase of \$3,000 for court reporters, postage, printing and travel to keep up with a growing number of licensees.

Publications — The approved amounts include an increase of \$2,400 for periodic publications including a newsletter, a consumer's guide and complaint procedures.

1/ Laws 1997, Chapter 7, 1st Special Session appropriated \$2,200 for postage costs.

2/ This 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, 1999. (General Appropriation Act footnote)

3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

STATE BOARD OF DISPENSING OPTICIANS

A.R.S. § 32-1671

Careen J. Heinze, Executive Director

JLBC Analyst: Jim Rounds

Board of Dispensing Opticians Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	0.8	0.8	0.8	0.8
Personal Services	34,000	34,200	35,800	38,500
Employee Related Expenditures	5,800	5,800	6,100	6,600
Professional and Outside Services	19,000	17,400	19,400	15,800
Travel - In State	1,000	4,900	4,900	4,900
Other Operating Expenditures	4,000	4,900	8,000	5,100
Total Appropriations	63,800	67,200	74,200 ^{1/2}	70,900 ^{2/}

Agency Description — *The board licenses and regulates optical establishments and opticians. An optician fits and sells optical devices such as contact lenses and eyeglasses. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

Technical Issues — The approved FY 1998 amounts include a decrease of \$2,600 for the agency's portion of shared office costs. The approved FY 1999 amounts include a further increase of \$600.

Rules Revisions — The approved FY 1998 amounts include an increase of \$5,500 for one-time legal consultation, printing and postage costs associated with the revising of the agency's rules.

Database Software — The approved FY 1998 amounts include an increase of \$1,000 for the one-time costs associated with the purchase of database software and consulting services.

Transcription Services — The approved FY 1998 and FY 1999 amounts include an increase of \$600 for transcription services related to hearings.

Testing Equipment — The approved FY 1998 amounts include an increase of \$300 for the one-time costs associated with the purchase of new eyeglasses to be used for applicant testing.

Salary Increase — The approved FY 1999 amounts include an increase of \$1,800 for a salary increase for the agency director.

1/ This 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, 1999. (General Appropriation Act footnote)

2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

STATE BOARD OF OPTOMETRY

A.R.S. § 32-1701

Florence Moore, Executive Director

JLBC Analyst: Jim Hillyard

Board of Optometry Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	1.8	1.8	1.8	1.8
Personal Services	58,900	61,900	65,600	67,400
Employee Related Expenditures	10,900	10,500	10,900	11,300
Professional and Outside Services	20,000	22,800	21,900	22,500
Travel - In State	4,500	6,500	7,500	7,500
Travel - Out of State	300	700	700	700
Other Operating Expenditures	5,400	7,500	7,500	7,500
Total Appropriations	100,000	109,900	114,100 ^{1/2}	116,900 ^{2/}

Agency Description — *The board licenses and regulates optometrists and issues certificates authorizing the use of diagnostic pharmaceutical agents. An optometrist examines eyes, measures vision, and prescribes corrective lenses and treatments which do not require a licensed physician.*

Travel - In State — The appropriated amount provides an additional \$1,000 in FY 1998 and FY 1999 to fund the increased mileage costs of a board member from Sierra Vista, who replaced a member living in Phoenix.

Testing Costs — The appropriated amount provides an additional \$300 in FY 1998 and FY 1999 to fund licensing examination costs.

1/ This 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, 1999. (General Appropriation Act footnote)

2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

ARIZONA BOARD OF OSTEOPATHIC EXAMINERS

A.R.S. § 32-1801

Ann Marie Berger, Executive Director

JLBC Analyst: Chris Earnest

Board of Osteopathic Examiners Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>
Personal Services	181,800	190,400	196,000	198,600
Employee Related Expenditures	36,200	41,400	36,700	37,300
Professional and Outside Services	32,900	50,800	45,000	45,000
Travel - In State	2,100	7,500	4,000	4,000
Travel - Out of State	9,000	3,800	9,000	9,000
Other Operating Expenditures	67,200	46,700	66,500	66,500
Equipment	<u>0</u>	<u>0</u>	<u>7,400</u>	<u>0</u>
Total Appropriations	329,200	340,600	364,600 ^{1/2}	360,400 ^{2/}

Agency Description — *The agency licenses and regulates medical physicians who practice osteopathic medicine, a system of medical treatment that emphasizes the inter-relationship of the body's muscles, bones, and joints with other body systems as an adjunct to invasive and/or chemically-based treatment.*

Rent — The approved FY 1998 and FY 1999 amounts include an additional \$15,000 for increased rent. This amount provides for the board to move to the Doubletree property in Scottsdale.

Equipment — The approved FY 1998 amount includes one-time funding of \$7,400 for a replacement copy machine.

^{1/} This appropriation is available for use and is exempt from A.R.S. § 35-143.01, relating to lapsing of appropriations to the special agency funds until June 30, 1999. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

ARIZONA STATE PARKS BOARD

A.R.S. § 41-511

Ken Travous, Executive Director

JLBC Analyst: Bruce Groll

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	182.5	180.5	194.5 ^{1/}	214.5 ^{1/}
Personal Services	4,476,200	4,652,700	4,979,300	5,159,200
Employee Related Expenditures	1,234,900	1,074,500	1,284,400	1,339,300
Professional and Outside Services	27,900	38,100	38,100	38,100
Travel - In State	90,600	94,300	95,300	95,300
Travel - Out of State	4,200	4,100	4,100	4,100
Other Operating Expenditures	1,713,800	1,872,800	2,120,700	2,124,600
Equipment	180,800	132,200	132,200	149,800
Operating Subtotal	7,728,400	7,868,700	8,654,100 ^{2/}	8,910,400 ^{2/}
State Trust Land Leases	177,000	183,800	189,200	194,900
Arizona Conservation Corps	227,000	56,700	0	0
Kartchner Caverns Operating	0	0	311,200 ^{3/}	956,600 ^{4/}
Kartchner Caverns Capital Development	0	807,100	403,900	0
Law Enforcement and Boating Safety	633,300	800,000	850,000 ^{5/}	894,600 ^{5/}
Reservation Surcharge Revolving Fund	0	30,000	30,000	30,000
Total Appropriations	8,765,700	9,746,300	10,438,400 ^{6/}	10,986,500 ^{6/}
Fund Summary				
General Fund	6,378,100	6,121,600	6,793,400	7,679,100
State Parks Enhancement Fund	1,754,300	2,794,700	2,765,000	2,382,800
Law Enforcement and Boating Safety Fund	633,300	800,000	850,000	894,600
Reservation Surcharge Revolving Fund	0	30,000	30,000	30,000
Total Appropriations	8,765,700	9,746,300	10,438,400	10,986,500

Agency Description — *The State Parks Board is responsible for managing the state parks system, which includes recreational parks, historical parks, and natural areas. The Parks Board consists of 7 members appointed by the Governor. Major functions of the Parks Board, through its staff, include the maintenance and development of existing parks, new parks acquisitions, statewide recreational planning, historic preservation, and the administration of the Heritage Fund grants program and other grants programs which provide funds for local and regional projects.*

- ^{1/} Includes 12 and 29 FTE Positions funded from Special Line Items in FY 1998 and FY 1999, respectively.
- ^{2/} All Other Operating Expenditures includes \$16,000 from the State Parks Enhancement Fund for Fool Hollow State Park revenue sharing. If receipts to Fool Hollow exceed \$160,000 in FY 1998 or FY 1999, 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 Service. (General Appropriation Act footnote)
- ^{3/} The \$311,200 state General Fund appropriation and 12 FTE Positions for Kartchner Caverns Operating in FY 1998 is intended to provide a total of 5 months full-funding, including 2 months for pre-opening preparation and training beginning February 1, 1998 and 3 months for ongoing operating expenses of Kartchner Caverns State Park based on a formal opening date of April 1, 1998. If the caverns' opening is delayed after April 1, 1998, one-fifth or \$62,200, shall revert to the state General Fund for each month, or a portion thereof, beyond April 1, 1998, that the full opening of Kartchner is delayed. The State Parks shall present a detailed progress report on the development of Kartchner Caverns and the anticipated opening date to the Joint Legislative Budget Committee by January 15, 1998. (General Appropriation Act footnote)
- ^{4/} Beginning July 1, 1998, of the \$956,600 General Fund appropriated for Kartchner Caverns Operating for FY 1999, one-twelfth or \$79,700 shall revert to the state General Fund for each month, or a portion thereof, beyond July 1, 1998 that the full opening of Kartchner Caverns State Park is delayed. (General Appropriation Act footnote)
- ^{5/} 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 1998 and FY 1999. 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. (General Appropriation Act footnote)
- ^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

ARIZONA STATE PARKS BOARD (Cont'd)

Technical Issues — The approved FY 1998 and FY 1999 amounts from the General Fund include one-time increases of \$107,800 for replacement equipment. The approved FY 1998 amount from the Enhancement Fund also includes a one-time increase of \$24,400, and for FY 1999 a one-time amount of \$42,000 to meet equipment replacement needs due to increased parks visitations.

New Staffing — The approved FY 1998 and FY 1999 amounts from the Enhancement Fund provide a \$289,800 net increase including an increase of \$288,800 and 3 new FTE Positions for additional staffing, operating and equipment needs related to park visitation increases, and a \$1,000 base increase for the Fool Hollow Land Lease. The approved FY 1999 amount includes an increase of \$85,500 from the General Fund and 3 new FTE Positions for central office administrative support to meet workload increases attributable to Kartchner Caverns State Park.

State Trust Land Leases — The approved FY 1998 amount includes an increase of \$5,400 from the General Fund, and an additional increase of \$5,700 for FY 1999, to provide lease payments as determined by the State Land Department for the following state parks located on State Trust lands: Buckskin, Homolovi, Lyman Lake, Patagonia, and Picacho.

Arizona Conservation Corps (ACC) — The approved amount reflects a General Fund decrease of \$56,700 and 1 FTE Position to complete the phase-out of the program. Additionally, Laws 1997, Chapter 58 eliminated the inactive Arizona Conservation Corps Fund. The estimated \$333,200 fund balance will be returned to the state General Fund. However, future legislation will be required to eliminate the ACC-related statutory responsibilities under A.R.S. § 41-519.01, created by Laws 1989, Chapter 287.

Kartchner Caverns Operating — Kartchner Caverns is an underground limestone cave, located near Benson, with 13,000 feet of passages and 2 large rooms, each approximately 100 yards long. When opened, the cave will remain protected while offering visitors a tour through multi-colored cave formations. The park is expected to be open for public use in April 1998.

The approved FY 1998 amount from the General Fund and new Special Line Item includes an increase of \$311,200 and 12 FTE Positions to provide a total of 5 months' full-funding for the park, including 2 months for pre-opening preparation and training and 3 months for on-going operating expenses based on the April 1998 formal opening date; and an additional FY 1999 increase of \$645,400 and 17 FTE Positions for a total of \$956,600 and 29 FTE Positions to fully fund and staff the park for an entire fiscal year.

However, if the cavern's opening is delayed after April 1, 1998, \$62,200 shall revert to the state General Fund for each month, or a portion thereof, beyond April 1, 1998, that the full opening of Kartchner is delayed; and additionally, for each month, or a portion thereof, beyond July 1, 1998 that the full opening is delayed, \$79,700 shall revert to the state General Fund. The Legislature also mandated that State Parks present a detailed progress report on the development of Kartchner Caverns and the anticipated opening date to the Joint Legislative Budget Committee by January 15, 1998.

Kartchner Caverns Capital Development — The approved FY 1998 amount includes a one-time increase of \$403,900 from the development portion of the State Parks Enhancement Fund to complete start-up funding through the park's opening. This final appropriation for Kartchner start-up costs brings the total diverted from parks' development funds in FY 1997 and FY 1998 to \$1,211,000. The Enhancement Fund is divided into 2 portions: development and operating. The development portion is non-appropriated, but requires Joint Committee on Capital Review (JCCR) approval for expenditures. The operating portion is appropriated through the budget process for each fiscal year. The FY 1998 increase is primarily for supplies and equipment that need to be installed as the visitor's center is completed and for items that require a lead time for bidding, contracting or procurement.

Law Enforcement and Boating Safety — Provides grants from the Law Enforcement and Boating Safety Fund (LEBSF) to county governments for boating safety personnel and boating law enforcement equipment and activities. Grant applications are reviewed by the Arizona Outdoor Recreation Coordinating Committee and approved by the State Parks Board. The FY 1998 and FY 1999 estimates are increased by \$50,000 and \$44,600, respectively, to reflect expected increased revenues and corresponding costs.

Reservation Surcharge Revolving Fund — The approved FY 1998 and FY 1999 amounts maintain funding to manage the Campsite Reservation Program initiated in FY 1995. The fund uses reservation fees to pay the operating costs of the reservation system.

Additional Legislation: Omnibus Budget Reconciliation: Environment (Chapter 6, 1st Special Session) — Section 1 of this bill notwithstanding any other provisions of law pertaining to the Tonto Natural Bridge State Park Lease-Purchase, and beginning July 1, 1998, mandates that the annual revenue growth in the Enhancement Fund above FY 1998 levels be deposited in a Tonto Park pay-off subaccount of the Enhancement Fund and used to expedite pay-off of the Tonto lease-purchase. However, monies are to remain in the subaccount until sufficient revenue has been generated to pay

ARIZONA STATE PARKS BOARD (Cont'd)

the remaining principal and interest of the Tonto State Park lease-purchase agreement. Based on projected revenue growth, this policy will allow the purchase of Tonto by 2004, which would be 8 years earlier than anticipated, thereby saving the state an estimated \$635,500 in interest expenses. Additionally, more than \$3,000,000 will continue to be available to the Parks Board for development projects. Upon the purchase of the Tonto State Park, the development portion of the Enhancement Fund shall be appropriated as provided in A.R.S. § 41-511.11 subsection B.

Arizona State Land Preserve Initiative (Chapter 261) — This act allows the Arizona State Parks Board to grant monies for acquiring state trust lands that the State Land Commissioner has designated as suitable for conservation. Among its key provisions, the law expands the area of state trust lands that may be designated for conservation and requires consideration of the physical and economic impacts on local communities and consultation with local governing bodies to determine “the best interest of the trust.” The legislation also establishes the Conservation Acquisition Board and the Land Conservation Fund administered by the Parks Board. The Conservation Acquisition Board will advise the Parks Board on the identification and funding of state lands to be acquired for conservation purposes, and how the Land Conservation Fund should be allocated. The fund consists of donations from private and non-state government public sources and appropriations from the state General Fund. However, appropriations not matched by donations will revert to the General Fund at the end of the fiscal year. Monies will be allocated through a grants program, the guidelines for which will be drafted by the Conservation Acquisition Board and adopted by the Parks Board.

PERSONNEL BOARD

A.R.S. § 41-781

Judith Henkel, Executive Director

JLBC Analyst: Lynne Smith

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	3.0	3.0	3.0	3.0
Personal Services	80,800	83,900	87,400	90,100
Employee Related Expenditures	16,600	17,200	17,200	17,700
Professional and Outside Services	141,300	168,000	167,500	167,500
Travel - In State	500	1,000	1,000	1,000
Other Operating Expenditures	31,800	38,000	39,600	40,400
Equipment	14,300	2,500	1,500	0
Total Appropriations	285,300	310,600	314,200 ^{1/}	316,700 ^{1/}

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

Equipment — The FY 1998 appropriation includes a total of \$1,500 in one-time funding for replacement of file cabinets.

Other Operating Expenditures — The approved FY 1998 and FY 1999 amounts reallocate \$500 from Professional and Outside Services to Other Operating Expenditures to enable the board to purchase voice mail and storage space.

Personal Services — The approved FY 1998 and FY 1999 amounts include a reduction of \$1,000. In combination with the statewide salary adjustments listed separately at the front of the Appropriations Report and a reallocation of monies by the board, the board's Personal Services and Employee Related Expenditures costs are fully funded.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

ARIZONA STATE BOARD OF PHARMACY

A.R.S. § 32-1901

Llyn A. Lloyd, Executive Director

JLBC Analyst: Lisa Cotter

Board of Pharmacy Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	12.0	12.0	12.0	12.0
Personal Services	393,500	440,200	460,400	474,000
Employee Related Expenditures	86,900	97,400	104,200	106,900
Professional and Outside Services	49,300	52,900	27,500	27,500
Travel - In State	26,300	36,500	29,300	29,300
Travel - Out of State	2,500	4,000	4,000	4,000
Other Operating Expenditures	75,700	77,800	79,500	81,900
Equipment	22,800	0	10,200	2,500
Operating Subtotal	657,000	708,800	715,100	726,100
Examinations	12,500	20,500	10,000	10,000
Total Appropriations	669,500	729,300	725,100 ^{1/2}	736,100 ^{2/}

Agency Description — *The board licenses, regulates, and conducts examinations of pharmacists and issues permits to distributors of approved medications. The board also educates pharmacists and the general public on the proper distribution and use of these medications.*

Technical Changes — The approved amounts reduce Travel - In State by \$7,200 to reflect the agency's request.

Examinations — The approved amounts reduce funding for examinations by \$35,900 because the agency no longer passes through national exam fees from test-takers to the National Association of Boards of Pharmacy (NABP). Of the \$35,900 reduction, \$25,400 is taken from Professional and Outside Services and \$10,500 is taken from the Examinations Special Line Item. National exam test-takers now pay the NABP directly, reducing the agency's revenues and expenditures from national exams. The \$10,000 remaining in the Examinations Special Line Item is for agency costs associated with preparing for and administering examinations.

Equipment — The approved FY 1998 amount includes \$10,200 for a replacement copier and 4 computer memory upgrades. The approved FY 1999 amount includes \$2,500 for a replacement computer.

^{1/} This appropriation available for use and is exempt from the provisions of A.R.S. § 35-143.01, relating to the lapsing of appropriations to the special agency funds until June 30, 1999. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as a Modified Lump Sum by Agency.

BOARD OF PHYSICAL THERAPY EXAMINERS

A.R.S. § 32-2001

Janice Stille, Executive Director

JLBC Analyst: Jim Rounds

Board of Physical Therapy Examiners Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>1.0</u>	<u>1.0</u>	<u>2.0</u>	<u>2.0</u>
Personal Services	35,400	32,500	56,200	57,800
Employee Related Expenditures	6,500	6,100	11,200	11,400
Professional and Outside Services	35,900	43,000	49,200	49,800
Travel - In State	1,700	3,200	3,200	3,200
Travel - Out of State	500	700	700	700
Other Operating Expenditures	<u>9,300</u>	<u>7,500</u>	<u>11,600</u>	<u>10,600</u>
Total Appropriations	89,300	93,000	132,100 ^{1/2}	133,500 ^{2/}

Agency Description — *The board licenses and regulates physical therapists. A physical therapist treats patients by exercise, massage, mechanical energy, electrical energy, heat, light, sound, and water. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

Technical Issues — The approved FY 1998 amounts include an additional \$6,200 for the agency's portion of shared office costs. The approved FY 1999 amounts include a further increase of \$1,000.

Administrative Support — The approved FY 1998 and FY 1999 amounts include an increase of 1 FTE Position and \$21,000 for a secretary. This amount includes \$1,000 for one-time equipment expenses.

Salary Increase — The approved FY 1998 and FY 1999 amounts include an increase of \$6,200 for a salary increase for the agency director.

Membership Dues — The approved FY 1998 and FY 1999 amounts include an increase of \$1,500 to accommodate an increase in membership dues to the National Federation of Physical Therapy Boards.

Agency Newsletter — The approved FY 1998 and FY 1999 amounts include an increase of \$1,400 to fund the printing and distribution of an agency newsletter.

^{1/} This 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, 1999. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

ARIZONA PIONEERS' HOME

A.R.S. § 41-921

Jeanine Dike, Superintendent

JLBC Analyst: Jennifer Vermeer

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	107.4	107.4	107.4	107.4
Personal Services	2,357,500	2,274,800	2,411,900	2,485,300
Employee Related Expenditures	758,600	636,000	776,300	752,500
Professional and Outside Services	18,200	0	162,700	162,700
Travel - In State	500	0	10,800	10,800
Food	0	225,000	225,000	225,000
Other Operating Expenditures	65,600	0	667,900	667,900
Equipment	700	0	7,900	7,900
Total Appropriations	3,201,100	3,135,800	4,262,500 ^{1/2/3/}	4,312,100 ^{2/}
Fund Summary				
General Fund	2,013,600	1,973,300	2,246,900	2,304,400
Miners' Hospital Fund	1,187,500	1,162,500	1,465,900 ^{4/}	1,458,000 ^{4/}
State Charitable Fund	0	0	549,700	549,700
Total Appropriations	3,201,100	3,135,800	4,262,500	4,312,100

Agency Description — *The Pioneers' Home provides a home and long-term nursing and medical care for Arizona pioneers and long-time residents and disabled miners. On average, the Home cares for 165 residents throughout the year with approximately 10 of these being disabled miners.*

Technical Issues — The approved amount includes an increase of \$118,200 from the General Fund to prorate Risk Management charges among the General Fund and the Miners' Fund according to the number of FTE Positions for each fund source.

State Charitable Fund Revenue Decrease — The State Charitable Fund became newly appropriated for FY 1998 by Laws 1996, Chapter 335. The approved amount for FY 1998 includes a decrease of \$204,400 from the FY 1997 non-appropriated State Charitable Fund and an increase of \$204,400 from the Miners' Fund. In FY 1996 interest earnings from the Miners' Trust Fund were inappropriately deposited in the State Charitable Fund. This practice was corrected in FY 1997 and for FY 1998, these costs have been transferred to the Miners' Fund.

Financial Issues — A General Appropriation Act footnote requires the Home to report any expenditures from the Miners' Fund beyond the appropriation to the Joint

Legislative Budget Committee (JLBC). This footnote has been added due to concerns regarding the declining balance in the Miners' Fund. An appropriation is made from the fund at the level of annual revenues; however, the agency has consistently spent beyond the appropriation.

A second General Appropriation Act footnote requires the Home to provide the JLBC with a plan for budgeting expenditures and developing internal financial controls. This footnote has been added to address financial management problems at the Home which include the following: the agency has been unable to provide accurate accounting information; revenues from the Miners' Fund were inappropriately deposited in the State Charitable Fund; and the agency's budgetary planning and internal financial controls are insufficient. These findings were supported by a recent performance audit by the Auditor General.

- 1/ In addition to the amounts appropriated, earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated for the Pioneers' Home and the Hospital for Disabled Miners in compliance with the Enabling Act and the Constitution. (General Appropriation Act footnote)
- 2/ The Pioneers' Home shall submit a plan for implementing budgeting, internal cost allocation, and financial monitoring processes to the Joint Legislative Budget Committee for its review by June 30, 1997. The plan shall include projected total expenditures for all fund sources, a plan for budgeting expenditures across fund sources, a plan for allocating costs to the internal divisions within the Home, and recommendations for reducing operating expenditures for FY 1998. Furthermore, it is the intent of the Legislature that future submissions of the agency strategic plan will include goals and performance measures for implementing financial management procedures. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated by Detailed Line Item by Agency.
- 4/ Beginning July 1, 1997, the Arizona Pioneers' Home shall report any expenditures from the Miners' Fund beyond the appropriation to the Joint Legislative Budget Committee for its review. (General Appropriation Act footnote)

STATE BOARD OF PODIATRY EXAMINERS

A.R.S. § 32-801

Linda A. Wells, Executive Director

JLBC Analyst: Jim Hillyard

Board of Podiatry Examiners Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	1.0	1.0	1.0	1.0
Personal Services	32,400	32,500	40,200	41,300
Employee Related Expenditures	5,700	5,800	6,700	7,000
Professional and Outside Services	12,800	15,600	17,500	16,800
Travel - In State	700	1,800	1,800	1,800
Other Operating Expenditures	3,700	2,500	3,500	3,500
Total Appropriations	55,300	58,200	69,700 ^{1/2}	70,400 ^{2/}

Agency Description — *The board licenses and regulates Doctors of Podiatric Medicine. A podiatrist must take specialized training, serve an internship and pass a qualifying examination prior to licensure to diagnose and treat foot ailments. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

Executive Director Salary Increase — The \$6,700 appropriated reflects a \$6,000 increase to the Executive Director's salary and \$700 in associated Employee Related Expenditures. This increase would result in a total salary of \$34,000.

Rules Consultant — The total of \$2,000 appropriated in FY 1998 and \$1,000 in FY 1999 funds the services of a contract Rules Consultant to assist the board in promulgating rules establishing licensing time frames as required by Laws 1996, Chapter 102.

Other Operating Expenditures — The \$1,000 appropriated in FY 1998 funds the additional printing and postage associated with producing and distributing the rule additions funded above.

^{1/} This 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, 1999. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

COMMISSION FOR POSTSECONDARY EDUCATION

A.R.S. § 15-1851

Ed Johnson, Ph.D., Executive Director

JLBC Analyst: Bruce Groll

General Fund and Postsecondary Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	7.8	7.8	4.0	0.0
Personal Services	176,300	268,100	161,900	0
Employee Related Expenditures	37,200	53,700	36,100	0
Professional and Outside Services	20,600	214,800	20,000	0
Travel - In State	1,100	3,000	1,000	0
Travel - Out of State	1,800	10,000	1,000	0
Other Operating Expenditures	38,400	73,900	76,200	0
Equipment	0	2,000	2,000	0
Operating Subtotal	275,400	625,500	298,200	0
Course Equivalency Guide	13,200	13,200	13,200	0
State Student Incentive Grants (SSIG)	1,220,800	1,220,800	1,220,800 ^{1/}	0
State Student Incentive Grant-Local	1,052,200	1,001,100	1,075,500	0
State Student Incentive Grant-Federal	1,072,000	1,068,200	1,068,200	0
Paul Douglas Teacher Scholarship	0	234,300	0	0
AZ Postsecondary Voucher Program	0	100,000	100,000	0
Total	3,633,600	4,263,100	3,775,900	0
Additional Appropriations -				
Postsecondary Education Program;				
Administration; Appropriation, Ch. 265	0	0	300,000 ^{2/}	0
Total Appropriations	3,633,600	4,263,100 ^{3/}	4,075,900 ^{2/4/5/}	0 ^{6/}
Fund Summary				
General Fund	1,221,600	1,334,000	1,734,900	0
Postsecondary Fund	2,412,000	2,929,100	2,341,000	0
Total Appropriations	3,633,600	4,263,100	4,075,900	0

^{1/} The appropriation for the State Student Incentive Grant is to be used to make grants under the Arizona State Student Incentive Grant program administered by the Arizona Commission for Postsecondary Education. Grants may be made according to the provisions of applicable federal and state laws and regulations relating to this program to Arizona residents who demonstrate financial need and who are attending, on at least a half-time basis, an approved program at a properly accredited Arizona postsecondary educational institution.

Each participating institution, public or private, in order to be eligible to receive state matching funds under the State Student Incentive Grant program for grants to students, shall provide an amount of institutional matching funds which shall be equal to the amount of funds provided by the state to the institution for the State Student Incentive Grant program. Administrative expenses incurred by the Commission for Postsecondary Education shall be paid from institutional matching funds and shall not exceed 12% of the funds in FY 1998. (General Appropriation Act footnote)

^{2/} Of the total amount appropriated for the Postsecondary Higher Education Voucher Program, no more than 10% may be used for program administrative costs.

^{3/} For FY 1998, any unencumbered balance remaining in the Postsecondary Fund on June 30, 1997, and all grant monies and other revenues received by the Commission for Postsecondary Education during this fiscal year, when paid into the State Treasury, are appropriated for the explicit purposes designated by Special Line Items for which state, federal, institutional and other monies are received including State Student Incentive Grants, teacher scholarships and the Postsecondary Review Entity Program. (General Appropriation Act footnote)

^{4/} General Appropriation Act funds are appropriated as a Modified Lump Sum with Special Line Items by Agency.

^{5/} Beginning in FY 1998, the Commission shall prepare and present quarterly to the JLBC Staff and the Governor's Office of Strategic Planning and Budgeting a detailed line item income and expenditure statement with fund sources and uses explicitly delineated. (General Appropriation Act footnote)

COMMISSION FOR POSTSECONDARY EDUCATION (Cont'd)

Agency Description — *The Commission, established as the State Postsecondary Review Entity (SPRE) in FY 1995, is authorized to conduct, review and coordinate the review of postsecondary education institutions in order to determine the eligibility of those institutions for student financial aid monies; and enters into agreements and contracts with state regulatory agencies, accrediting bodies or other peer review systems to conduct program eligibility reviews. The Commission also administers the Arizona Student Program Investing Resources in Education (ASPIRE) scholarship fund and 3 programs under Title IV of the higher education amendments of 1992: the state student incentive grant (SSIG) program; the federal family education loan program; and the Paul Douglas teacher scholarships program.*

Technical Issues — The approved FY 1998 amounts reflect a net Operating Budget reduction of \$327,300 including reductions of \$123,800 in Personal Services and Employee Related Expenditures and \$203,500 for All Other Operating Expenditures. These amounts include a \$100,000 General Fund increase for planning; and from the Postsecondary Fund, \$50,000 from interest on investments. Funding for FY 1999 and future years is contingent upon a favorable Sunset Review recommendation. (*See footnote 6 and Other Issues discussion for more detail.*)

Course Equivalency Guide — The approved FY 1998 amount from the General Fund and new Special Line Item provides continued funding and accountability for publication of the Arizona community college and public university course equivalency and transfer guide.

State Student Incentive Grant (SSIG) Program — The approved FY 1998 Special Line Item amounts provide grants to Arizona residents who demonstrate financial need and who are attending, on at least a half-time basis, an approved program at a properly accredited Arizona postsecondary educational institution. SSIG funding comes from 3 sources: federal, plus matching state and institutional funds. For FY 1998, the Legislature also reduced the allowable amount of reimbursement for administrative costs included in the operating budget from the SSIG institutional match from \$219,700 or 18% to 145,300 or 12%, thus generating an additional \$74,400 of grant money for need-based student loans. For FY 1999, if the Commission fails to receive a favorable Sunset Review, the SSIG program will be continued and administrative responsibility for the program will be transferred to the Arizona Board of Regents (ABOR).

Paul Douglas Teacher Scholarships Program — Federal funding for the Paul Douglas Teacher Scholarships Program has been discontinued and no additional funding is anticipated for FY 1998.

Tuition Voucher Program — The approved FY 1998 amount provides continued funding for up to 60 eligible Arizona community college graduates to receive vouchers of \$1,500 each, not to exceed a total amount per student of \$3,000 over a 3-year period, to be used to pay all or a portion of the tuition and fees charged at a qualifying private, accredited 4-year institution in Arizona. To be eligible to apply for participation in the program, a student must be an Arizona resident who has obtained an Associate degree from an accredited Arizona community college and who registers for enrollment as a full-time student in a baccalaureate program at a private, regionally accredited 4-year degree granting college or university chartered in this state.

The Tuition Voucher Program was established by Laws 1996, Chapter 341 (H.B. 2439) consisting of legislative appropriations to be administered by the Commission. Up to 10% of the appropriated amount may be used for administrative costs. Appropriated monies are deposited in the Postsecondary Education Voucher Fund and are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, and thus, do not revert to the state General Fund at the close of a fiscal year. For FY 1999, if the Commission fails to receive a favorable Sunset Review, the Tuition Voucher Program will be continued and administrative responsibility for the program will be transferred to the State Board of Directors for Community Colleges.

6/ Funding for the Commission in FY 1999 and beyond shall be contingent upon a favorable Sunset Review recommendation and legislative appropriation. Failure to receive a favorable Sunset Review recommendation to continue the agency beyond FY 1998 shall result in the immediate transfer of all funds, programs and responsibilities on June 30, 1998 to the Arizona Board of Regents and the State Board of Directors for Community Colleges as designated in the FY 1998 Joint Legislative Budget Committee Staff recommendation, and to any other agencies so directed by the Legislature. Additionally, if the commission is discontinued subsequent to FY 1998, notwithstanding any other provisions of law, for the FY 1999, designated representatives of Arizona's public universities, public community colleges and private postsecondary institutions shall meet at least 4 times each year to discuss educational issues of mutual interest. The Arizona Board of Regents, the State Board of Directors for Community Colleges, and the State Board for Private Postsecondary Education shall appoint 4 representatives each to serve on a Committee for Public and Private Postsecondary Education (CPPPE) and participate in the meetings. Meetings shall be hosted and staffed on a rotating basis by the CPPPE members' institutions. The CPPPE members shall mutually agree upon the meeting date, location and agenda and provide timely public notice. The CPPPE shall present to the President of the Senate, the Speaker of the House of Representatives, and the Governor a self-evaluation of their effectiveness and desirability to continue this legislatively sanctioned forum by November 15, 1999. (General Appropriation Act footnote)

COMMISSION FOR POSTSECONDARY EDUCATION (Cont'd)

Also, Laws 1997, Chapter 265 appropriated an additional \$300,000 to expand the program to \$400,000 annually. (*See Additional Appropriation discussion below.*)

Additional Appropriations: Postsecondary Education Program: Administration: Appropriation (Chapter 265) — This act amends A.R.S. § 15-1874 to expand the pool of eligible students who may apply to participate in the Postsecondary Education Voucher Pilot program established by Laws 1996, Chapter 341 and administered by the Commission to include students who obtain Associate degrees from an accredited community college under the jurisdiction of an Indian tribe in Arizona. The law also appropriates an additional \$300,000 from the state General Fund to fund up to 180 new qualifying students for a total of 240 students and a \$400,000 total appropriation for FY 1998.

Additional Legislation: Savings Account: Postsecondary Education (Chapter 171) — This act establishes the Family College Savings Program as a state-sponsored higher education savings program coordinated by the Commission for Postsecondary Education. The public-private partnership allows individuals to open college savings accounts with qualified financial institutions for future use by the beneficiary for qualifying postsecondary education expenses in any state. Administrative costs incurred by the Commission are paid by family application fees and financial institution marketing fees. The program will enable Arizona taxpayers to take advantage of both state and federal tax incentives: interest income earned on the accounts is exempt from state income taxes and tax-deferred for federal income taxes.

As a result of 1996 federal law, interest earnings from qualifying programs are considered federal tax-deferred until the time of distribution, and earnings from these plans will not be included in the gross income of either the beneficiary or the contributor until disbursement. Under this legislation, interest earnings and disbursements are exempt from state income tax.

Other Issues: Sunset Review — The Commission for Postsecondary Education was recommended for elimination in FY 1998 by both the JLBC Staff and the Governor's Office of Strategic Planning and Budgeting because the principal purpose for which the agency was established is no longer applicable. Specifically, the federal State Postsecondary Review Entity (SPRE) program became inactive when federal funding was discontinued last federal fiscal year. The Commission for Postsecondary Education was established as a separate agency by Laws 1994, Chapter 298, effective July 17, 1995, “. . . as the postsecondary review entity for this state for the conduct, supervision and coordination of the review of postsecondary education

institutions to determine eligibility of those institutions for (*federal*) student financial aid monies.”

The Commission's statutory authority is scheduled to “sunset” after FY 1998. With a Sunset Review by the Auditor General on the horizon, the Legislature agreed to provide funding to continue the Commission for FY 1998, with funding for FY 1999 and future years contingent upon a favorable Sunset Review recommendation. Failure to receive a favorable Sunset Review recommendation to continue the Commission beyond FY 1998 shall result in the immediate transfer of all funds, programs, and responsibilities on June 30, 1998 to the Arizona Board of Regents and the State Board of Directors for Community Colleges as designated in the FY 1998 JLBC Staff recommendation, and to any other agencies so directed by the Legislature.

STATE BOARD FOR PRIVATE POSTSECONDARY EDUCATION

A.R.S. § 32-3002

Dona M. Markley, Executive Director

JLBC Analyst: Bruce Groll

Board for Private Postsecondary Education Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	3.0	3.0	3.0	3.0
Personal Services	87,600	97,100	103,700	106,300
Employee Related Expenditures	22,100	23,200	23,900	24,500
Professional and Outside Services	3,900	6,000	7,800	7,800
Travel - In State	1,400	5,000	2,000	2,000
Other Operating Expenditures	19,700	29,000	28,100	28,600
Total Appropriations	134,700	160,300	165,500 ^{1/2}	169,200 ^{2/}

Agency Description — *The board enforces the laws and rules governing approximately 118 private postsecondary education institutions, including vocational and degree programs. The board does not have jurisdiction over cosmetology, barber, real estate and professional driving schools. The board also administers a Student Tuition Recovery Fund, which compensates persons suffering damages as the result of a private postsecondary institution ceasing operations.*

Technical Issues — The approved amounts include a \$2,100 base reallocation in Personal Services and Employee Related Expenditures to increase board member per diem and allow for up to 6 additional committee or board meetings per year; the net budgetary impact is zero when considered with the corresponding \$2,100 reduction in All Other Operating Expenditures.

1/ This 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, 1999. (General Appropriation Act footnote)

2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

STATE BOARD OF PSYCHOLOGIST EXAMINERS

A.R.S. § 32-2062

Maxine McCarthy, Executive Director

JLBC Analyst: Jim Hillyard

Board of Psychologist Examiners Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	4.0	4.0	4.0	4.0
Personal Services	91,600	123,300	131,700	135,200
Employee Related Expenditures	16,000	22,100	23,400	24,100
Professional and Outside Services	44,200	74,400	46,300	46,300
Travel - In State	5,900	6,800	6,800	6,800
Travel - Out of State	1,000	2,500	2,500	2,500
Other Operating Expenditures	18,000	26,600	59,800	60,300
Equipment	2,500	0	0	0
Total Appropriations	179,200	255,700	270,500 ^{1/2}	275,200 ^{2/}

Agency Description — *The board licenses and regulates psychologists. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

Psychologists Directory — The appropriated amount provides \$8,600 for the board to print and distribute the Arizona Psychologists Directory. Statute requires this directory be provided free of charge to licensed psychologists.

Separation from the State Board's Office — The appropriated amount reflects a net reduction of \$4,200 in the board's base budget due to savings resulting from its separation from the State Board's Office. The elimination of a \$28,100 payment to the State Boards' Office is offset by an increase of \$22,200 in rent and Other Operating Expenditures and an increase of \$1,500 in Personal Services and \$200 in Employee Related Expenditures to reclassify the board's secretary.

1/ This 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, 1999. (General Appropriation Act footnote)

2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

DEPARTMENT OF PUBLIC SAFETY

A.R.S. § 41-1711

Joe Albo, Director

JLBC Analyst: Jim Hillyard

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
<u>Program Summary</u>				
Criminal Investigations Bureau	19,010,800	17,967,500	19,286,000	19,122,400
Highway Patrol Bureau	34,843,300	36,570,300	44,869,400	47,046,300
Agency Support	23,715,400	26,060,200	25,141,100	25,770,300
Criminal Justice Support	12,185,600	13,007,100	16,397,400	18,920,700
Director's Office	5,672,200	5,989,000	6,248,800	6,442,000
Classification Maintenance Review	0	0	165,300	220,400
Total Appropriations	95,427,300	99,594,100	112,108,000	117,522,100
<u>Expenditure Detail</u>				
FTE Positions	1,592.0	1,592.0	1,695.5	1,733.5
Personal Services	57,521,600	59,997,500	65,593,600	69,768,800
Employee Related Expenditures	12,136,000	12,318,300	16,374,700	17,193,600
Professional and Outside Services	341,300	387,600	601,200	544,200
Travel - In State	458,000	511,300	577,900	567,000
Travel - Out of State	203,000	144,500	154,500	154,500
Other Operating Expenditures	14,372,200	13,322,900	14,286,600	14,307,400
Equipment	2,422,100	5,440,800	5,008,500	5,463,900
Operating Subtotal	87,454,200	92,122,900	102,597,000	107,999,400
Automated Fingerprint Identification				
Network (AFIN)	1,349,900	1,472,700	1,642,200	2,034,000
Crime Lab Aid to Locals	0	0	252,500	260,100
Licensing	0	0	828,800	1,007,300
Project GITEM	6,623,200	5,541,500	5,700,300	5,764,300
Sex Offender Notification	0	457,000	457,000	457,000
Total	95,427,300	99,594,100	111,477,800	117,522,100
Additional Appropriations - Juvenile Justice; Implement Proposition 102, Ch. 220				
	0	0	630,200	0
Total Appropriations	95,427,300	99,594,100	112,108,000 ^{1/}	117,522,100 ^{1/}
<u>Fund Summary</u>				
General Fund	42,586,700	55,521,400	63,852,500	73,520,800
Criminal Justice Enhancement Fund	1,349,900	1,472,700	2,696,000	3,268,600
Crime Lab Assessment Fund	0	0	2,845,500	3,023,300
DNA Identification Fund	0	0	327,400	347,800
Arizona Highway Patrol Fund	6,721,500	5,500,000	11,636,600	11,611,600
Highway User Revenue Fund	19,899,200	17,500,000	15,000,000	12,500,000
State Highway Fund	24,870,000	19,600,000	15,000,000	12,500,000
Safety Enforcement and Transportation				
Infrastructure Fund	0	0	750,000	750,000
Total Appropriations	95,427,300	99,594,100	112,108,000 ^{2/}	117,522,100 ^{2/}

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{2/} Any monies remaining in the Department of Public Safety Joint Account on June 30, 1998 and June 30, 1999 shall revert to the funds from which they were appropriated. The reverted monies shall be returned in direct proportion to the amounts appropriated. (General Appropriation Act footnote)

DEPARTMENT OF PUBLIC SAFETY (Cont'd)

Agency Description — *The Department of Public Safety (DPS) is responsible for the enforcement of state criminal laws and traffic regulations. In addition to the Highway Patrol, DPS operates and maintains statewide communications systems, state crime laboratories and an automated fingerprint identification network, and performs aviation missions, special investigations, and other law enforcement activities.*

Highway Patrol Officers — The approved amount funds the addition of 41 Officer I FTE Positions in FY 1998 at a cost of \$3,026,000 and the addition of 23 Officer I FTE Positions in FY 1999 at a cost of \$452,000. The appropriated amount funds all related equipment including patrol vehicles, communications equipment, uniforms, and side arms.

Patrol Vehicles — The appropriated amount funds the replacement of 93 patrol vehicles in FY 1998 at a cost of \$2,371,500 and the replacement of 90 patrol vehicles in FY 1999 at a cost of \$2,340,000. This will provide a patrol-capable vehicle with less than 100,000 miles at the end of each fiscal year to every sworn officer in the Highway Patrol Bureau.

Communications Equipment — The appropriated amount provides \$900,500 in FY 1998 to replace 89 mobile radios, 240 portable radios, 8 base stations, and 3 microwave paths. In FY 1999, \$1,053,700 is appropriated to replace 89 mobile radios, 240 portable radios, 3 microwave paths, and 24 base stations. Each DPS officer is equipped with a mobile car radio for communication with dispatch and a portable radio, which is worn as part of the officer's uniform. Microwave paths and base stations are components of the department's statewide communications infrastructure. The FY 1998 appropriation includes \$50,000 to fund a study of DPS' plan for conversion to a statewide digital communications network, Project Crystal.

Replacement Helicopter — The approved amount of \$1,050,000 will fund the replacement of one of the department's helicopters in FY 1999. The department's fleet currently consists of 5 helicopters stationed throughout the state. DPS' oldest helicopter will be sold for salvage, providing an additional \$600,000 toward the purchase of the new helicopter.

CJEF Reallocation — As session law, the appropriated amount redirects, in both years, 9% of Criminal Justice Enhancement Fund (CJEF) revenues previously deposited to the General Fund to DPS. These monies are to be used to fund the department's crime lab system which serves law enforcement at all levels in Arizona. This redirection provides a total of \$2,266,300 in FY 1998 and \$2,407,900 in FY 1999 for crime lab support. In FY 1998, \$1,525,100 of these monies will be used to support existing crime lab operations and \$741,200 will support the addition of crime lab personnel and operations and maintenance funding as discussed below.

Additional Crime Lab FTEs — The approved amount funds the addition of 11 crime lab FTE Positions in FY 1998 at a cost of \$536,200 in Personal Services and Employee Related Expenditures and the addition of 12 crime lab FTE Positions in FY 1999 at a cost of \$551,400 in Personal Services and Employee Related Expenditures. These additions are funded from the CJEF as discussed above.

New Crime Lab Operations and Maintenance — The appropriated amount would provide a total of \$48,000 for contract janitorial services and \$157,000 for utilities to fund the operations and maintenance of the department's new crime lab building in both fiscal years. This is funded from the CJEF as discussed above. This building will open at the beginning of FY 1998 and is over 60,000 square feet in size and is highly technical in nature.

Officer Pay Plan — The DPS Officer Pay Plan approved in FY 1993 has built-in step promotions for sworn officers, based on longevity and testing. Officers move from Cadet through Officer I, II, III, and Sergeant classifications. Funding for promotions which will occur in FY 1998 under this plan total \$303,200 in Personal Services and Employee Related Expenditures. In FY 1999, \$556,100 is appropriated for officer promotions.

Additional Dispatchers — The appropriated funding adds 7 dispatcher FTE Positions in FY 1998 at a cost of \$215,000 in Personal Services and Employee Related Expenditures and \$97,200 in Equipment. In FY 1999, 5 dispatch FTE Positions are added at a cost of \$158,600. These additional positions will allow the department to have 1 dispatcher for each highway patrol district and 1 dispatcher for statewide criminal investigations operations.

Motor Carrier Safety — Laws 1996, Chapter 345 appropriated \$1,500,000 from the Safety Enforcement and Transportation Infrastructure Fund to the Arizona Department of Transportation (ADOT) to enhance motor carrier safety enforcement along the Mexican border in response to an increased flow of motor carrier traffic associated with the North American Free Trade Agreement. DPS and ADOT agreed to divide these monies equally in FY 1997. In FY 1998 and FY 1999, \$750,000 is appropriated directly to DPS to continue to fund motor carrier safety.

DEPARTMENT OF PUBLIC SAFETY (Cont'd)

HURF/Highway Funds — 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 cities, counties, and the state. The state's portion of this funding is deposited in the Highway Fund and ultimately used for highway construction.

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 appropriated amount reduces DPS' HURF and Highway Fund appropriations by \$2,500,000 each, and increases the department's General Fund appropriation by an equal amount.

In addition, Laws 1996, Chapter 3, 5th Special Session mandated a transfer of \$2,100,000 from the department's General Fund appropriation back to the General Fund to be used to complete the purchase of the Maricopa County Auto License operation. The department's Highway Fund appropriation was increased by an equal amount to offset this transfer. As this transfer will not be required in FY 1998, the appropriated amount reflects an additional \$2,100,000 decrease in available Highway Funds and a corresponding \$2,100,000 increase in General Funds.

The table below details the combined effect of the HURF and Highway Fund phase-out and the Maricopa County Auto License fund shift.

	<u>HURF</u>	<u>Highway</u>	<u>Total</u> ^{1/}
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	45,000,000
FY 1997	17,500,000	19,600,000	37,100,000
FY 1998	15,000,000	15,000,000	30,000,000
FY 1999	12,500,000	12,500,000	25,000,000
FY 2000 and beyond	10,000,000	10,000,000	20,000,000

^{1/} The amounts for FY 1994 - FY 1999 reflect the appropriation that was made; FY 2000 reflects the limits established by the legislation.

Highway Patrol Fund — The approved amount includes a base adjustment of \$5,105,400 to reflect the first-time appropriation of the Highway Patrol Fund and an increase of \$1,031,200 to fund the operation of the Highway Patrol.

Public Safety Retirement — Sworn DPS employees are eligible to participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS requires all members to contribute 7.65% of their salary in each year.

The state, in-turn, contributes an actuarially determined amount that varies from year to year. In FY 1998 and FY 1999, this will be 1.91%. Beginning in the mid 1980s, however, the department opted to pay 5% of the employees' contribution. As a result, in FY 1998 and FY 1999, the state will contribute 6.91% of sworn Personal Services and DPS PSPRS members will contribute 2.65% of their salary toward their retirement. The state contribution will total \$3,100,100 in FY 1998 and \$3,205,300 in FY 1999 and is funded by monies from the Highway Patrol Fund.

Automated Fingerprint Identification Network (AFIN) — The department's AFIN system allows state and local agencies with the proper equipment to electronically scan and send fingerprints via phone line to DPS' fingerprint repository. In many cases, fingerprints can then be matched within minutes. Agencies without the required equipment must mail fingerprint cards to the department. AFIN is funded by a portion of the CJEF. In FY 1998, CJEF revenue growth will allow the department to purchase an additional \$132,900 in fingerprint scanning equipment for state and local agencies. The appropriated amount would also provide \$32,700 to add a 1 FTE Position in FY 1998 to assist with the increasing administrative work generated by the network's expansion. In FY 1999, \$387,200 is appropriated to continue purchasing scanning and matching equipment.

Crime Lab Assessment Fund — The approved amount includes a base adjustment of \$553,000 to reflect the first-time appropriation of the Crime Lab Assessment Fund and an increase of \$8,200 for additional crime lab support in FY 1998.

Crime Lab Aid to Locals — The Crime Lab Assessment Fund receives 2.3% of CJEF revenues to support crime labs across the state. A.R.S. § 41-2415 requires 45% of these monies be distributed to the 4 local agencies which maintain their own crime labs. This will equal \$252,500 in FY 1998 and \$260,100 in FY 1999.

DNA Identification Fund — The approved amount includes a base adjustment of \$340,500 to reflect the first-time appropriation of the DNA Identification Fund and a decrease of \$13,100 due to the elimination of one-time balance forward spending in FY 1997.

Licensing — The Licensing Special Line Item encompasses the Brady Weapons Center and the Concealed Weapons Center. DPS' Brady Weapons Center performs the federally mandated background checks required prior to handgun purchases by Phase I of the Brady Act. It is supported by a grant from the CJEF. In FY 1999, Phase II of the Brady Act will require DPS to preform background checks prior to all

DEPARTMENT OF PUBLIC SAFETY (Cont'd)

gun purchases. The FY 1999 appropriation, therefore, adds 4 Identification Clerk FTE Positions at a cost \$119,700 from the CJEF. The Concealed Weapons Center is responsible for the screening of applicants and the distribution of concealed weapon permits and is supported by weapon permit fees deposited in the Highway Patrol Fund. The appropriated amount provides \$38,100 to hire 2 temporary workers in FY 1999 to assist with license renewal.

1 Program Authorization Review — Project GITEM —
The Gang Intelligence and Team Enforcement Mission (GITEM) was created by Laws 1994, Chapter 200 to serve as a multi-agency task force, reducing street gang criminal activity through a combination of enforcement, intelligence gathering, training, and community work. Currently, GITEM consists of 55 officers and support personnel from DPS and 56 officers and support personnel from other agencies. The majority of GITEM officers are deployed in metro Phoenix and Tucson. Regionalized Anti-Gang Training and Enforcement Teams (RATE), which consist of 5-6 state and local officers are stationed in Sierra Vista, Yuma, Flagstaff, and Show Low. *(See Additional Appropriation below.)*

The JLBC Staff conducted a Program Authorization Review (PAR) of Project GITEM during the last year. As a result, the Staff recommended the program's performance measures be modified to include a measure of the program's overall effectiveness in reducing street gang crime. The Staff also recommended GITEM's strategic plan be modified to show the program's progress in transitioning control of enforcement activities to local agencies.

Sex Offender Notification — Laws 1996, Chapter 315 provided the department \$457,000 to coordinate the registration of sex offenders in the state and to distribute funds to local law enforcement agencies for community notification. The department continues to coordinate this effort with appropriations of \$457,000 in each fiscal year from the General Fund.

Additional Appropriations: Juvenile Justice: Implement Proposition 102 (Chapter 220) — Appropriates \$630,200 to DPS to fund the addition of a GITEM squad to serve Pinal County. This 6 FTE position squad will consist of 3 DPS officers and 3 local officers and will be stationed in Casa Grande.

Capital Outlay: Chapter 2, 1st Special Session — Appropriates \$200,000 from the General Fund to the department for the purchase and installation of modular housing for officers in remote areas of the state.

ARIZONA DEPARTMENT OF RACING

A.R.S. § 5-101

James Higginbottom, Director

JLBC Analyst: Jim Rounds

General Fund and County Fair Racing Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
Program Summary				
Commercial Racing	2,347,300	2,579,300	2,640,500	2,646,000
County Fair Racing	261,700	293,400	300,600	304,800
Total Appropriations	2,609,000	2,872,700	2,941,100	2,950,800
Expenditure Detail				
FTE Positions	56.4	55.4	54.8	54.8
Personal Services	1,411,900	1,570,500	1,652,900	1,704,100
Employee Related Expenditures	331,800	369,900	375,500	385,200
Professional and Outside Services	77,300	55,900	55,900	55,900
Travel - In State	161,800	159,800	159,800	159,800
Travel - Out of State	6,300	4,800	4,800	4,800
Other Operating Expenditures	202,000	241,500	208,400	210,000
Equipment	24,000	14,000	52,800	0
Operating Subtotal	2,215,100	2,416,400	2,510,100	2,519,800
Drug Testing and Quality Assurance	393,900	431,000	431,000	431,000
Yuma/Holbrook Commercial Racing	0	25,300	0	0
Total Appropriations	2,609,000	2,872,700	2,941,100 ^{1/}	2,950,800 ^{1/}
Fund Summary				
General Fund	2,347,300	2,579,300	2,640,500	2,646,000
County Fair Racing Fund	261,700	293,400	300,600	304,800
Total Appropriations	2,609,000	2,872,700	2,941,100	2,950,800

Agency Description — The department regulates the Arizona racing industry through supervision of race meetings, screening of license applicants, collection of taxes and fees, and assessment of fines or other penalties. The department also collects revenues for the Boxing Commission.

Technical Issues — The approved FY 1998 amounts include a reduction of \$44,000 due to the elimination of one-time funding for equipment.

Replacement Vehicles and Cameras — The approved FY 1998 amounts include an increase of \$9,600 for replacement identification card cameras, and an increase of \$43,200 for 3 replacement vehicles. The 3 new vehicles will replace 4 high mile vehicles.

Drug Testing and Quality Assurance — The approved FY 1998 and FY 1999 amounts fund animal drug testing, human drug testing, and the Racing Commissioner's Quality Assurance Program.

Yuma/Holbrook Commercial Racing — The approved FY 1998 amounts include a reduction of a 0.6 FTE Position and

\$25,300 due to the elimination of the Yuma/Holbrook Commercial Racing Special Line Item. The development of commercial racing at the Holbrook site has ceased and the Yuma site has closed.

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

RADIATION REGULATORY AGENCY

A.R.S. § 30-652 and 32-2802

Aubrey V. Godwin, Director

JLBC Analyst: Lisa Cotter

General Fund and State Radiologic Technologist Certification Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	27.0	28.0	29.0 ^{1/}	29.0 ^{1/}
Personal Services	665,700	715,500	782,800	807,000
Employee Related Expenditures	154,500	177,900	171,600	176,100
Professional and Outside Services	(21,600)	5,800	5,800	5,800
Travel - In State	26,900	30,000	30,000	30,000
Travel - Out of State	5,300	7,500	7,500	7,500
Other Operating Expenditures	200,900	182,400	181,100	181,100
Equipment	21,600	8,600	12,000	0
Operating Subtotal	1,053,300	1,127,700	1,190,800	1,207,500
MRTBE	101,300	107,600	110,800	113,100
Nuclear Emergency Management Fund	367,900	399,000	0	0
Total	1,522,500	1,634,300	1,301,600	1,320,600
Additional Appropriations -				
Nuclear Emergency Appropriations and Assessment, Ch. 57	0	0	413,400	413,400
Total Appropriations	1,522,500	1,634,300	1,715,000	1,734,000
Fund Summary				
General Fund	1,421,200	1,526,700	1,604,200	1,620,900
State Radiologic Technologist Cert. Fund	101,300	107,600	110,800	113,100
Total Appropriations	1,522,500	1,634,300	1,715,000 ^{2/}	1,734,000 ^{2/}

Agency Description — *The department regulates the use, storage, and disposal of sources of radiation. This includes licensing or certifying users, inspecting x-ray equipment, developing emergency response capability, and monitoring environmental radiation.*

Technical Issues — The approved FY 1998 amount includes a one-time increase of \$12,000 from the General Fund for 2 victoreens. A victoreen is an instrument used to measure radiation levels during x-ray inspections. The new victoreens will enable more inspectors to be out in the field at one time in order to bring down the inspections backlog.

Database Specialist — The agency does not currently have any computer support personnel. The approved amounts include an increase of \$37,300 and 1 FTE Position from the General Fund for a Database Specialist I. The new position will manage the agency's databases and help to maintain hardware, software and the LAN.

MRTBE — The Medical Radiologic Technology Board of Examiners (MRTBE) conducts examinations and certifies operators of x-ray equipment. MRTBE certification is not

required for licensed physicians, including dentists, chiropractors, podiatrists, and veterinarians.

Nuclear Emergency Management Fund — Prior fiscal year amounts refer to the annual appropriations to the Nuclear Emergency Management Fund. (See *Additional Appropriations for more detail.*)

Additional Appropriations — Nuclear Emergency Appropriations and Assessment (Chapter 57) — Appropriates \$878,400 in FY 1998 and \$880,800 in FY 1999 from the state General Fund to the Nuclear Emergency Management Fund (NEMF), pursuant to A.R.S. § 26-306.1, for administering and enforcing the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Of the amounts appropriated, \$413,400 and 4 FTE Positions are appropriated

^{1/} Includes 4 FTE Positions from Special Line Items in FY 1998 and FY 1999.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

RADIATION REGULATORY AGENCY (Cont'd)

to the Radiation Regulatory Agency each year. The remaining NEMF monies are allocated for use by the Department of Emergency and Military Affairs and Maricopa County. Monies appropriated to the NEMF are exempt from A.R.S. § 35-190, relating to lapsing of appropriations. Amounts equal to the appropriations, plus any applicable interest, are assessed against a consortium of corporations which operate the Palo Verde Nuclear Generating Station for deposit in the General Fund. In this way, the industry reimburses the state for all costs associated with planning and response for commercial nuclear generating site emergencies.

ARIZONA RANGERS' PENSIONS**A.R.S. § 41-951**

JLBC Analyst: Brad Regens

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Other Operating Expenditures	<u>10,300</u>	<u>10,500</u>	<u>10,800</u>	<u>11,100</u>
Total Appropriations	10,300	10,500	10,800 ^{1/}	11,100 ^{1/}

Agency Description — *Provides a monthly benefit for retired rangers and their surviving spouses.*

Technical Issues — The approved FY 1998 and FY 1999 amounts include a \$300 adjustment in accordance with the Gross Domestic Product Price Deflator, as provided by A.R.S. § 41-951B.

The pension for the remaining sole survivor will be approximately \$900 per month in FY 1998 and approximately \$925 per month in FY 1999.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

STATE REAL ESTATE DEPARTMENT

A.R.S. § 32-2102

Jerry Holt, Commissioner

JLBC Analyst: Brad Regens

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>67.0</u>	<u>67.0</u>	<u>67.0</u>	<u>67.0</u>
Personal Services	1,760,600	1,793,000	1,890,200	1,948,400
Employee Related Expenditures	413,300	401,000	410,600	421,500
Professional and Outside Services	44,500	7,200	5,000	5,000
Travel - In State	55,500	57,000	57,000	57,000
Travel - Out of State	5,700	7,100	7,100	7,100
Other Operating Expenditures	553,600	572,200	568,500	550,300
Equipment	<u>10,400</u>	<u>12,300</u>	<u>16,800</u>	<u>17,100</u>
Total Appropriations	2,843,600	2,849,800	2,955,200 ^{1/}	3,006,400 ^{1/}

Agency Description — *The department issues licenses for real estate, cemetery, and membership campground sales. The department also regulates the real estate industry, including licensees, developers, subdividers, and real estate schools.*

Technical Issues — The approved FY 1998 amount includes a reduction of \$9,100 for data processing services no longer required by the department, with a further reduction of \$23,200 for FY 1999. The approved FY 1998 amount also includes an increase of \$2,700 for operating supplies, with a further increase of \$4,800 for FY 1999.

Equipment — The approved FY 1998 amount includes \$16,800 for the one-time purchase of 2 replacement photocopy machines and 2 printers. The approved FY 1999 amount includes \$17,100 for the one-time purchase of 2 replacement fax machines, 1 photocopy machine, 1 laser printer and 1 rolling lateral file system.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

RESIDENTIAL UTILITY CONSUMER OFFICE

A.R.S. § 40-461

Greg Patterson, Director

JLBC Analyst: Brad Regens

Residential Utility Consumer Office Revolving Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	11.0	11.0	11.0	11.0
Personal Services	412,500	497,200	519,600	535,400
Employee Related Expenditures	79,500	92,000	99,200	102,000
Travel - In State	6,500	10,000	10,000	10,000
Travel - Out of State	2,800	4,600	4,600	4,600
Other Operating Expenditures	109,800	124,600	109,200	109,800
Equipment	0	2,000	3,800	9,600
Operating Subtotal	611,100	730,400	746,400	771,400
Professional Witnesses	55,300	291,100	200,000 ^{1/}	170,000 ^{1/}
Total Appropriations	666,400	1,021,500	946,400 ^{2/}	941,400 ^{2/}

Agency Description — *The Residential Utility Consumer Office (RUCO) serves as an advocate for residential customers of public utilities in rate hearings held before the Arizona Corporation Commission. Through its technical staff and expert consultants, RUCO analyzes utility company data to determine appropriate positions to take and present on behalf of residential rate payers. The RUCO Director is appointed by the Governor and is advised by a 5-member citizen board.*

Equipment — The approved FY 1998 amount provides one-time funding of \$3,800 for 1 replacement fax machine and 2 laptop computers. The approved FY 1999 amount provides one-time funding of \$9,600 for 1 replacement photocopy machine.

Professional Witnesses — Monies in this Special Line Item are used to hire court reporters and witnesses who study the utilities and provide expert testimony at rate hearings. Monies in this line item have historically constituted a non-reverting appropriation. Due to this, the line item has built up a healthy unexpended fund balance. The approved FY 1998 amount includes a reduction of \$91,100. The approved FY 1998 appropriation of \$200,000 in combination with an estimated carry-forward balance of \$280,000 provides a total of \$480,000. Estimated FY 1998 expenditures are \$343,800 leaving a carry-forward balance of approximately \$136,200. The approved FY 1999 amount includes a further reduction of \$30,000. The approved FY 1999 appropriation of \$170,000 in combination with an estimated carry-forward balance of \$136,200 provides a total of \$306,200. Estimated FY 1999 expenditures are \$200,000 leaving a carry-forward balance of approximately \$106,200.

^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

BOARD OF RESPIRATORY CARE EXAMINERS

A.R.S. § 32-3501

Mary Hauf Martin, Executive Director

JLBC Analyst: Lisa Cotter

Respiratory Care Examiners Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>3.0</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>
Personal Services	80,000	106,500	117,100	120,800
Employee Related Expenditures	14,200	19,500	20,100	20,600
Professional and Outside Services	24,100	2,500	8,500	2,500
Travel - In State	1,600	2,000	2,000	2,000
Travel - Out of State	4,100	200	200	200
Other Operating Expenditures	34,200	34,000	36,400	34,800
Equipment	<u>2,000</u>	<u>1,000</u>	<u>1,800</u>	<u>2,500</u>
Total Appropriations	160,200	165,700	186,100 ^{1/2}	183,400 ^{2/}

Agency Description — *The board licenses and regulates respiratory care practitioners. A respiratory therapist performs inhalation therapy and respiratory therapy, which include administering pharmacological, diagnostic, and therapeutic agents, as directed by a physician.*

Technical Issues — The approved FY 1999 amount includes one-time funding of \$2,500 for a replacement computer. The approved amounts also include \$5,600 to fully fund an FTE Position that was appropriated to the agency in FY 1997. The agency was not appropriated full funding at that time due to insufficient revenues.

Computer Tracking System — The approved FY 1998 amount includes one-time funding of \$9,800 for computer system improvements that will allow the agency to track its licensing and complaint process in compliance with A.R.S. § 41-1072 et seq. (Laws 1996, Chapter 102).

^{1/} This 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, 1999. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

ARIZONA STATE RETIREMENT SYSTEM

A.R.S. § 35-711

LeRoy Gilbertson, Director

JLBC Analyst: Jeffrey Schmied

State Retirement System Administration Account	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	89.0	90.0	122.0	123.0
Personal Services	2,422,000	2,535,300	3,926,400	4,075,200
Employee Related Expenditures	523,600	574,300	854,800	883,100
Professional and Outside Services	133,600	99,900	600,700	900,700
Travel - In State	14,000	11,100	36,100	36,100
Travel - Out of State	12,300	6,700	13,600	13,600
Other Operating Expenditures	535,200	544,900	2,103,800	1,987,900
Equipment	32,200	27,400	166,400	114,700
Operating Subtotal	3,672,900	3,799,600	7,701,800	8,011,300
LTD Administration	0	0	755,000	755,000
PERIS Applications Development	0	0	785,000	0
Total	3,672,900	3,799,600	9,241,800	8,766,300
Additional Appropriations - ASRS; Omnibus, Ch. 280	0	0	200,500	0
Total Appropriations	3,672,900	3,799,600	9,442,300 ^{1/}	8,766,300 ^{1/}

Agency Description — *The State Retirement System provides retirement, survivors, health and disability benefits to employees of Arizona school districts and state, county, and local governments. As of June 30, 1996, State Retirement System membership included approximately 160,000 active employees, 47,600 retired plan members, 2,500 long-term disability recipients, and approximately \$14,300,000,000 in assets (market value).*

Administration Account Base Adjustment — The approved amount includes a base adjustment of \$5,040,700 to reflect the first-time appropriation of certain expenditures from the Administration Account including the Outreach Education and Retiree Health Insurance programs, Long-Term Disability (LTD) Administration fees, and actuarial and legal expenses.

Outsource Retiree Payroll — The approved FY 1998 amount includes \$245,200 to utilize an outside vendor to process the retiree payroll. The approved FY 1999 amount includes a further increase of \$245,200 needed to annualize the cost of outsourcing the retiree payroll service. The change will allow the ASRS to produce and mail direct deposit stubs to 34,000 retirees who currently receive no notification of benefits. The cost does not reflect the increase in interest revenue of \$175,000 expected from the change.

Network Enhancements — The approved FY 1998 amount includes \$259,100 for hardware and software development and training tools including Internet access and additional

servers. The approved FY 1999 amount includes a decrease of \$181,100 for one-time software and equipment.

New Staff — The approved FY 1998 amount includes \$40,100 for an internal auditor to allow the system review of at least 3 more internal functions annually. The approved FY 1999 amount includes a further increase of \$35,500 for an accounting technician for the Budget and Strategic Planning Division.

Circulation Growth and One-Time Reductions — The approved FY 1998 amount includes a net decrease of \$240,000. Reductions for a periodic member handbook, telecommunication and health insurance consulting are offset by increased legal expenses, replacement equipment and Quarterly Newsletter circulation growth. For FY 1999, the approved amount includes \$75,200 for replacement equipment and Quarterly Newsletter circulation growth.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

ARIZONA STATE RETIREMENT SYSTEM (Cont'd)

LTD Administration — The ASRS contracts for outside administration of the Long-Term Disability program. The approved FY 1998 and FY 1999 amounts include \$73,900 for continued outside administration of the program and \$3,500 for a LTD Program Assessment to evaluate the program's management and rehabilitative efforts.

Public Employees' Retirement Information System (PERIS) Applications Development — The approved FY 1998 amount includes \$284,000 to accelerate the completion of PERIS business applications and complete a member information purification project started in FY 1997 to coincide with the implementation of a new database management system. Also included in the FY 1998 amount is \$22,600 in overtime payroll for the Information Services Division to assist in accelerated applications development. The approved FY 1999 amount includes a decrease of \$785,000 due to the anticipated completion of the project. The ASRS has been in the process of reengineering its computer system through consolidation of applications to a single platform, implementation of a Local and Wide Area Network (LAN/WAN), retraining of the development staff and implementation of a new database.

Additional Appropriations: ASRS: Omnibus (Chapter 280) — Appropriates \$200,500 from the Administration Account to the ASRS for administrative costs related to recalculating member costs of redeemed service for members who took advantage of credited service buy back windows offered in 1986 and 1992. Also, increases the amount of assets that may be invested internally from 20% to 50% over the next 3 fiscal years. Authorizes a member who purchases credited services or chooses the 7% option to irrevocably elect to have the employer make payments pursuant to a salary reduction program. Requires the salary reduction plan to be implemented by July 1, 1998. Beginning July 1, 1998, requires employers of system members who elect the 7% option to pay the actuarial amount necessary for group health and accident insurance benefits; the JLBC Staff estimates a related FY 1999 employer cost of \$160,900. The affected employers are primarily funded by the state General Fund. The JLBC Staff also estimates a FY 1999 cost of \$543,900 related to a change in health and accident insurance coverage options that is expected to increase the retirement contribution rate by .02%.

Additional Legislation: EORP: Optional Membership (Chapter 127) — Eliminates the requirement that elected officials who are subject to term limits participate in the Elected Officials' Retirement Plan (EORP.) Reduces, from 10 to 8, the minimum years of credited service required for receipt of the EORP health and accident insurance premium benefit. The EORP Administration estimates the change will

cause a .03% increase in the FY 1999 EORP contribution rate. The JLBC Staff estimates the contribution rate increase will result in a FY 1999 cost of \$3,500.

CORP: Accrual Rate: Contribution Rate (Chapter 197) — For the Corrections Officer Retirement Plan (CORP), increases the multiplier from 2.2% to 2.5% and decreases from 34 to 30 the maximum years of credited service used in calculating the monthly pension benefit. The increase in the unfunded liability of the plan is offset by a 1.85% increase in the member contribution rate and is expected to have no increase in the employer contribution rate.

ASRS: Benefits: System Members (Chapter 203) — Allows employers to make a direct payment to members who elected to receive "old System" benefits and were unable to make full retroactive payment prior to retirement due to maximum compensation limits. Also, directs employers to make a direct payment to members whose retirement date is after April 16, 1995 but before the effective date of the act. The JLBC Staff estimates the General Fund impact to be \$377,100 for FY 1998 and \$150,500 for FY 1999.

Omnibus: EORP: PSPRS: CORP (Chapter 239) — Makes numerous technical and clarifying changes to the EORP, CORP and Public Safety Personnel Retirement System (PSPRS) including replacing the 40-year amortization period with a rolling 20-year period and modifying the health insurance premium benefit to allow dependent use excess single coverage. These changes are expected to have minimal fiscal impact. For the PSPRS, increases from 60% to 70% the amount of system assets that may be invested in stocks and expands the authorized investment arena.

DEPARTMENT OF REVENUE

A.R.S. § 42-102

Mark Killian, Director

JLBC Analyst: Bob Hull

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
<u>Program Summary</u>				
Director's Office	867,300	949,100	972,500	995,600
Administrative Services	11,119,300	10,700,600	11,768,000	11,866,000
Property Valuation and Equalization	3,343,000	3,415,000	3,485,800	3,572,300
Special Support	1,934,300	2,038,200	2,129,900	2,191,200
Compliance	17,950,200	19,354,700	20,403,300	20,975,900
Taxpayer Support	3,819,400	3,838,700	4,046,000	4,160,600
Data Management	11,996,200	11,629,600	11,980,600	12,227,100
Total Appropriations	51,029,700	51,925,900	54,786,100	55,988,700
<u>Expenditure Detail</u>				
FTE Positions	1,245.0	1,244.0	1,255.0 ^{1/}	1,255.0 ^{1/}
Personal Services	28,166,500	30,079,100	31,995,400	32,987,000
Employee Related Expenditures	6,736,500	7,059,100	7,355,100	7,547,000
Professional and Outside Services	3,007,600	2,647,000	2,642,100	2,642,100
Travel - In State	431,900	528,200	534,500	534,500
Travel - Out of State	504,600	642,200	653,200	653,200
Other Operating Expenditures	10,857,100	10,528,800	10,896,700	10,909,800
Equipment	470,800	125,000	303,100	303,100
Operating Subtotal	50,175,000	51,609,400	54,380,100	55,576,700
Building Permits Database	309,900	316,500	261,000	267,000
Voter Registration Act	275,200	0	0	0
Escaped Property	269,600	0	0	0
Attorney General Legal Services	0	0	145,000	145,000
Total Appropriations	51,029,700	51,925,900	54,786,100 ^{2/}	55,988,700 ^{2/}
<u>Fund Summary</u>				
General Fund	50,714,900	51,591,900	53,398,600	54,583,800
Tobacco Tax and Health Care Fund	314,800	334,000	345,700	352,600
Unclaimed Property Fund	0	0	1,041,800	1,052,300
Total Appropriations	51,029,700	51,925,900	54,786,100	55,988,700

Agency Description — *The Department of Revenue administers and enforces the collection of personal and corporate income, sales, withholding, luxury and estate taxes. The department administers state property tax laws through the 15 county assessors. The department does not collect transportation related fees and taxes, nor the insurance premium tax. The department is organized along functional lines.*

Unclaimed Property Fund — The approved amounts for FY 1998 and FY 1999 include a base adjustment of 11 FTE Positions and \$1,067,600 to reflect the first time appropriation of the Unclaimed Property Fund. This base was reduced in FY 1998 by \$25,800 for technical adjustments.

Building Permits Database — The approved amounts for FY 1998 and FY 1999 provide for the continuing operation of the department's central electronic database of building permit information.

^{1/} Includes 7 FTE Positions funded from Special Line Items in FY 1998 and FY 1999.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

DEPARTMENT OF REVENUE (Cont'd)

Voter Registration Act — The department's mailing of voter registration forms in FY 1996 to unregistered individual income taxpayers cost \$10.96 for each newly registered voter and was not cost effective. The statutory requirement for this mailing to occur in general election years (even-numbered years) was suspended for FY 1998 by Laws 1997, Chapter 3, 1st Special Session, Omnibus Budget Reconciliation; Public Finance.

Attorney General Legal Services — The approved amounts for FY 1998 and FY 1999 move funding for an Attorney General intergovernmental service agreement from the operating budget to a Special Line Item.

STATE BOARD FOR SCHOOL CAPITAL FACILITIES

A.R.S. § 15-1051

Judy M. Richardson, Executive Director

JLBC Analyst: Phil Case

General Fund and School Capital Equity Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	0.0	5.0	7.0	7.0
Personal Services	0	150,000	248,200	248,200
Employee Related Expenditures	0	37,500	50,200	50,800
Professional and Outside Services	0	332,000	184,700	184,100
Travel - In State	0	10,000	25,000	25,000
Travel - Out of State	0	5,000	5,000	5,000
Other Operating Expenditures	0	45,500	71,900	71,900
Equipment	0	20,000	15,000	15,000
Operating Subtotal	0	600,000	600,000	600,000
Loans and Grants to School Districts	0	99,400,000	29,400,000	29,400,000
Total	0	100,000,000	30,000,000	30,000,000
Additional Appropriations - Education Finance, Ch. 4	0	0	400,000	0
Total Appropriations	0	100,000,000	30,400,000 ^{1/}	30,000,000 ^{1/}
Fund Summary				
General Fund	0	70,000,000	0	0
Other Appropriated Funds	0	30,000,000	30,400,000	30,000,000
Total Appropriations	0	100,000,000	30,400,000	30,000,000

Agency Description — Laws 1996, Chapter 8, 5th Special Session, as amended by Laws 1996, Chapter 1, 7th Special Session, established the State Board for School Capital Facilities. The board is composed of 9 members appointed by the President of the Senate, the Speaker of the House of Representatives, and the Governor. The board is responsible for administering monies deposited to the School Capital Equity Fund, which annually receives the first \$30,000,000 of proceeds from the Permanent State School Fund. Monies in the fund shall be distributed in the form of loans or grants to applicant school districts and shall be expended for buildings, land, capital improvements, pupil transportation vehicles, equipment, or technology. Distributions to school districts are made according to need, as determined by the priorities established by the board and the criteria established in law. Subject to legislative appropriation, no more than 1% of the annual \$30,000,000 deposit to the School Capital Equity Fund is available for the board's administrative costs.

FY 1997 Budget — The FY 1997 amount included a one-time additional deposit of \$70,000,000 from the General Fund to the School Capital Equity Fund for increased capital aid to school districts. In order to administer these additional monies, the board was appropriated an additional \$300,000 from the School Capital Equity Fund for operating costs. This additional \$300,000 was above the 1% maximum (\$300,000) that can normally be appropriated for operating costs.

Technical Assistance — The approved FY 1998 and FY 1999 amounts also include an additional \$300,000 above the 1% maximum (\$300,000) for operating costs. A provision in the Education Omnibus Bill (Chapter 4, 1st Special Session) permits the appropriation of up to 2% (\$600,000) of the annual \$30,000,000 deposit to the School Capital Equity Fund for operating costs in FY 1998 and FY 1999. The additional monies, along with an additional 2 FTE Positions in each year, are intended to allow the board to provide technical assistance to school districts in the design and construction of facilities.

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

STATE BOARD FOR SCHOOL CAPITAL FACILITIES (Cont'd)

Loans and Grants to School Districts — This Special Line Item contains the remaining monies in the School Capital Equity Fund not appropriated for operating costs. The approved amounts represent the monies available for direct capital aid to school districts in the form of loans or grants.

Additional Appropriations: Education Finance (Chapter 4) — The bill authorizes annual appropriations of up to \$400,000 from the School Capital Equity Fund for the board to contract with private inspectors to inspect the condition of school buildings. Each school building in the state must be inspected at least once every 5 years. The bill appropriates \$400,000 in FY 1998 for this purpose. The bill also: 1) provides annual capital aid from existing state sales tax revenues to low-wealth school districts [*see the Department of Education write-up for more information*], 2) allows fast-growing school districts to more readily access capital aid monies through the board, and 3) authorizes a maximum payment of \$150 per day for private sector members of the board, up to \$2,500 per year.

DEPARTMENT OF STATE - SECRETARY OF STATE

A.R.S. § 41-121

The Honorable Jane Dee Hull, Secretary of State

JLBC Analyst: Lynne Smith

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	36.0	36.0	38.0	38.0
Personal Services	803,600	833,500	899,900	931,000
Employee Related Expenditures	196,900	202,800	191,500	197,000
Professional and Outside Services	41,900	50,000	45,300	10,000
Travel - In State	100	2,000	200	200
Travel - Out of State	6,400	4,000	5,800	5,800
Other Operating Expenditures	691,400	869,000	844,100	850,200
Equipment	96,200	95,000	11,200	5,300
Operating Subtotal	1,836,500	2,056,300	1,998,000	1,999,500
Elections	2,626,500	2,082,600	807,300	2,370,200
Total Appropriations	4,463,000	4,138,900	2,805,300 ^{1/}	4,369,700 ^{1/}

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

Technical Issues — The FY 1998 appropriation includes a total of \$6,900 to replace microfiche equipment and a signature machine. The FY 1999 appropriation includes a total of \$5,300 to replace a fax and copy machine.

Elected Officials Salary Adjustment — The approved amount includes half-year FY 1999 funding to increase the salary of the Secretary of State from \$54,600 to \$65,000. With the exception of legislators, elected official salaries are determined by the recommendations of the Governor and the Commission on Salaries for State Elected Officials. At the beginning of the prior regular session, the Governor and Commission recommended the \$65,000 salary for the Secretary of State beginning January 1, 1999.

LAN Consultants — The approved FY 1998 amount includes a reduction of \$4,700 for consulting services which the department may instead purchase using monies from the non-appropriated Data Processing Acquisition Fund. The FY 1999 amount includes a further reduction of \$35,300 which reflects the planned completion of converting the department's database to a local area network (LAN) environment.

Publications — The FY 1998 appropriation includes an additional \$35,300 and 1 FTE Position to handle an increase in publication requests, followed by a decrease of \$4,300 in FY 1999 for one-time equipment. Over the last 3 years the number of Landlord-Tenant Act copies distributed by the department has increased from approximately 40,000 to 88,763 and the number of notary commissions issued by the department has increased from 1,440 to 6,600. The department will absorb other increased operating expenditures.

Elections — This Special Line Item funds the state's costs for primary and general elections, such as paying overtime and temporary personnel, printing publicity pamphlets for ballot proposals, and reimbursing the counties for printing and mailing sample ballots. The FY 1998 appropriation includes a reduction of \$2,200 for Travel - In State and Out of State. Due to the biennial election cycle, the FY 1998 approved amount also includes reductions of \$1,222,800 for Professional and Outside Services and \$100,000 for Other Operating Expenditures. The FY 1999 appropriation restores the amounts cut in FY 1998 due to the biennial election cycle and adds \$234,900 for expected increases in the number of voters and associated costs.

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

DEPARTMENT OF STATE - SECRETARY OF STATE (Cont'd)

The approved FY 1998 amount also includes an increase of 1 FTE Position and \$36,300 to enable the department to investigate and resolve allegations of election law violations more quickly, followed by a decrease of \$3,000 in FY 1999 for one-time equipment. The department will absorb other increased operating expenditures. Previously, the department has been able to resolve only 10% of complaints prior to an election. During "off-election" years, this position will conduct county election officer training.

STATE BOARDS' OFFICE

Delores DeBaca, Office Manager

JLBC Analyst: Jim Hillyard

Special Services Revolving Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	<u>2.5</u>	<u>2.5</u>	<u>3.0</u>	<u>3.0</u>
Personal Services	52,100	53,000	73,900	76,300
Employee Related Expenditures	14,000	14,400	19,700	20,200
Professional and Outside Services	15,100	16,700	5,100	5,100
Other Operating Expenditures	93,800	101,400	89,400	89,400
Equipment	<u>13,500</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Appropriations	188,500	185,500	188,100 ^{1/}	191,000 ^{1/}

Agency Description — *The office serves to centralize services and pool resources of 9 small regulatory boards. Examples of shared items include office space and equipment, as well as accounting, clerical, administrative, and telephone services. The office is under the General Services Division of the Arizona Department of Administration, but is supported by transfers of appropriated funds from the participating boards.*

State Boards' Office Contributions — The table below details the individual boards' contributions which fund the State Boards' Office.

Board	FY 1998	FY 1999
Funeral Directors & Embalmers, State Board of	\$26,000	\$26,400
Homeopathic Medical Examiners, Board of	9,600	9,800
Naturopathic Physicians Board of Medical Examiners	13,900	14,200
Nursing Care Inst. Admin. & Adult Care Home Mgrs., Brd of Exam.	26,400	26,800
Opticians, State Board of Dispensing	13,000	13,200
Optometry, State Board of	17,300	17,700
Physical Therapy Examiners, Board of	24,200	24,600
Podiatry Examiners, State Board of	12,800	13,000
Veterinary Medical Examining Board, AZ State	29,300	29,700
Other	<u>15,600</u>	<u>15,600</u>
Total	<u>\$188,100</u>	<u>\$191,000</u>

^{1/} The State Boards' Office is funded through the Professional and Outside Services line items of the participating boards. The line items shown here are presented for information only.

STRUCTURAL PEST CONTROL COMMISSION

A.R.S. § 32-2302

J. H. "Bud" Paulson, Executive Director

JLBC Analyst: Lisa Cotter

**Structural Pest Control Commission Fund
& Structural Pest Control Commission
Inspection Support Fund**

	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	30.0	30.0	31.0	31.0
Personal Services	663,300	736,400	804,000	828,800
Employee Related Expenditures	167,300	189,000	199,700	204,900
Professional and Outside Services	104,300	97,900	106,200	106,200
Travel - In State	85,000	82,800	79,200	79,100
Travel - Out of State	1,400	5,000	5,000	5,000
Other Operating Expenditures	224,700	258,000	198,400	198,600
Equipment	32,100	8,000	19,000	42,100
Total Appropriations	1,278,100	1,377,100	1,411,500 ^{1/2}	1,464,700 ^{2/}

Agency Description — *The commission licenses and regulates professional pest control companies and conducts examinations of applicators of structural pesticides.*

Technical Issues — The approved amounts include the following reductions: \$10,000 in Professional and Outside Services, \$4,000 in Travel - In State, and \$60,600 for one-time moving costs.

New Staff/Field Auditor — The approved FY 1998 amount provides 1 new FTE Position and \$37,500 for a Field Auditor II, followed by a decrease of \$2,500 in FY 1999 for one-time equipment. The auditor will be responsible for tracking and auditing Termite Action Report Forms (TARFs), which pest control companies are supposed to file on all termite pretreatment applications, initial termite corrective treatments, and wood infestation reports. The Structural Pest Control Commission receives an \$8 registration fee for every TARF filed, and TARF revenues make up 75% of the commission's operating monies. It is estimated that up to 20% of all TARFs are never filed, which results in lost revenue to the commission and less protection for the consumer. If the auditor is able to generate additional revenues from just 3% of all TARFs, the position will pay for itself.

Equipment — The approved FY 1998 amount provides \$16,500 for 8 laptop computers and 3 video cameras. The approved FY 1999 amount provides \$42,100 for 1 copier, 8 laptop computers, 2 night scopes, and 3 laser printers.

Hearings — The approved amounts provide an additional \$18,300 for hearing officer and court reporter costs for a total of \$106,200 in Professional and Outside Services. The agency received this amount in Professional and Outside Services in FY 1997, but due to budgetary reorganization moved some of this funding to other line items.

1/ This appropriation is available for use and is exempt from the provisions of A.R.S. § 35-143.01, relating to the lapsing of appropriations to the special agency funds until June 30, 1999. (General Appropriation Act footnote)

2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

STATE BOARD OF TAX APPEALS

A.R.S. § 42-171

William L. Raby, Chairperson

JLBC Analyst: Bob Hull

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	4.5	4.5	4.5	4.5
Personal Services	190,600	198,400	206,400	211,800
Employee Related Expenditures	35,900	32,500	32,100	33,000
Travel - In State	2,400	1,300	2,200	2,200
Travel - Out of State	0	900	0	0
Other Operating Expenditures	35,400	36,600	39,300	32,100
Equipment	0	0	12,000	2,000
Total Appropriations	264,300	269,700	292,000 ^{1/}	281,100 ^{1/}

Agency Description — *The board consists of 3 members appointed by the Governor. The board provides an independent appeals process for taxpayers with disputes relating to income, sales, use, estate, and luxury tax decisions from the Department of Revenue and resolves jurisdictional disputes between municipalities regarding the imposition of transaction privilege and use taxes.*

Equipment — The approved amount for FY 1998 includes an increase of \$12,000 for a replacement copier, tape recording system, and a phone system and computer cabling installation associated with relocating the office. The approved amount for FY 1999 includes an increase of \$2,000 for a replacement laser printer.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

STATE BOARD OF TECHNICAL REGISTRATION

A.R.S. § 32-102

Ronald W. Dalrymple, Executive Director

JLBC Analyst: Brad Regens

General Fund and Technical Registration Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	15.0	15.0	15.0	15.0
Personal Services	343,800	357,400	377,100	388,600
Employee Related Expenditures	79,900	78,300	85,800	88,100
Professional and Outside Services	24,100	23,300	39,300	36,800
Travel - In State	5,300	10,000	10,000	10,000
Travel - Out of State	12,300	13,000	13,000	13,000
Other Operating Expenditures	258,300	224,300	228,900	228,900
Equipment	3,500	0	5,500	2,500
Operating Subtotal	727,200	706,300	759,600	767,900
Examinations	119,400	169,400	62,000	62,000
Total	846,600	875,700	821,600	829,900
Additional Appropriations -				
Greenfields Pilot Program, Ch. 296	0	0	10,000 ^{1/}	0
Total Appropriations	846,600	875,700	831,600 ^{2/2/}	829,900 ^{3/}
Fund Summary				
General Fund	0	0	10,000	0
Technical Registration Fund	846,600	875,700	821,600	829,900
Total Appropriations	846,600	875,700	831,600	829,900

Agency Description — *The agency licenses, investigates, and conducts examinations of architects, assayers (assessors of mineral value), engineers, geologists, land surveyors, and landscape architects.*

Examinations — The approved FY 1998 amount includes a reduction of \$107,400 due to the board contracting with a private vendor to administer the national engineering, land surveying, architect and landscape architect examinations. The board will continue to administer the local land surveying, geological engineering, and assaying examinations. The approved amounts provide for the administration and adoption of qualifying examinations to determine whether minimum standards for registration have been satisfied.

Information Technology — The approved FY 1998 amount includes \$17,900 for local area network (LAN) computer system support and Internet access. The approved FY 1998 amount also provides \$5,500 for the one-time purchase of 2 computers. The approved FY 1999 amount includes \$15,400 for LAN support and Internet access. The approved FY 1999 amount also includes \$2,500 for the one-time purchase of 1 computer.

Additional Appropriations: Greenfields Pilot Program (Chapter 296) — This act creates a pilot voluntary soil remediation program within the Arizona Department of Environmental Quality to identify and remediate up to 100 "brownfields" within the state and return them to productive use. The act also charges the Board of Technical Registration with certifying remediation specialists. For FY 1998, the board is appropriated \$10,000 from the General Fund for costs associated with implementing the greenfields pilot program.

^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

^{2/} This 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, 1999. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

OFFICE OF TOURISM

Mark McDermott, Director

A.R.S. § 41-2301

JLBC Analyst: Lisa Cotter

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	21.0	21.0	22.0 ^{1/}	22.0 ^{1/}
Personal Services	571,600	599,100	663,400	683,500
Employee Related Expenditures	105,500	117,400	120,700	123,800
Professional and Outside Services	41,200	35,000	35,000	35,000
Travel - In State	8,600	13,000	13,000	13,000
Travel - Out of State	11,300	11,500	11,500	11,500
Other Operating Expenditures	435,500	413,600	415,000	415,000
Operating Subtotal	1,173,700	1,189,600	1,258,600	1,281,800
Toll-Free Line Production and Placement	2,761,600	3,004,000 ^{2/}	3,229,900 ^{2/}	3,630,100 ^{4/}
Toll-Free Line Response	1,121,700	1,121,700	1,321,700	1,421,700
International and Domestic Marketing	830,600	835,500	894,000	894,000
Research and Data Repository	178,500	194,000	194,000	194,000
Welcome Center Operations	310,100	316,300	321,200	327,400
Media and Public Relations	282,700	286,100	286,100	286,100
Cooperative Marketing (TIFS)	740,000	740,000	790,000	790,000
Total Appropriations	7,398,900	7,687,200	8,295,500 ^{3/}	8,825,100 ^{3/}

Agency Description — *The office is responsible for promoting tourism within the state, which includes planning and developing an information campaign, advertising, exhibitions, and operating a visitors' center.*

New Staff — The approved amounts include an additional \$41,500 and 1 new FTE Position for a Marketing Representative.

Advertising/Marketing — The approved FY 1998 amount includes an increase of \$658,500 for advertising and marketing Arizona to potential tourists and tour operators. The approved FY 1999 amount includes a further increase of \$300,000. The FY 1998 increase is allocated as follows: \$400,000 to the Toll-Free Line Production and Placement Special Line Item (*Increase is based on FY 1997 actual rather than estimate. Please see Toll-Free Line Production and Placement discussion for detail.*), \$200,000 to the Toll-Free Line Response Special Line Item, and \$58,500 to the International and Domestic Marketing Special Line Item. Of the FY 1999 increase, \$200,000 is allocated to the Toll-Free Line Production and Placement Special Line Item and \$100,000 is allocated to the Toll-Free Line Response Special Line Item.

Tourism Fund Formula Change — A.R.S. § 43-1341C3(c) allocates 75% of the growth of the last ½ cent of bed tax revenues from the General Fund to the Tourism Fund, in addition to a base allocation of \$2,000,000. This money is placed in the Toll-Free Line Production and Placement Special Line Item. The permanent law formula makes it possible for the Tourism Fund deposit to decrease if growth slows. In addition, while bed tax collections and General Fund bed tax revenues have increased steadily over the past several years, Tourism Fund deposits have remained fairly flat.

Laws 1997, Chapter 3, 1st Special Session (the Public Finances ORB) changed the formula for the Tourism Fund deposit for FY 1998 and FY 1999 through session law. Chapter 3 states that for FY 1998 and FY 1999, the Tourism Fund deposit shall be 3% of the state share of the total bed tax collections for the prior fiscal year. Based upon the

^{1/} Includes 4 FTE Positions funded from Special Line Items in FY 1998 and FY 1999.

^{2/} The FY 1997 appropriation for the Toll-Free Line Production and Placement Special Line Item included an estimated Tourism Fund deposit of \$2,676,800 pursuant to A.R.S. § 42-1341C4(c). The actual Tourism Fund deposit was only \$2,464,900, for a total appropriation of \$2,792,100 for the Special Line Item.

^{3/} Of the \$3,229,900 appropriated to Toll-Free Line Production and Placement for FY 1998, an estimated \$2,502,700 shall be deposited in the Tourism Fund pursuant to law. (General Appropriation Act footnote)

^{4/} Of the \$3,630,100 appropriated to Toll-Free Line Production and Placement for FY 1999, an estimated \$2,702,900 shall be deposited in the Tourism Fund pursuant to law. (General Appropriation Act footnote)

^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

OFFICE OF TOURISM (Cont'd)

session law formula, the JLBC Staff estimates the Tourism Fund deposit will be \$2,502,700 in FY 1998 and \$2,702,900 in FY 1999.

Toll-Free Line Production and Placement — The Toll-Free Line Production and Placement Special Line Item is funded with General Fund monies and deposits to the Tourism Fund. (See policy issue paragraph above for a description of the Tourism Fund deposit.) The monies are to be used for media advertising to promote the Arizona Office of Tourism's toll-free information line.

Based upon the FY 1997 actual appropriation shown in the table below, the approved FY 1998 amount includes increases of \$400,000 from the General Fund and an estimated \$37,800 from the Tourism Fund deposit. The approved FY 1999 amount includes further increases of \$200,000 from the General Fund and an estimated \$200,200 from the Tourism Fund deposit. The following table shows the increased funding to this Special Line Item from FY 1997 to FY 1999. Please note that the FY 1997 actual amount differs from the estimated FY 1997 appropriation on the previous page because the actual Tourism Fund deposit was \$211,900 less than the estimated deposit.

	FY 1997 Actual	FY 1998 Estimate	FY 1999 Estimate
General Fund	\$ 327,200	\$ 727,200	\$ 927,200
Tourism Fund Deposit	<u>2,464,900</u>	<u>2,502,700</u>	<u>2,702,900</u>
Total	\$2,792,100	\$3,229,900	\$3,630,100

Toll-Free Line Response — The approved FY 1998 amount includes an increase of \$200,000. The approved FY 1999 amount includes a further increase of \$100,000. The Toll-Free Line Response Special Line Item funds the operation of the toll-free line and the fulfillment of information requests. The office has an intergovernmental agreement to allow Arizona Highways Magazine of the Arizona Department of Transportation to operate the toll-free line.

International and Domestic Marketing — The approved amounts include an increase of \$58,500. The International and Domestic Marketing Special Line Item funds the office's trade marketing efforts in this country and abroad, targeting industry professionals. Activities include press releases, familiarization tours, direct mailings, representation at trade shows, and targeted advertising.

Research and Data Repository — The approved amounts enable the office to serve its statutory responsibility to act as the state's "clearing-house" for tourism data.

Welcome Center Operations — The approved amounts provide funds and 4 FTE Positions for the operation of the Painted Cliffs Welcome Center in Lupton.

Media and Public Relations — The approved amounts are to be used to promote Arizona by leveraging media and public relations opportunities.

Cooperative Marketing (TIFS) — The approved amounts include an increase of \$50,000. The Tourism Investment Funds Sharing Program (TIFS) matches contributions from local groups who develop local tourism advertising campaigns.

STATE TREASURER

A.R.S. § 41-171

The Honorable Tony West, Treasurer

JLBC Analyst: Lisa Cotter

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	34.0	34.0	36.0	36.0
Personal Services	992,200	1,136,100	1,298,200	1,339,700
Employee Related Expenditures	232,800	265,700	288,100	296,200
Professional and Outside Services	128,600	135,500	154,300	154,300
Travel - In State	1,700	2,000	2,000	2,000
Travel - Out of State	26,300	13,800	13,800	13,800
Other Operating Expenditures	268,600	212,000	215,500	219,500
Equipment	78,900	14,000	30,100	56,700
Operating Subtotal	1,729,100	1,779,100	2,002,000	2,082,200
Justice of the Peace Salaries	2,055,500	2,131,000	2,237,000	2,348,900
Summer Youth Employment and Training	1,000,000	0	0	0
Total	4,784,600	3,910,100	4,239,000	4,431,100
Additional Appropriations -				
Juvenile Justice; Implement Proposition 102, Ch. 220	0	0	1,000,000	0
Total Appropriations	4,784,600	3,910,100	5,239,000 ^{1/2}	4,431,100 ^{1/2}

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

Investment Portfolio Management — The approved FY 1998 amount includes 2 new FTE Positions and \$157,500 for a Portfolio Manager and a Financial Analyst, followed by a decrease of \$11,100 in FY 1999 for one-time equipment. The size of the Treasurer's investment portfolio has increased from \$3,000,000,000 to almost \$5,000,000,000 in 3 years. The new Portfolio Manager and the current Portfolio Manager will each specialize in a different area of the fixed income market. The new Financial Analyst will do background research for the Portfolio Managers. The agency estimates and the JLBC Staff agrees that the new positions will more than pay for themselves in increased investment earnings.

Equipment — The approved FY 1998 amount provides one-time funding of \$19,000 for 6 replacement computers and 2 replacement printers. The approved FY 1999 amount provides one-time funding of \$56,700 for 2 replacement servers.

Justice of the Peace Salaries — The Justice of the Peace Salaries Special Line Item is for pass-through funds used to pay the state portion of Justice of the Peace salaries. The state share is 40% of the total salaries in accordance with A.R.S. § 22-117. The salaries are determined by a calculation of judicial productivity credits as defined in A.R.S. § 22-125, which are then used to determine the percentage of a Superior Court Judge salary to be paid to each Justice of the Peace. Justice of the Peace salaries range from 25% to 70% of a Superior Court Judge's salary. Each county board of supervisors reports Justice of the Peace judicial productivity credits to the Arizona Supreme Court, and the Treasurer distributes Justice of the Peace pay according to the statutory formula.

The approved FY 1998 amount provides an increase of \$106,000 for Justice of the Peace Salaries. The approved FY 1999 amount includes a further increase of \$111,900. Both

^{1/} It is the intent of the Legislature that the investment management fee on monies managed by the State Treasurer be set at 8 basis points. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

STATE TREASURER (Cont'd)

of these amounts represent a 5% increase above the prior year's appropriation.

Summer Youth Employment and Training — This program was established by Laws 1996, Chapter 306. (*See Additional Appropriations below.*)

Additional Appropriations: Juvenile Justice: Implement Proposition 102 (Chapter 220) — Appropriates \$1,000,000 in FY 1998 to the State Treasurer for distribution to counties and cities for summer employment and training programs for at-risk youth established in A.R.S. § 11-1042. Of the amount appropriated, 52.5% is distributed to Maricopa County (and specified cities within Maricopa County), 27.5% is distributed to Pima County, and the remaining 20% is distributed to other counties. Laws 1996, Chapter 306 established this program and originally appropriated \$1,000,000 to the State Treasurer as a FY 1996 supplemental.

COMMISSION ON UNIFORM STATE LAWS**A.R.S. § 41-1306**

James M. Bush, Commissioner

JLBC Analyst: Chris Earnest

General Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	0.0	0.0	0.0	0.0
Personal Services	1,000	1,300	1,600	1,600
Travel - In State	0	500	800	800
Travel - Out of State	5,500	6,500	6,500	6,500
Other Operating Expenditures	19,800	20,900	21,700	22,700
Total Appropriations	26,300	29,200	30,600 ^{1/}	31,600 ^{1/}

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

Technical Issues — The approved FY 1998 and FY 1999 amounts include an additional \$600 to reimburse the commissioners for travel and time spent on commission activities.

Membership Assessment — The approved FY 1998 amount includes an increase of \$900 to fund the state's annual assessment for membership in the conference. The state's fee is based on population and increases by 5% annually. The approved FY 1999 amount includes a further increase of \$1,000 to fund the annual adjustment to the state's yearly assessment for membership.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

ARIZONA VETERANS' SERVICE COMMISSION - SUMMARY

A.R.S. § 41-602

Norman O. Gallion, Director

JLBC Analyst: Jennifer Vermeer

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
Program Summary				
Veterans' Services and Administration	1,422,200	1,476,600	1,492,900	1,545,400
Veterans' Home	2,432,500	7,413,200	7,825,000	7,993,800
Total Appropriations	3,854,700	8,889,800	9,317,900	9,539,200
Expenditure Detail				
FTE Positions	38.0	243.5	243.5	243.5
Personal Services	2,252,600	5,125,200	5,416,300	5,584,900
Employee Related Expenditures	611,900	1,394,000	1,357,000	1,392,600
Professional and Outside Services	14,600	45,500	45,500	45,500
Travel - In State	42,200	55,900	55,900	55,900
Travel - Out of State	8,700	10,200	10,200	10,200
Food	40,800	413,500	413,500	413,500
Other Operating Expenditures	783,000	1,779,000	1,972,200	1,972,200
Equipment	60,900	0	7,300	24,400
Operating Subtotal	3,814,700	8,823,300	9,277,900	9,499,200
Special Line Items	40,000	66,500	40,000	40,000
Total Appropriations	3,854,700	8,889,800	9,317,900 ^{1/}	9,539,200 ^{1/}
Fund Summary				
General Fund	3,335,200	960,100	964,900	1,004,000
State Veterans' Conservatorship Fund	515,800	516,500	528,000	541,400
State Home for Veterans' Trust Fund	3,700	7,413,200	7,825,000	7,993,800
Total Appropriations	3,854,700	8,889,800	9,317,900	9,539,200

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 began operating and maintaining a skilled nursing-home for Arizona veterans in FY 1996. The 200-bed State Veterans' Nursing Home is located in Phoenix on the former Indian School land.*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum for the Program.

**ARIZONA VETERANS' SERVICE COMMISSION -
VETERANS' SERVICES AND ADMINISTRATION**

A.R.S. § 41-601

General Fund and State Veterans' Conservatorship Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	38.0	41.0	41.0	41.0
Personal Services	811,500	901,400	941,200	970,400
Employee Related Expenditures	205,200	240,400	234,300	240,500
Professional and Outside Services	13,500	0	0	0
Travel - In State	40,100	43,900	43,900	43,900
Travel - Out of State	5,800	8,000	8,000	8,000
Other Operating Expenditures	299,500	216,400	218,200	218,200
Equipment	6,600	0	7,300	24,400
Operating Subtotal	1,382,200	1,410,100	1,452,900	1,505,400
Veterans' Organization Contracts	40,000	40,000	40,000	40,000
Military Women Memorial	0	26,500	0	0
Total Appropriations	1,422,200	1,476,600	1,492,900	1,545,400
Fund Summary				
General Fund	906,400	960,100	964,900	1,004,000
State Veterans' Conservatorship Fund	515,800	516,500	528,000	541,400
Total Appropriations	1,422,200	1,476,600	1,492,900 ^{1/}	1,545,400 ^{1/}

Program Description — *The division assists veterans, their dependents and/or survivors in developing and filing claims for federal entitlements from the U.S. Department of Veterans Affairs in areas of disability, pension, insurance, and burial. The division also acts as guardian for incapacitated veterans or family members which involves assuming responsibility for financial obligations and the physical well-being of the veteran or family member. This program is funded through fees charged to the clients served.*

Technical Issues — The approved General Fund amount includes an increase of \$7,300 for replacement equipment in FY 1998 and \$24,400 for replacement equipment in FY 1999. In addition, the approved amount for FY 1998 includes a decrease of \$12,300 from the General Fund to reflect the actual cost of salaries and benefits within the agency.

Veterans' Organization Contracts — Provides funding for contracts with veterans' organizations to compensate them for claims development services for veterans the commission does not serve.

Military Women Memorial — Provided one-time funding to the National Women in Military Service for America Memorial Foundation for Arizona's share of the cost of constructing the Women in the Military Service Memorial at the gateway to Arlington National Cemetery. The approved amount for FY 1998 includes a decrease of \$26,500 from the General Fund as this was a one-time cost.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum for the Program.

ARIZONA VETERANS' SERVICE COMMISSION - VETERANS' HOME

A.R.S. § 41-602

General Fund and State Home for Veterans' Trust Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	0.0	202.5	202.5	202.5
Personal Services	1,441,100	4,223,800	4,475,100	4,614,500
Employee Related Expenditures	406,700	1,153,600	1,122,700	1,152,100
Professional and Outside Services	1,100	45,500	45,500	45,500
Travel - In State	2,100	12,000	12,000	12,000
Travel - Out of State	2,900	2,200	2,200	2,200
Food	40,800	413,500	413,500	413,500
Other Operating Expenditures	483,500	1,562,600	1,754,000	1,754,000
Equipment	54,300	0	0	0
Total Appropriations	2,432,500	7,413,200	7,825,000 ^{1/2}	7,993,800 ^{2/}
Fund Summary				
General Fund	2,428,800	0 ^{2/}	0 ^{2/}	0
State Home for Veterans' Trust Fund	3,700	7,413,200	7,825,000	7,993,800
Total Appropriations	2,432,500	7,413,200	7,825,000	7,993,800

Program Description — *The division operates and maintains a 200-bed skilled nursing home for Arizona veterans. The State Veterans' Nursing Home, located on the former Indian School land, opened during FY 1996.*

General Fund Subsidy — The Veterans' Home originally projected that it would be self-supporting by the end of FY 1997. However, due to a delayed opening, lagging patient census, and management problems, the Veterans' Home required a supplemental appropriation of \$1,500,000 from the General Fund early in FY 1997. Laws 1996, Chapter 8, 7th Special Session appropriated the monies to the Department of Administration (ADOA) to increase monitoring of the Home's fiscal management and included a requirement that ADOA and the Home report quarterly to the Joint Legislative Budget Committee (JLBC). Laws 1997, Chapter 7, 1st Special Session provided an additional \$500,000 supplemental appropriation, for a total subsidy of \$2,000,000 from the General Fund for FY 1997.

The Home has not demonstrated that it will collect sufficient revenues and control costs in order to be self-sufficient in FY 1998. Thus, the approved amount for FY 1998 includes \$1,000,000 from the General Fund to ensure that the Home will remain solvent in FY 1998. As was the case in FY 1997, the appropriation was made to ADOA to increase the

financial monitoring of the Home and includes a General Appropriation Act footnote requiring ADOA and the Home to report quarterly to the JLBC. The General Fund subsidy for both years are shown in the ADOA budget.

As the financial management of the Home has not improved significantly over the course of FY 1997, especially with regard to the collection of receivables, the Legislature intends to privatize some functions at the Home. This intent is represented by a General Appropriation Act footnote. The footnote establishes a Veteran's Home Oversight Committee consisting of legislative and executive branch members and directs the Committee to provide guidance regarding a request for proposal (RFP) for privatization. The footnote requires the RFP to be issued by October 1, 1997.

^{1/} There is established a Veterans' Home Oversight Committee consisting of 2 members of the House of Representatives not of the same party appointed by the Speaker of the House of Representatives, 2 members of the Senate not of the same party appointed by the President of the Senate, the Director of the staff of the Joint Legislative Budget Committee, the Director of the Governor's Office of Strategic Planning and Budgeting, the State Comptroller, the Director of the Arizona Veterans' Service Commission, the Director of the Arizona Health Care Cost Containment System, and the Director of the Department of Health Services. The Committee shall provide guidance for the issuance of a request for proposal by the Arizona Department of Administration regarding privatization at the Veterans' Home. The request for proposal shall be completed prior to October 1, 1997. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum for the Program.

^{3/} The Legislature appropriated \$2,000,000 supplemental funding for FY 1997 and \$1,000,000 funding for FY 1998 to the Arizona Department of Administration for the operating expenses of the Home. The appropriation was made to DOA to increase financial oversight of the Home.

ARIZONA VETERANS' SERVICE COMMISSION - VETERANS' HOME (Cont'd)

The approved amount for FY 1999 does not include a General Fund subsidy. It is anticipated that privatization of financial functions at the Home will significantly improve the billing and collection processes at the Home; and thus, allow the Home to be self-supporting through third party reimbursements such as Medicare, Veterans' Administration per diem, Arizona Long Term Care System, donations, and resident income.

ARIZONA STATE VETERINARY MEDICAL EXAMINING BOARD

A.R.S. § 32-2201

Louise Battaglia, Executive Director

JLBC Analyst: Jim Rounds

Board of Veterinary Medical Examining Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
FTE Positions	3.0	3.5	3.5	3.5
Personal Services	104,100	125,300	130,800	134,100
Employee Related Expenditures	24,400	26,200	28,100	28,700
Professional and Outside Services	38,700	39,600	50,800	51,600
Travel - In State	5,000	11,100	11,100	11,100
Travel - Out of State	2,500	2,600	2,600	2,600
Other Operating Expenditures	11,200	12,300	14,300	12,500
Equipment	1,000	0	2,500	0
Total Appropriations	186,900	217,100	240,200 ^{1/2}	240,600 ^{2/}

Agency Description — *The board licenses and regulates veterinarians, veterinary technicians, and veterinary premises. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

Technical Issues — The approved FY 1998 amounts include an increase of \$5,400 for the agency's portion of shared office costs. The approved FY 1999 amounts include a further increase of \$1,300. The approved FY 1998 and FY 1999 amounts include an increase of \$1,600 for miscellaneous expenditures. The approved FY 1998 and FY 1999 amounts include a decrease of \$1,400 due to the elimination of one-time funding for furniture.

Computer Equipment — The approved FY 1998 amounts include an increase of \$2,500 for the one-time funding of a new computer.

Examination Services — The approved FY 1998 and FY 1999 amounts include an increase of \$5,700 to accommodate an increase in the rates charged by the vendor of veterinary examination services.

Rules Revisions — The approved FY 1998 amounts include an increase of \$1,800 for the one-time funding of printing and postage costs associated with revising agency rules.

^{1/} This 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, 1999. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

DEPARTMENT OF WATER RESOURCES

A.R.S. § 45-102

Rita P. Pearson, Director

JLBC Analyst: Chris Earnest

General Fund and Arizona Water Protection Fund	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
Program Summary				
Administration	7,245,400	7,464,200	7,564,300	7,643,300
Surface Water Management	8,637,200	7,857,600	4,628,800	7,625,100
Groundwater Management	2,216,800	2,478,700	2,600,600	2,674,900
Hydrology	1,564,500	1,955,800	2,032,200	2,078,500
Total Appropriations	19,663,900	19,756,300	16,825,900	20,021,800
Expenditure Detail				
FTE Positions	217.2	217.2	214.7 ^{1/}	214.7 ^{1/}
Personal Services	6,844,900	7,068,100	7,415,900	7,643,200
Employee Related Expenditures	1,529,600	1,522,700	1,566,800	1,610,500
Professional and Outside Services	424,100	486,500	451,600	423,500
Travel - In State	289,200	220,800	220,800	220,800
Travel - Out of State	27,300	37,700	37,700	37,700
Other Operating Expenditures	3,754,200	2,525,100	2,561,100	2,589,300
Equipment	14,700	57,800	57,800	57,800
Operating Subtotal	12,884,000	11,918,700	12,311,700	12,582,800
USGS Cooperative Agreement	287,800	352,900	353,800	354,800
Early Flood Warning System	73,900	90,000	90,000	90,000
Flood Control Development	48,700	50,000	50,000	50,000
Colorado River/CAP Study	45,800	50,000	50,000	50,000
Flood Warning System	196,400	196,600	196,600	196,600
Indian Water Rights	70,800	98,100	98,800	100,400
Arizona Water Protection Fund	6,000,000	5,000,000	1,600,000	4,517,200 ^{2/}
Arizona Water Banking Authority	0	2,000,000	2,000,000	2,000,000
Lower Colorado Agreement	0	0	75,000 ^{2/}	80,000 ^{2/}
Hydrological Study	56,500	0	0	0
Total Appropriations	19,663,900	19,756,300	16,825,900 ^{4/}	20,021,800 ^{4/}
Fund Summary				
General Fund	19,663,900	19,756,300	16,750,900	19,941,800
Arizona Water Protection Fund	0	0	75,000	80,000
Total Appropriations	19,663,900	19,756,300	16,825,900	20,021,800

^{1/} Includes 2 FTE Positions funded from Special Line Items in FY 1998 and FY 1999.

^{2/} As authorized by A.R.S. § 45-2112B, any monies received from the lease or sale of Central Arizona Project water in FY 1997 or FY 1998 shall be deposited in the Arizona Water Protection Fund and an equal amount of the \$4,517,200 appropriated to the Water Protection Fund for FY 1999 shall revert to the General Fund. (General Appropriation Act footnote)

^{3/} The \$75,000 appropriated for the Lower Colorado River Agreement in FY 1998 and the \$80,000 in FY 1999, shall be used by the Department of Water Resources to fund a portion of this state's share of a joint participation agreement with the states of California and Nevada, the United States Department of the Interior, the United States Bureau of Reclamation and the United States Fish and Wildlife Service entitled the "Lower Colorado River Multi-Species Conservation Program Agreement." When these resources are combined with monies made available to the Department of Water Resources through an intergovernmental agreement with the Department of Game and Fish, a total of \$275,000 in FY 1998 and \$280,000 in FY 1999 shall be available for the Lower Colorado River Agreement. The purpose of the agreement is to conserve habitat and work toward the protection and recovery of native and listed endangered species on the lower Colorado River 100-year floodplain, pursuant to the Endangered Species Act, and to reduce the likelihood of additional species being listed as threatened or endangered. (General Appropriation Act footnote)

^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

DEPARTMENT OF WATER RESOURCES (Cont'd)

Agency Description — *The department administers and enforces Arizona's groundwater code, administers surface water rights laws, and represents Arizona's water rights with the federal government. These activities are to assure a long-term dependable water supply in the state. The department also inspects dams and participates in flood control planning to prevent property damage, personal injury, and loss of life. In support of these activities, it collects and analyzes data on water levels and on water-quality characteristics.*

Technical Issues — The approved FY 1998 and FY 1999 amounts include a reduction of 2.5 FTE Positions as a technical correction to prior year FTE Position numbers. Also included in the approved amount is a reduction of \$34,900 in FY 1998, followed by a further decrease of \$28,100 in FY 1999 for one-time contract costs.

USGS Cooperative Agreement — Through this line item, the department supports the maintenance and monitoring of groundwater gauges throughout the state and the U.S. Geological Survey (USGS) maintains and monitors surface water gauges. The data is shared and used in various water policy planning applications. Arizona monies are equally matched by the USGS.

Early Flood Warning System — Approximately two-thirds of the approved amount supports stream gauges for advance notice of flooding. The remainder is for establishing warning systems that link gauges with emergency personnel via satellite.

Flood Control Development — The Department of Water Resources provides seed money to counties for developing flood control systems.

Colorado River/CAP Study — The approved amount funds the costs of studies related to the Colorado River as well as allocation negotiations with California and Nevada for Central Arizona Project (CAP) water.

Flood Warning System — Laws 1994, Chapter 224 created a Flood Warning System Fund for developing a flood warning system, purchasing flood warning equipment and providing historical data for water supply and management.

Indian Water Rights — This office provides information to all parties regarding Indian Water Rights settlement issues and monitors settlement discussions throughout the state. Total program funding for this Special Line Item includes 1 FTE Position.

Arizona Water Protection Fund — This fund is used to provide grants to protect, maintain, enhance, and restore rivers, streams, and riparian habitats in Arizona. Although the Department of Water Resources administers the fund, grant decisions are made by a separate Water Protection

Fund Commission. A.R.S. § 45-2112 requires an annual \$5,000,000 appropriation from the General Fund to the fund, less any monies received from the sale or lease of Central Arizona Project (CAP) water. Notwithstanding this provision, however, Laws 1997, Chapter 6, 1st Special Session reduced the appropriation from \$5,000,000 to \$1,600,000 in FY 1998 only. This was done because of a \$3,400,000 available fund balance. The balance, plus the approved \$1,600,000, will give the fund a total of \$5,000,000 with which to award grants in FY 1998.

The approved appropriation for FY 1999 is \$4,517,200. This amount is the \$5,000,000 appropriation required by A.R.S. § 45-2112, less \$482,800 of CAP water sold in FY 1997. Ordinarily, the sale of CAP water is credited against the next year's appropriation. Laws 1997, Chapter 6, 1st Special Session, however, credited the amount sold in FY 1997 to the FY 1999 appropriation.

Arizona Water Banking Authority — The Arizona Water Banking Authority seeks to fully utilize Arizona's allocation of Colorado River water by using the Central Arizona Project to store water for future needs of the state. The authority is chaired by the Director of the Department of Water Resources. The approved FY 1998 and FY 1999 amounts will be used to pay the delivery costs of bringing the state's unused portion of Colorado River water into Central and Southern Arizona. The water is then stored underground or used for irrigation in-lieu of pumping groundwater.

Lower Colorado Agreement — The department entered into a cost-share agreement with California, Nevada, the U.S. Department of Interior and the U.S. Bureau of Reclamation officially titled the "Lower Colorado River Multi-Species Conservation Program Agreement." The purpose of the agreement is to conserve habitat and work toward the recovery of listed endangered species on the Lower Colorado River while optimizing opportunities for future water and water power development. The approved amount for this new line item in FY 1998 is \$75,000, followed by a \$5,000 increase in FY 1999. These amounts are appropriated from the Arizona Water Protection Fund. An additional \$200,000 from the Arizona Game and Fish Department will be used to provide full funding of the state's portion of the cost-share agreement.

DEPARTMENT OF WATER RESOURCES (Cont'd)

Additional Legislation: 1997 WQARF Program Amendments (Chapter 287) — The Water Quality Assurance Revolving Fund (WQARF) Program is an Arizona Department of Environmental Quality (ADEQ) program aimed at remediating contaminated groundwater. This act directs the Department of Water Resources to consult with ADEQ to inspect wells for vertical cross-contamination of groundwater by hazardous substances. The department is also given authority to take appropriate remedial action on contaminated wells. To fund these activities, the act established an Arizona Water Quality Fund and directs an \$800,000 transfer to it from the WQARF each year. The Arizona Water Quality Fund is a non-appropriated fund.

DEPARTMENT OF WEIGHTS AND MEASURES

A.R.S. § 41-2065

John Hays, Director

JLBC Analyst: Jim Hillyard

General Fund and Other Appropriated Funds	FY 1996 Actual	FY 1997 Estimate	FY 1998 Approved	FY 1999 Approved
<u>Program Summary</u>				
General Services	1,379,700	1,349,400	1,355,000	1,360,900
Vapor Recovery	257,400	255,400	248,500	254,000
Oxygenated Fuel	295,500	331,400	568,700	424,300
Used Oil Testing	51,600	0	0	0
Total Appropriations	1,984,200	1,936,200	2,172,200	2,039,200
<u>Expenditure Detail</u>				
FTE Positions	42.0	40.0	40.0	40.0
Personal Services	1,043,700	1,067,300	1,122,900	1,157,500
Employee Related Expenditures	256,400	259,200	263,400	270,400
Professional and Outside Services	18,100	127,200	125,400	125,400
Travel - In State	134,800	125,300	176,300	176,300
Travel - Out of State	5,700	4,000	5,500	5,500
Other Operating Expenditures	493,600	353,200	303,700	304,100
Equipment	31,900	0	0	0
Operating Subtotal	1,984,200	1,936,200 ^{1/}	1,997,200	2,039,200
Technical and Management Improvements	0	0	25,000 ^{2/}	0
Total	1,984,200	1,936,200	2,022,200	2,039,200
Additional Appropriations -				
Air Quality; Fuels Measures, Ch. 117	0	0	150,000	0
Total Appropriations	1,984,200	1,936,200	2,172,200 ^{3/}	2,039,200 ^{3/}
<u>Fund Summary</u>				
General Fund	1,637,100	1,604,800	1,753,500	1,614,900
Air Quality Fund	295,500	331,400	418,700	424,300
Used Oil Fund	51,600	0	0	0
Total Appropriations	1,984,200	1,936,200	2,172,200	2,039,200

Agency Description — *The department regulates the determination and representation of quantity in the marketplace. The General Services program maintains state standards for weights and measures, inspects commercial establishments to ensure that packaged products are bought and sold at their correct weight or measure, and inspects weighing and measuring devices to ensure their accuracy. The Vapor Recovery program inspects gasoline dispensing devices to ensure that they meet established standards. The Oxygenated Fuel program tests the oxygen content in gasoline to ensure that it meets established standards. The Used Oil Testing program tests used oil to determine its classification for sale or disposal. The Used Oil Testing program was transferred to the Department of Environmental Quality in FY 1997. All programs investigate consumer complaints.*

Oxygenated Fuel Program — The appropriated amount provides an increase of \$86,800 from the Air Quality Fund to the department's Oxygenated Fuel program. The

department's requests and subsequent appropriations for FY 1996 and FY 1997 seriously understated the funding required for the Oxygenated Fuel program. In FY 1997, this

1/ Laws 1996, Chapter 258 reduces the Department of Weights and Measures' appropriation by \$194,500. For display purposes, this reduction has been reflected in the line items above.
 2/ The \$25,000 appropriated for Technical and Management Improvements in FY 1998 shall not be expended without the prior review of the Joint Legislative Budget Committee. (General Appropriation Act footnote)
 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

DEPARTMENT OF WEIGHTS AND MEASURES (Cont'd)

program was able to continue functioning within its existing appropriation by bartering unneeded equipment to a company in exchange for fuel testing services. The department has exhausted these resources. The appropriated amount will allow the Oxygenated Fuel program to function normally.

Technical & Management Improvements — The appropriated amount provides \$25,000 from the General Fund to fund technological and management improvements within the department. During FY 1996, the department contracted with consultants for a performance audit of the department's operations. The consultants stressed the need for improvements in the department's management and in the use of information systems. After receiving the approval of the Government Information Technology Agency (GITA) for any information systems changes, the department's new management team will present its plan for addressing the issues highlighted by the consultants to the JLBC for review prior to the expenditures of these monies.

Additional Appropriation: Air Quality: Fuels Measures (Chapter 117) — Appropriates \$150,000 from the General Fund to fund the implementation and enforcement of quality assurance for the expanded fuel reformulation standards established by this Chapter.

**OCCUPATIONAL AND LICENSING AGENCIES
SUMMARY OF RECEIPTS, APPROPRIATIONS AND BALANCE FORWARD**

<u>Agency/Board</u>	<u>Balance Forward FY 1998</u>	<u>90% of FY 1998 Receipts</u>	<u>FY 1998 Approved</u>	<u>Balance Forward FY 1999</u>	<u>90% of FY 1999 Receipts</u>	<u>FY 1999 Approved</u>	<u>Balance Forward FY 2000</u>
Accountancy, State Board of	1,657,800	1,061,900	1,244,100	1,475,600	1,039,400	1,254,800	1,260,200
Appraisal, State Board of	1,111,300	168,000	288,800	990,500	564,200	294,000	1,260,700
Barbers, Board of	186,800	151,200	158,600	179,400	165,000	162,700	181,700
Behavioral Health Examiners, Bd. of	548,900	419,600	394,300	574,200	444,100	394,300	624,000
Chiropractic Examiners, Board of	77,200	292,400	255,200	114,400	303,800	259,400	158,800
Contractors, Registrar of	5,979,900	8,316,100	5,918,700	8,377,300	8,981,400	6,009,700	11,349,000
Cosmetology, Board of	654,300	936,800	835,400	755,700	936,800	831,200	861,300
Dental Examiners, State Board of	491,500	633,600	631,400	493,700	683,000	649,900	526,800
Funeral Directors & Embalmers Board	57,600	160,200	186,100	31,700	165,100	187,400	9,400
Homeopathic Medical Examiners	28,400	45,500	41,600	32,300	48,900	42,300	38,900
Medical Examiners, Board of	2,299,100	3,127,300	3,173,600	2,252,800	3,175,900	3,210,100	2,218,600
Naturopathic Physicians Board	94,000	100,000	93,400	100,600	106,800	83,700	123,700
Nursing, State Board of	1,644,800	1,564,000	1,573,600	1,635,200	1,564,000	1,606,300	1,592,900
Nursing Care Institutions, Bd. of	272,200	145,600	123,100	294,700	145,600	124,200	316,100
Occupational Therapy Exam., Bd. of	199,300	124,600	106,900	217,000	126,100	106,700	236,400
Opticians, State Bd. of Dispensing	66,900	76,200	74,200	68,900	76,200	70,900	74,200
Optometry, State Board of	11,200	229,500	114,100	126,600	27,100	116,900	36,800
Osteopathic Examiners, Board of	569,700	72,200	364,600	277,300	609,500	360,400	526,400
Pharmacy, State Board of	1,219,100	716,400	725,100	1,210,400	716,400	736,100	1,190,700
Physical Therapy Examiners, Bd. of	419,800	92,700	132,100	380,400	194,900	133,500	441,800
Podiatry Examiners, State Board of	55,600	60,000	69,700	45,900	60,000	70,400	35,500
Private Postsecondary Educ., Bd. for	66,200	151,800	165,500	52,500	153,500	169,200	36,800
Psychologist Examiners, State Bd. of	362,300	34,200	270,500	126,000	488,600	275,200	339,400
Respiratory Care Examiners, Board of	205,500	189,200	186,100	208,600	193,400	183,400	218,600
Structural Pest Control Commission	458,200	1,431,200	1,411,500	477,900	1,483,600	1,464,700	496,800
Technical Registration, State Bd. of	740,200	909,000	821,600	827,600	918,600	829,900	916,300
Veterinary Medical Examining Bd.	223,100	66,400	240,200	49,300	355,200	240,600	163,900

ECONOMIC AND REVENUE FORECAST

The forecast for the fiscal year 1997-98 is based on the assumption that the economy will continue to grow at a steady pace of 6.5%.

The revenue forecast for the fiscal year 1997-98 is based on the assumption that the government will continue to collect revenue at a steady rate of 15% of GDP.

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THE ECONOMY

Overview

With Arizona's economic expansion in its fifth year, an increasingly important question in the minds of the state's economists is: when will the next recession occur? Though trying to forecast a recession is a hazardous exercise, it is a question that must be dealt with when planning the state's budgets for the coming years. After reviewing the latest available data and consulting with a panel of economists at the Finance Advisory Committee Meeting in February, the JLBC Staff does not foresee a recession during our forecast period which ends June 30, 1999.

The timing of Arizona's economic cycle usually is quite close to the national cycle, and the sustained national economic expansion has formed the foundation for the strong Arizona economy. The rapid economic expansion in Arizona has been broad-based, and we appear to be coming in for a "soft landing" or a slowing in growth during the next two years rather than negative growth.

Likewise, the state's General Fund for the past four fiscal years has greatly benefited from the robust performance of the Arizona economy. Near-record employment gains, solid personal income and retail sales growth, economic development coups, surging corporate profits, and a booming residential housing market all contributed to the very strong revenue picture. In FY 1996, total General Fund revenue grew 4.4%. *[However, if the \$291.0 million in tax reductions effective since FY 1995 is accounted for, then revenue growth would have been 10.9%, exceeding the 9.6% growth in FY 1995.]*

Our forecast for FY 1997 through FY 1999 is based upon the following trends, which we consider to be the major drivers in the current business cycle:

- **The National Economy.** We believe the U.S. economy will continue to grow steadily during our forecast horizon. Although it implies the longest peacetime economic expansion of modern times, a national recession can probably be avoided until late FY 1999, or possibly even FY 2000.
- **Construction.** Historically, the Arizona economy has been volatile due to a higher than average reliance on the construction sector. Single-family housing has been a major "driver" in the current expansion, with the peak growth rate occurring in 1994, but remaining surprisingly strong in 1995 and in 1996. While further declines in the rate of expansion are forecast, it is expected that growth in commercial construction, office, and hotel construction will offset the decline in residential construction growth rates.
- **The Direction of Interest Rates.** Low and falling interest rates helped to spur the residential housing market out of the recession of the late 1980s and early 1990s. Interest rates fell from 1990 through the end of 1994, when the Federal Reserve raised interest rates six times during 1994. Thereafter, rates then stabilized for the next two years (see [Chart 2](#)). However, on March 26, 1997 in response to building pressures in an economy growing above its long-term trend, the Fed raised the Federal Funds interbank rate by 0.25% to 5.5%. Further increases may be expected if inflationary pressures continue to build. Most economists believe rates will move slightly higher by year's end. We forecast short-term rates will remain fairly steady during our forecast period.
- **The "California Factor."** Census data show that in the 1990s California was Arizona's biggest source of immigration, with Texas a distant second. Due to California's steep recession beginning in the late 1980's, an unprecedented flow of people and businesses moved to other western states, with Arizona being a primary beneficiary. Recent estimates of 1996 population growth from the Census Bureau confirm that out-migration from California has now slowed substantially, while Nevada and Arizona were the fastest growing states in the nation, with increases in total population of 4.5 and 3.0%, respectively. Job growth in California has recently exceeded national averages, so Arizona's large net immigration is expected to taper off. However, a stronger California will boost interstate trade between our two states, since California is our number one interstate trading partner, and our manufacturing sectors are strongly linked.
- **Improved Business Environment.** Arizona has made great strides in improving its national image and attracting new businesses into the state. As a result, Arizona has developed significant high-tech clusters in Maricopa and Pima counties which are gaining in national prominence. We estimate that once the Intel and Sumitomo Sitix plants are built, many supporting firms and other large high-tech firms will relocate or expand into the state. This is what economists call the "agglomeration" effect.

In light of the above trends, this section will discuss the economic outlook for the nation and Arizona in fiscal years 1997 through 1999. The JLBC Staff's economic outlook is essentially that of the consensus of economists, and is consistent with recent economic evidence.

Table 1

JLBC STAFF ECONOMIC OUTLOOK
FOR THE NATION

National Economic Indicators	Fiscal Years				
	1995	1996	1997	1998	1999
Real Gross Domestic Products ^{1/2}	\$6,688.3	\$6,816.0	\$6,983.3	\$7,133.9	\$7,297.7
% Change	3.1	1.9	2.5	2.1	2.3
Wage & Salary Employment ^{2/}	115.9	118.3	120.6	122.4	124.1
% Change	3.3	2.0	2.0	1.5	1.4
Pre-Tax Corporation Profits ^{2/}	\$576.8	\$624.6	\$656.9	\$694.1	\$712.9
% Change	17.5	8.3	5.2	5.7	2.7
Housing Starts ^{2/}	1.4	1.5	1.4	1.4	1.4
% Change	0.0	4.3	(1.4)	(1.4)	0.7
New Car Sales ^{2/}	8.8	8.8	8.5	8.6	8.9
% Change	(0.8)	0.0	(3.2)	1.2	3.6
Consumer Price Index	150.5	154.6	159.1	163.4	168.0
% Change	2.9	2.7	2.9	2.6	2.9
GDP Deflator	106.3	108.7	111.2	113.9	116.8
% Change	2.4	2.3	2.2	2.5	2.6
Prime Interest Rate - %	8.4	8.5	8.3	8.3	8.3
Unemployment Rate - %	5.7	5.6	5.4	5.6	5.8

1/ Chain-weighted.

2/ Billions.

3/ Millions.

The U.S. Outlook for FY 1998 and FY 1999 – Steady Growth

The U.S. economy is in its 74th month of expansion since the trough of the last recession in March 1991. Real GDP grew at an annual rate of 3.1% in FY 1995 and 1.9% in FY 1996 which ended June 30, 1996. Most economists expect national growth will continue for the next few years. The JLBC Staff also forecasts slightly slower, but steady growth in the national economy through FY 1999. The consensus of economists expects annual real GDP growth of 2.5% for FY 1997, which is a number with which we agree. The present JLBC Staff outlook is for growth of 2.1% in FY 1998, and 2.3% in FY 1999. Our view for FY 1997 is based on the WEFA Group's "baseline" forecast.

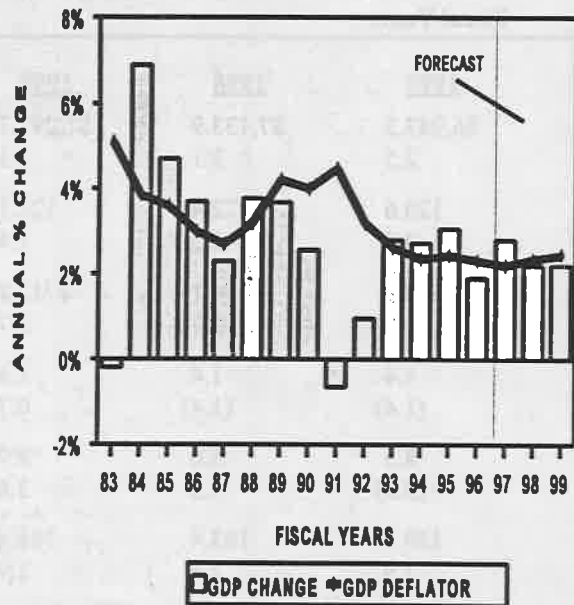
The Federal Reserve has publicly said it believes a rate of 2.5% per year in real GDP growth is about right for non-inflationary expansion in the U.S. economy. The 3.5% seen

in 1994 was clearly too high by their standards. It successfully engineered a "soft landing," a reduction in the rate of growth to around the target 2.5% rate. The normal scenario is for targets to be overachieved in one direction or another, although this period appears to be one of the rare exceptions.

In addition, many analysts have recently been forecasting that pre-tax corporate profit growth will grow at slower rates in 1997 and 1998. This could lead to a long-awaited stock market "correction," and thereby damage consumer confidence and spending.

Inflation, as measured by the Consumer Price Index and GDP Deflator, should remain moderate, in the 2.5% range, for the next two fiscal years. The Federal Reserve Board has clearly done a good job in reducing inflationary expectations among consumers, workers and businesses.

TRENDS IN REAL GROSS DOMESTIC PRODUCT AND GDP INFLATION



NOTE: TOTAL REAL GDP IN 1997 = \$6.98 TRILLION
Chart 1

TRENDS IN INTEREST RATES: 1983 THROUGH 1999

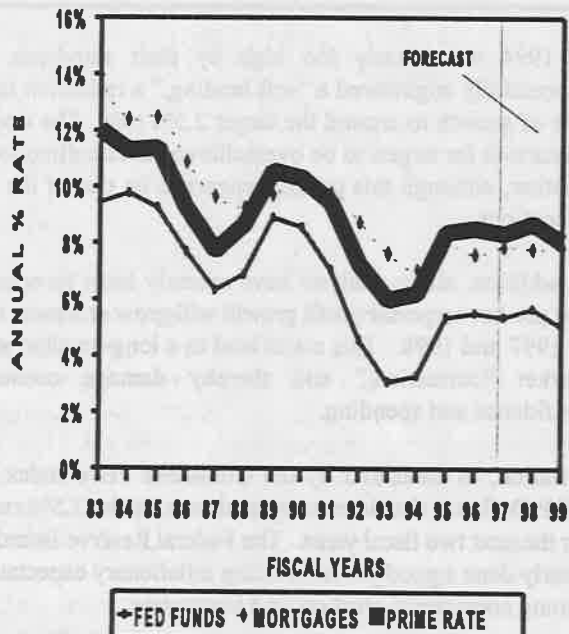


Chart 2

However, the growing economy has increased the demand for funds. While interest rates have come down and stabilized in recent years, they are still at the comparatively high "real" rate by historical standards.

Housing starts will start to cool in 1997 and 1998. Auto sales in the U.S., which were also near record levels for several years, should level off or decline slightly because of a slower economy, satiation of demand, and expected continued increases in the average price of cars above the Consumer Price Index.

Any scenario for the economy is done on an "averaged" basis. In other words, whether subjectively or quantitatively, an analyst has to weigh the chances of high, middle, or low growth economic scenarios based on the risks identified in the economy and choose the one which fits the current data. Recent events, while not totally convincing, lead to a somewhat "steady state" growth forecast.

- First, as mentioned, the Fed raised interest rates on March 26th after taking no action for two years. Short-term rates may increase further if there are any signs of rising inflation rates, although a sharply rising inflation rate currently appears unlikely.
- Second, most economists believe continuing efforts made in Congress to reduce or eliminate the federal budget deficit will result in a higher national savings rate, lower interest rates, and higher private investment. These will increase employment and personal incomes over time. It is, however, uncertain how much a falling deficit will contribute to economic growth in FY 1998 or FY 1999. In the short-term, deficit reduction can be contractionary.
- The U.S. dollar has been rising against most European currencies and, notably, the Japanese yen. There are concerns this will reduce U.S. product competitiveness. Exports have grown in recent years at a record pace, because of economic recovery in Japan, and continued economic growth in Europe and most of the rest of the world economies. However, there is a growing concern in Washington about the increasing trade deficit with China, which is now larger than the previous deficits with Japan.
- Fourth, despite the maturity of the current expansion, most business executives reportedly remain bullish about the economy. Many companies have reduced their break-even point, admittedly by reducing staff in many cases, and have diversified their sales to try to avoid the severity of the cyclical swings of the past. Newspapers and magazine reports indicate that most businesses are not fearful of a recession in the next year or two.

Accordingly, we feel that our forecast of a slower, but steady trend in growth for the next 3 years is appropriate.

The U.S. Outlook for FY 1999

History has shown that U.S. business cycle expansions do not usually die a natural death. Instead, they are typically brought to an end by inflationary pressures, typically caused by world commodity prices, oil in particular, which cause the "Fed" to effect a monetary tightening. This could occur if long-term bonds rise above, say, 8.0% in FY 1998, which could cause a softening in the rate of growth or even a recession by FY 1999. Also, some exogenous, international event such as a petroleum price shock as occurred in 1973, 1981, and 1990 could happen again. However, the longer term outlook for inflation remains benign, and thus the 1999 U.S. forecast currently calls for continued but moderate growth.

The Arizona Outlook for 1997 through 1999

Arizona is expected to become a \$100 billion economy in terms of total personal incomes in mid-1997. The JLBC Staff believes Arizona will slow, but will avoid a recession through FY 1999 as shown in Table 2. All Arizona economic indicators are projected to exhibit slower growth over the current and upcoming two fiscal years. The slower growth forecast is driven by the outlook for the national economy as well as a strengthening of the California economy, resulting in slower migration into Arizona. The improved situation and outlook for the California economy is viewed as slowing migration, but increasing trade.

Clearly, there are risks to this forecast from economic shocks or Fed tightening which is too aggressive. For the national economy, both a cyclical downturn and a low growth scenario have a probability of 15% each.

Nonetheless, Arizona is expected to post strong economic performance in 1997 when compared to other states. The "Western Blue Chip Economic Forecast" consensus calls for Arizona personal income growth in calendar year 1997 to be 6.9%, ranking third in the West behind Nevada at 8.5% and Utah at 7.9%. Recently, revised employment data for calendar year 1996 indicates an additional 100,000 new jobs were created in Arizona, up almost 37,000 from the preliminary estimate. Due to the magnitude of this revision, Arizona personal income is being underestimated in 1996 and 1997.

Personal Income to Grow Moderately

In terms of state revenue, no economic variable is more important than personal income. Chart 3 shows how personal income has performed in recent years. During the 1980s, personal income growth averaged 9.3% in current dollars and 4.4% in real terms. So far in the 1990s (1990 through 1994), income growth in current dollars has been weaker, averaging 6.8%, but is only off slightly in real dollars, averaging 4.0%, mostly reflecting the big improvement in inflation during the 1990s. The estimated

ANNUAL PERCENT CHANGE IN ARIZONA PERSONAL INCOME:
1983 THROUGH 1999

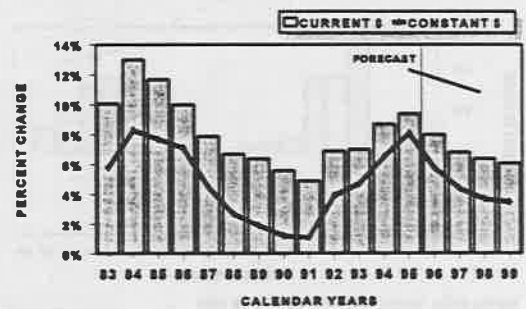


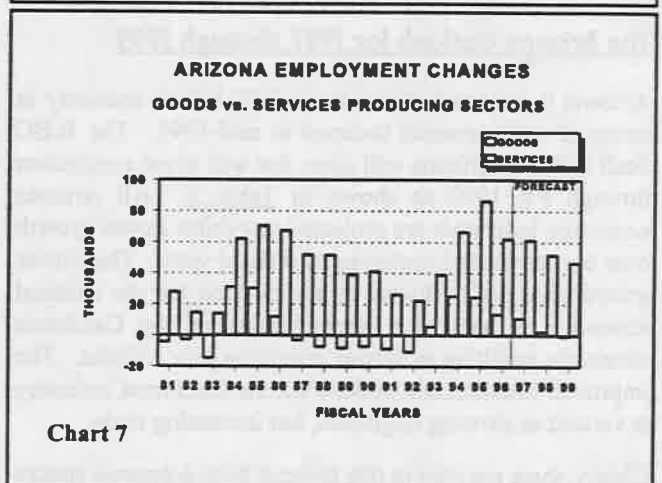
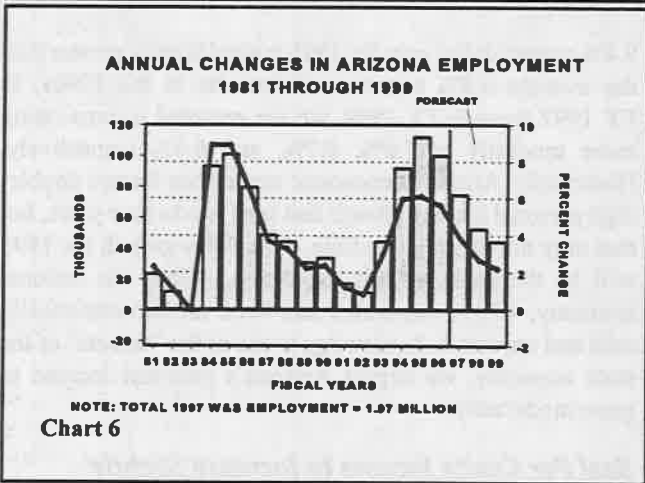
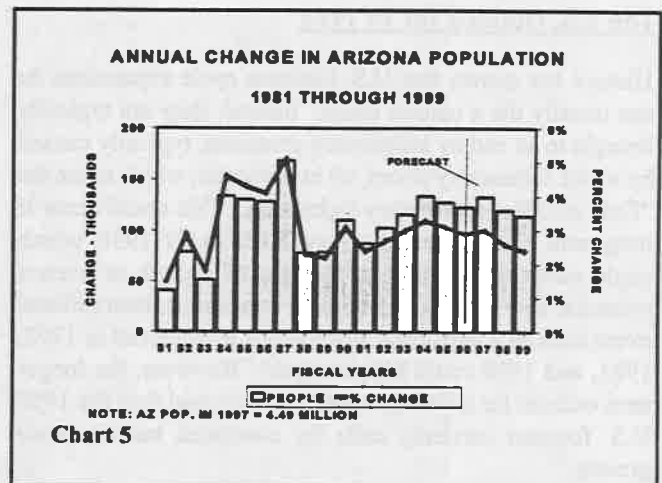
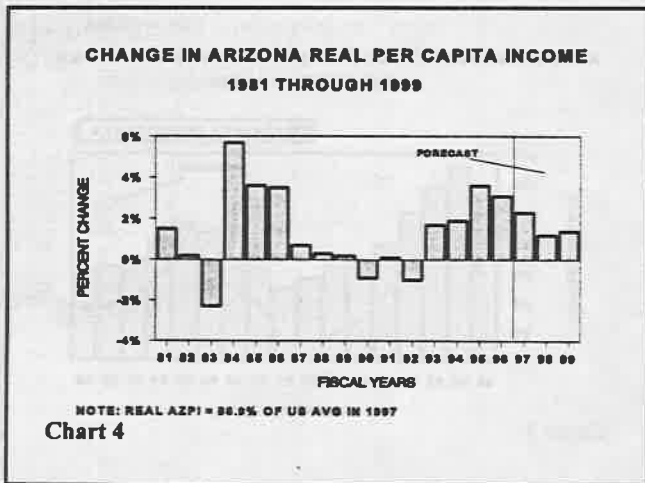
Chart 3

9.4% current dollar gain for 1995 is significantly greater than the average 6.8% experienced thus far in the 1990s. In FY 1997 through FY 1999, we see personal income rising more modestly at 7.6%, 6.7%, and 6.6% respectively. Historically, Arizona's economic expansions feature double-digit personal income growth that lasts two to four years, but that may not happen this time. The 9.4% growth for 1995 will be the peak for this expansion. Since the national economy, whose expansion has been uncharacteristically mild and appears to be slowing, is one of the "drivers" of the state economy, we expect Arizona's personal income to grow moderately.

Real Per Capita Income to Increase Slightly

Real per capita personal income is one indicator of a state's standard of living. It also is a principal determinant of consumer expenditures, which accounts for about two-thirds of spending, output, and jobs. In recent years, there has been much controversy about Arizona always being below the national average in real per capita income, leading some to question the underlying economic vitality of the state. In response, the JLBC Staff identified the main reasons behind Arizona's lower real per capita income. The JLBC Staff report found that Arizona's poor showing has little to do with its fundamental economic performance, but more to do with such factors as demographics, labor force participation, industry mix, and historically low wages.

The report also points out that, because real per capita income depends on relative rates of growth in total income and population, it can be misleading when compared to other states. In the 1980s, northeastern states ranked the highest, but this was due to severe economic recessions in these states which resulted in population declines greater than those in personal income. Thus, in measuring economic vitality, an examination of the underlying trends show that Arizona's average growth in personal income and population during the last three decades has been far above the national average. So, it appears that among Arizona's problems are



(1) that personal income growth just has not kept up with population growth and (2) that increased emphasis must be placed on higher paying jobs. Chart 4 shows that Arizona's real per capita income growth greater than income, but has rebounded since 1992. We predict that income growth will continue to outweigh population growth which is seen on Chart 5, but by declining rates during the forecast period.

According to a recent presentation by Bob Eggert of Eggert Economic Enterprises, Inc. to the JLBC Finance Advisory Committee, Arizona per capita personal income as a percent of the national average reached a high of 96% in the early 1970's, then dropped over the next twenty years. By the early 1990's, Arizona per capita personal income was only 84% of the national average. The recent strength of the Arizona economy appears to be reversing this trend; the measure slightly improved in 1994, 1995 and 1996. In the third quarter of 1996, per capita personal income in Arizona was 87% of the nation.

Employment Still Rising—But Slowly

Chart 6 shows the changes in Arizona employment since 1981. During this period, Arizona did not experience any yearly declines. In fact, for the post WWII period, the state

has had only three years of employment loss—1949, 1975, and 1982. In this business cycle, 1991 was the low point for Arizona, eking out a 0.6% gain, corresponding with the national recession when U.S. employment dropped 1.1%. Since 1991, job growth has accelerated with 1994's 6.7% gain expected to be the peak year of the current cycle. This data, however, masks the economic tumult Arizona experienced during this time. Arizona's goods-producing sector, defined as manufacturing, construction, and mining, went through a recession in the latter half of the 1980s. National defense budget cuts led to military base closings and sharp layoffs in defense-related firms. At the same time, the 1986 Tax Reform Act triggered massive savings and loan bankruptcies. All this resulted in significant losses in manufacturing and construction jobs. But the losses were more than made up by gains in the service-producing sector of the economy. Chart 7 reveals the displacement of jobs in the goods-producing sector by jobs in the service-producing sector particularly during the 1987 to 1992 period.

Since 1993, manufacturing and construction jobs have made a comeback; the rebound, though, has not been as strong as previous recoveries. Some of the manufacturing rebound

Table 2

**JLBC STAFF ECONOMIC OUTLOOK
FOR ARIZONA**

	Fiscal Years				
	1995	1996	1997	1998	1999
AZ Economic Indicators					
Personal Income ^{1/}	\$82,891.0	\$89,978.0	\$96,816.0	\$103,303.0	\$110,212.0
% Change	9.6	8.5	7.6	6.7	6.6
Personal Income - Constant Dollars ^{1/}	\$77,978.0	\$82,776.0	\$87,143.0	\$90,696.0	\$94,282.0
% Change	6.9	6.2	5.3	4.1	4.0
Personal Income-Per Capita Constant Dollars	\$18,422.0	\$18,992.0	\$19,423.0	\$19,660.0	\$19,931.0
% Change	3.6	3.1	2.3	1.2	1.4
Population ^{2/}	4,233.0	4,358.5	4,486.6	4,613.3	4,730.5
% Change	3.2	3.0	2.9	2.8	2.5
Retail Sales ^{3/}	\$25,018.0	\$26,903.0	\$28,705.9	\$30,453.7	\$32,375.6
% Change	11.6	7.5	6.7	6.1	6.3
Wage & Salary Employment ^{2/}	1,746.9	1,843.7	1,915.6	1,967.3	2,010.6
% Change	6.8	5.5	3.9	2.7	2.2
Residential Building Permits ^{2/}	51.1	56.0	51.0	42.8	40.6
% Change	9.0	9.5	(8.9)	(16.0)	(5.2)
New Car Registrations ^{2/}	247.0	260.6	257.2	256.2	258.8
% Change	12.6	5.5	(1.3)	(0.4)	1.0
Unemployment Rate - %	5.8	4.9	5.3	5.8	5.9

^{1/} Millions.

^{2/} Thousands.

^{3/} Taxable sales = retail sales plus gasoline sales plus estimated food sales.

was due to an improved business environment and the development of high-tech clusters in Maricopa and Pima counties. For instance, Phoenix recently appeared in *Fortune* magazine's annual list of the top 10 most attractive cities for businesses. Intel's new Chandler plant and the new Sumitomo Sitix plant are prime examples. Legislation providing tax reductions and regulatory reform has contributed to this success. Another development is American Sky Broadcasting, a joint venture between MCI and News Group, who has committed to locating in Gilbert after passage of tax incentives in the last special session of the state Legislature.

Table 3 shows a moderation of growth in our job outlook for both the goods-producing and service-producing sectors starting in FY 1996, when wage and salary employment increased 5.5%, led by mining with 13.1% growth, followed by construction with a solid 8.2% growth, and services next with 7.3%. We expect final total job growth to slow to 3.9%, 2.7%, and 2.2% in FY 1997, FY 1998 and FY 1999, respectively.

Where Will the Jobs Come From?

Chart 8 shows that job growth will be highly concentrated in services and trade. In 1996 through 1999 combined, only services and trade will increase in their share of total jobs. In contrast, construction and manufacturing will experience significant declines in their contribution to total new jobs.

For example: More than 7 out of 10 new jobs will come from services and trade. By comparison, these industries accounted for slightly half of existing jobs in 1995. Manufacturing had 11% of all jobs in 1995, but will account for only 8% of new jobs in our forecast period. Construction will decline further—having 6.5% of jobs now, but contributing only 1% in the next three years.

Overall, the trend is toward a more service-oriented economy, which mirrors what's happening on the national level, but even more so here. This has been a long-term trend in Arizona since 1969, the last year in which more manufacturing jobs existed than services jobs. As technological advances continue, we expect the evolution toward a service and information economy to accelerate. Other than construction and mining, all other sectors of the Arizona economy are forecast to sustain positive employment growth through FY 1999 (see Table 3).

With approximately 30% of total jobs, the largest employment sector, services, is expected to grow by 5.8% in FY 1997, 4.6% in FY 1998 and 4.2% in FY 1999. Bank One Arizona will be creating 1,000 jobs in customer service and retail lending primarily in Phoenix and Tempe. Excel Agent Services expansion will result in hiring an additional 225 people immediately and 300 more in the next six months. ITT Hartford Insurance Group will open a regional claims center in Northwest Phoenix growing to 350 employees

Table 3

**ARIZONA WAGE AND SALARY EMPLOYMENT
YEAR OVER PRIOR YEAR GROWTH - FISCAL YEARS***

	FY 1995		FY 1996		FORECAST					
	Number	%	Number	%	FY 1997		FY 1998		FY 1999	
					Number	%	Number	%	Number	%
Goods Producing:										
Manufacturing	190,400	5.1	197,300	3.6	203,600	3.2	207,100	1.7	209,100	1.0
Mining	12,200	3.1	13,800	13.	13,900	0.8	13,600	(2.4)	13,400	(1.6)
Construction	<u>114,100</u>	15.7	<u>123,500</u>	8.2	<u>128,200</u>	3.8	<u>127,400</u>	(0.6)	<u>124,800</u>	(2.1)
Total Goods Producing	316,600	8.6	334,600	5.7	345,600	3.3	348,100	0.7	347,400	(0.2)
Service Producing:										
Trans. Comm. & Public Utilities	89,500	4.3	93,700	4.7	95,800	2.2	97,900	2.2	99,700	1.9
Trade	433,900	7.1	455,200	4.9	472,000	3.7	485,700	2.9	495,000	1.9
Finance, Insurance & Real Estate	106,200	1.2	111,400	4.9	113,700	2.1	115,200	1.3	116,700	1.3
Services	501,800	8.2	538,600	7.3	569,800	5.8	596,000	4.6	621,100	4.2
Government	<u>298,800</u>	4.8	<u>310,200</u>	3.8	<u>318,000</u>	2.5	<u>324,300</u>	2.0	<u>331,400</u>	2.2
Total Service Producing	1,430,300	6.8	1,509,200	5.5	1,569,600	4.0	1,619,800	3.2	1,665,100	2.8
Total Wage & Salary Employment	1,746,900	6.8	1,843,700	5.5	1,915,600	3.9	1,967,300	2.7	2,010,600	2.2

* Note detail may not add due to independent rounding.

within two years. A sorting facility for Federal Express in Tolleson will employ from 200 to 300 people.

The second largest employment sector of the Arizona economy, trade, accounts for 25% of total wage and salary employment; trade employment growth is forecast at 3.7% in FY 1997, 2.9% in FY 1998 and 1.9% in FY 1999. Government, contributing about 16% of total wage and salary employment, is forecast to experience 2.5% employment growth in FY 1997, 2.0% in FY 1998, then 2.2% growth in FY 1999.

Manufacturing employment levels, the state's fourth largest employment sector, are expected to continue to rise, but slower than recent experience. Manufacturing employment is forecast at 3.2% in FY 1997, 1.7% in FY 1998 and 1.0% in FY 1999. Manufacturing in Arizona is dominated by a few high-tech firms.

In a recent analysis by Arizona State University, nearly one-half of Arizona's value added by manufacturing is created in two manufacturing sectors: Electronic and other electric equipment and transportation equipment. Three subsectors contribute 40% of Arizona's total value added output: Electronic components and accessories, aircraft and parts, and guided missiles and space vehicles. The recent Hughes Missile Systems announcement of more than \$125 million of

contracts to produce Stinger-RMP missiles as well as plans to hire 500 engineers are indicators of strength in this sector.

Housing Market in Transition

Although direct employment in the construction industry accounts for only 6.5% of total Arizona jobs, its impact on the economy is far greater in the short-run. Construction influences economic activity in many other areas of the economy, including equipment and building materials, retail sales, financial services, manufacturing, and trade. We expect construction employment to slow to 3.8% growth in FY 1997 and then mildly decline in FY 1998 and FY 1999 as the housing market is in a transition as described below.

Judging by Chart 9, it appears Arizona's housing market was relatively unaffected by the national recession in 1991, but that's because we had an earlier recession as explained above. So by 1991, when mortgage rates began to plummet, pent-up demand caused housing sales to climb. At the same time, California's problems started an exodus of people and firms to other nearby western states. Arizona has benefited greatly from this movement as net migration and housing starts have escalated each year since 1991 until 1995.

Chart 9 also reveals that the housing boom was almost all in single-family homes. This began to change in 1994 as the Federal Reserve raised interest rates seven times. By 1995, the single-family market slowed as housing sales and permits declined. However, in 1996, single-family permits escalated

COMPOSITION OF JOB GROWTH BY INDUSTRY 1996 THROUGH 1999

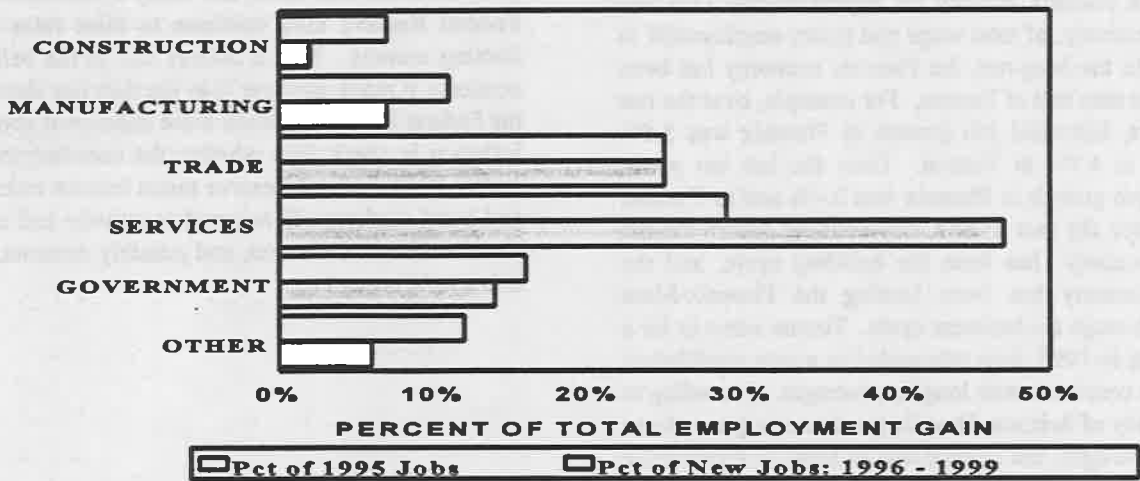


Chart 8

HOUSING IS IN TRANSITION ARIZONA BUILDING PERMITS

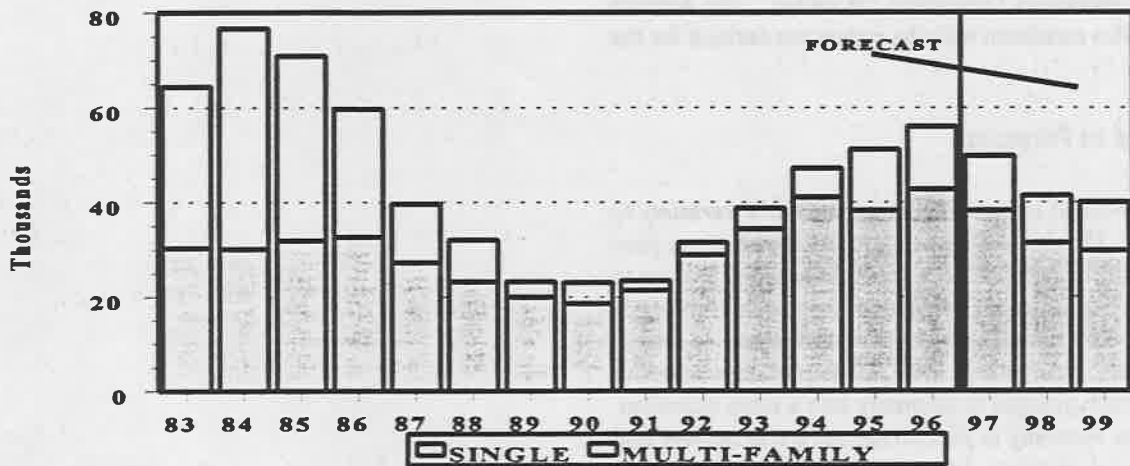


Chart 9

gain and will probably add about 42,700 units, a 7.2% gain. At the same time, vacancy rates at apartments have dropped sharply and rents increased steadily, making it viable for multi-family construction to rise again. More recently, multi-family building permits (three or more units) jumped from about 4,200 units in 1993 to almost 9,800 units by 1994, an increase of 133%. In 1995, multi-family permits added another 12,900 units. For 1996, we expect 12,750 multi-family permits, before dropping again in 1997 and

1998 as vacancy rates rise slightly. For 1997, 1998, and 1999 we expect total building permits to gradually decline as single-family and multi-family permits both fall. However, building permits in retail, industrial, and office are expected to pick up.

The Metro Economies Evaluated

The University of Arizona recently developed an interesting comparison of the two metropolitan economies in Arizona. Tucson and Phoenix account for approximately 16% and 69%, respectively, of total wage and salary employment in Arizona. In the long-run, the Phoenix economy has been more robust than that of Tucson. For example, over the last thirty years, historical job growth in Phoenix was 5.5% compared to 4.7% in Tucson. Over the last ten years, historical job growth in Phoenix was 3.4% and in Tucson, 2.7%. Since the late 1980's, the defining factor for the Tucson economy has been the building cycle, and the Tucson economy has been leading the Phoenix-Mesa economy through the business cycle. Tucson came in for a soft landing in 1995, then rebounded to a new equilibrium growth rate consistent with long-run averages. According to the University of Arizona, Phoenix continues to grow above long-run averages, but is expected to slow to levels more consistent with long-run averages. Trend-line growth for Tucson is about 2.5 to 3.0% and for Phoenix, 3.5 to 4.0%.

Federal Reserve action on future interest rates is also uncertain. Though we have forecasted interest rates to move lower from FY 1997 through FY 1999, it is by no means etched in stone. Although the Federal Reserve has recently increase short-term rates, and many economists predict the Federal Reserve may continue to raise rates during the coming months. This is mainly due to the belief that the economy is much stronger than the data has shown and that the Federal Reserve is much more concerned about keeping inflation in check than whether the economy continues to grow. If the Federal Reserve raises interest rates, the stock and bond markets will respond negatively and increase the likelihood that the nation, and possibly Arizona, could slip into a mild recession.

Is the Economic Forecast Reasonable?

The JLBC Staff's basic assumption of a slowing national economy with a modest uptick in inflation is shared by the vast majority of forecasters. This forecast is consistent with consensus forecasters throughout the nation. The Arizona forecast is also consistent with the consensus outlook for the state.

Main Risks to Forecasts

The fragile Mexico economy continues to add uncertainty to the forecast. The dramatic devaluation of the Mexican peso in late 1994 reverberated throughout the world. Hoping to prevent loan defaults of worldwide proportions, the U.S. sponsored a \$50 billion aid package to Mexico. In return, the Mexican government had to implement austerity measures which plunged its economy into a steep recession. However, the economy in Mexico has started to recover and most financial markets have stabilized. In 1996, their domestic economy was still weak, but growth has turned upward in recent months.

The peso crisis affected southern Arizona's economy significantly. Trade and tourism between the border regions have suffered. Pima County, especially, has seen growth rates in retail sales, jobs, and building permits all decline this year.

The situation there may not be all attributed to the peso devaluation, but it is important enough to factor into our forecasts. A lack of sustained economic growth in Mexico is a risk factor for this forecast.

GENERAL FUND REVENUE

Where It Comes From

Chart 10 shows that the bulk of General Fund revenue is raised from three sources, known as the "Big Three." The largest of these is the Sales and Use Tax which is projected to generate 46.2% of General Fund revenues in FY 1998. The Individual Income Tax (IIT) is the next largest source, accounting for 33.5%, while the Corporation Income Tax (CIT) share is 10.3%. Together, these three volatile taxes are expected to provide 90.0% of total FY 1998 General Fund revenue. The Federal Retiree Refunds have not been included as part of the IIT. The current JLBC Staff revenue forecast is summarized on Table 10. In recent years, the Property Tax has been approximately 4% of General Fund revenue. With last year's passage of a major reduction in the Property Tax, it is now less than 1% and does not appear as a separate item in the pie chart.

The Budget Forecasts

The budget forecast (March 1997) *after legislative adjustments* for FY 1997 was for \$4,864.8 million, an increase of \$201.8 million, or 4.3% over FY 1996. The forecast for FY 1998 was for \$4,869.5 million, an increase of \$4.7 million, or 0.1%. The forecast for FY 1999 was for \$4,984.9 million, an increase of \$115.4 million, or 2.4%. Based upon strong revenue growth in the all-important month of April, it appears that upward revisions in both

years are warranted.

Table 9 compares forecasts at the start of the session with the mid-session forecasts, without the effect of legislative adjustments passed in the recent sessions. Table 10 shows the most recent revenue forecasts *including* the effect of legislative adjustments. Table 11 shows the current revenue forecast *excluding* the effect of legislative adjustments effective in FY 1996 and later.

Apart from the economy, the most important influence on General Fund revenue collections is legislative adjustments to the tax base. Legislation impacting General Fund revenue for the first time in FY 1996, FY 1997, FY 1998 or FY 1999 will reduce collections in FY 1996 by \$291.8 million, by \$517.9 million in FY 1997, by \$764.7 million in FY 1998 and by \$841.3 million in FY 1999. Details by tax category are shown in Table 5. The revenue forecasts after these legislative adjustments are shown in Table 10. Table 11 shows the revenue and its "real" underlying growth before the effect of these legislative adjustments. It should be noted that these amounts now include the effect of Property Tax reform and reduction legislation, implemented in Laws 1996, 7th Special Session, Chapter 2. The initial effect of this legislation comes in FY 1997 for a loss of \$149.1 million, of which \$10.0 million is from a reduction of the Salt River Project contributions (additionally, reduced school property taxes increased the cost of state aid to schools by \$48.3 million).

GENERAL FUND - WHERE IT COMES FROM PERCENT OF TOTAL BASE REVENUE

Total Revenues \$4.87 Billion

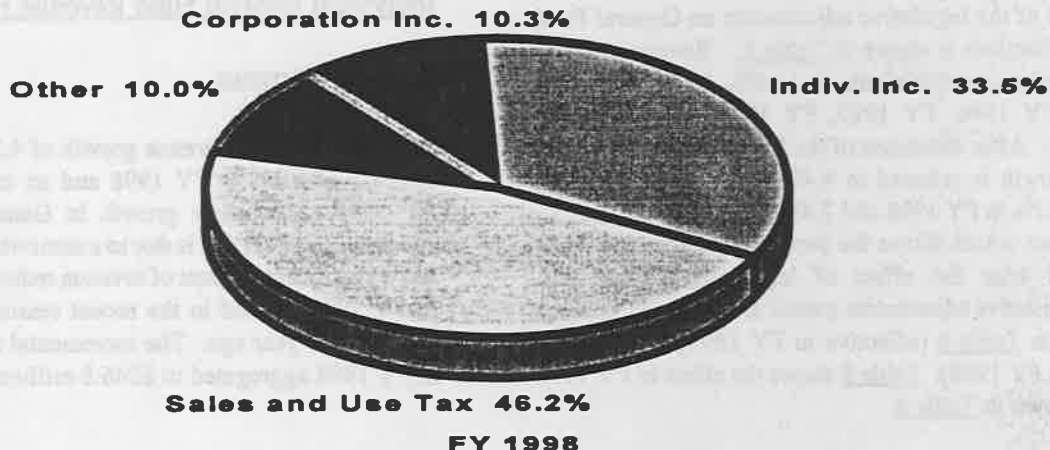


Chart 10

Table 4

**GENERAL FUND REVENUE FORECAST
BEFORE AND AFTER LEGISLATIVE ADJUSTMENTS EFFECTIVE
IN FY 1996, FY 1997, FY 1998 AND FY 1999
(\$ Thousands)**

	FY 1996	% Change from FY 1995	FY 1997	% Change from FY 1996	FY 1998	% Change from FY 1997	FY 1999	% Change from FY 1998
Before Leg. Changes	\$4,954,789.7	11.0%	\$5,382,706.6	8.6%	\$5,634,219.3	4.7%	\$5,826,200.1	3.4%
Legislative Changes	<u>(291,795.2)</u>	--	<u>(517,893.9)</u>	77.5	<u>(764,710.6)</u>	47.7	<u>(841,280.3)</u>	10.0
Forecast	<u>\$4,662,994.5</u>	<u>4.4%</u>	<u>\$4,864,812.7</u>	<u>4.3%</u>	<u>\$4,869,508.7</u>	<u>0.1%</u>	<u>\$4,984,919.8</u>	<u>2.4%</u>

**ANNUAL GROWTH IN GENERAL FUND REVENUES
BEFORE AND AFTER LEGISLATIVE CHANGES**

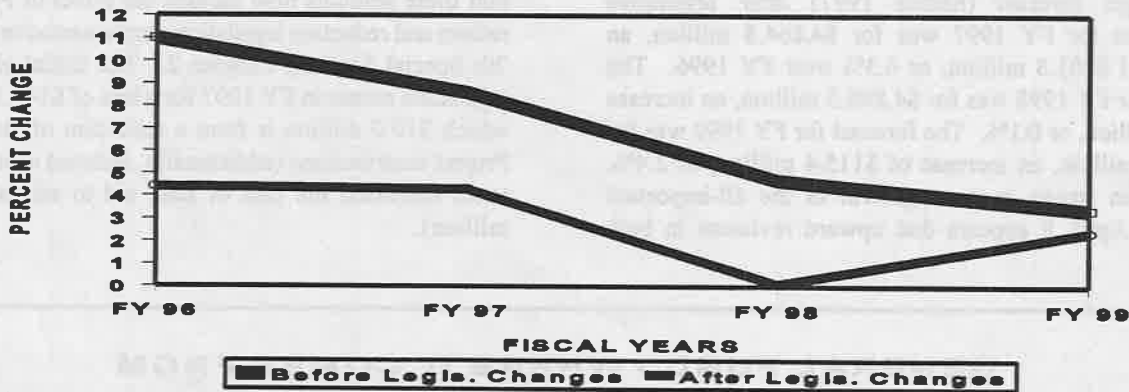


Chart 11

The impact of the legislative adjustments on General Fund revenue collections is shown in [Table 4](#). Revenue growth before legislative adjustments is 11.0%, 8.6%, 4.7% and 3.4% for FY 1996, FY 1997, FY 1998 and FY 1999, respectively. After deduction of the legislative adjustments, revenue growth is reduced to 4.4% in FY 1996, 4.3% in FY 1997, 0.1% in FY 1998 and 2.4% in FY 1999. [Chart 11](#) is a line chart which shows the percent changes in revenue before and after the effect of legislative adjustments. Specific legislative adjustments passed in the recent sessions are shown in [Table 6](#) (effective in FY 1997) and [Table 7](#) (effective in FY 1998). [Table 8](#) shows the effect in FY 1999 of items shown in [Table 6](#).

Individual General Fund Revenue Forecasts

Total Base Revenue

Our forecast is for revenue growth of 4.3% in FY 1997, an increase of 0.1% in FY 1998 and an increase of 2.4% in FY 1999. The slow growth in General Fund revenue collections in FY 1998 is due to a somewhat slower economy and a significant amount of revenue reductions first effective in FY 1998, passed in the recent sessions and also in the sessions one-year ago. The incremental revenue reductions in FY 1998 aggregated to \$246.8 million.

SUMMARY OF LEGISLATIVE ADJUSTMENTS
SHOWING EFFECT OF MAJOR CHANGES ON FORECAST YEARS
FOR LEGISLATION EFFECTIVE IN FY 1996 AND LATER YEARS
FY 1997, FY 1998, FY 1999
(\$ Millions)

	Reduction		
	FY 1997	FY 1998	FY 1999
<u>Sales Tax</u>			
Cost of Preparing Tax Returns	\$12.5	\$13.1	\$13.7
Reduction of Commercial Lease Tax to 2%	23.1	23.2	23.6
Reduction of Commercial Lease Tax to 1%	21.1	23.2	23.6
Reduction of Commercial Lease Tax to 0%	--	21.2	23.6
Reduction of Prime Contracting Tax Base	--	40.0	45.0
Education Finance	--	32.5	34.1
Other	<u>14.2</u>	<u>18.8</u>	<u>22.1</u>
Subtotal	<u>70.9</u>	<u>172.0</u>	<u>185.7</u>
<u>Individual Income Tax</u>			
CMITRA (Laws 1995, 1st Special Session, Chapter 9)	215.2	228.8	242.3
Tax Relief Act of 1997	--	110.8	120.8
Other	<u>22.5</u>	<u>28.4</u>	<u>45.8</u>
Subtotal	<u>237.7</u>	<u>368.0</u>	<u>408.9</u>
<u>Corporation Income Tax</u>			
Defense Restructuring and Military Reuse Zones	10.0	7.0	6.0
Consolidated Returns	18.0	22.8	23.6
Other	<u>12.5</u>	<u>13.0</u>	<u>15.2</u>
Subtotal	<u>40.5</u>	<u>42.8</u>	<u>44.8</u>
<u>Property Tax (Includes Salt River Project)</u>			
Laws 1996, 7th Special Session, Chapter 2	149.1*	155.8*	162.7*
Other	<u>4.1</u>	<u>5.5</u>	<u>7.2</u>
Subtotal	<u>153.2</u>	<u>161.3</u>	<u>169.9</u>
<u>Other Categories</u>	<u>15.6</u>	<u>20.6</u>	<u>32.0</u>
TOTAL	<u>\$517.9</u>	<u>\$764.7</u>	<u>\$841.3</u>

* Does not include increase in state aid to offset loss of local property tax for schools of \$48.3, \$52.0, and \$55.0 million, for FY 1997, FY 1998, and FY 1999, respectively.

FORTY-THIRD LEGISLATURE
FIRST REGULAR AND FIRST SPECIAL SESSIONS
BILLS HAVING AN INITIAL GENERAL FUND REVENUE IMPACT IN FY 1998
(\$ Thousands)

[Effective Dates of Revenue Provisions]

<u>FIRST REGULAR SESSION:</u>	<u>Property</u>	<u>Sales & Use</u>	<u>Individual Income</u>	<u>Corporation Income</u>	<u>Other</u>	<u>Total</u>
Ch. 4 (H.B. 2119) Education Finance [6/30/97]		(\$32,500.0)				(\$32,500.0)
Ch. 37 (H.B. 2088) Community Health Centers; Prescriptions; Fees [7/21/97]					(\$0.3)	(0.3)
Ch. 57 (H.B. 2175) Nuclear Emergency Appropriations and Assessments [4/7/97]					878.4	878.4
Ch. 62 (S.B. 1054) Internal Revenue Code Conformity [Varies] ^{1/}			(\$3,330.0)	\$4,177.0		847.0
Ch. 88 (H.B. 2174) Appropriations; Named Claimants [7/21/97]					2.4	2.4
Ch. 110 (S.B. 1018) Light Motor Vehicle Fee [9/30/97]		(2,000.0)				(2,000.0)
Ch. 178 (S.B. 1354) Used Oil Amendments [7/21/97]		(92.2)				(92.2)
Ch. 227 (H.B. 2069) Use Tax Exemptions, School Libraries [8/7/85]		(36.9)				(36.9)
Ch. 228 (H.B. 2084) Agriculture Omnibus [7/21/97]					(90.0)	(90.0)
Ch. 238 (S.B. 1052) Income Tax; Income Adjustment [1/7/97]			(749.0)			(749.0)
Ch. 268 (H.B. 2149) Health Care Facilities; Permitting Process [7/21/97]					(15.0)	(15.0)
Ch. 269 (H.B. 2237) Air Quality Omnibus [1/1/94]			(250.0)			(250.0)
Ch. 274 (S.B. 1132) Tax Code, Omnibus Corrections [Varies]		(542.8)				(542.8)
Ch. 281 (S.B. 1271) Insurance Fraud Unit; Peace Officers [7/1/97]					320.0	320.0
FIRST SPECIAL SESSION:						
Ch. 1 (S.B. 1001) General Appropriations (ADOT Revenue Generating Projects)					3,274.0	3,274.0
Ch. 3 (S.B. 1003) Omnibus Public Finances Budget Reconciliation (Flight Property Tax) [7/21/97]					8,086.0	8,086.0
Ch. 8 (S.B. 1008) Tax Relief Act of 1997 [1/1/97]			(110,800.0)			(110,800.0)
TOTAL - FY 1998	<u>\$0.0</u>	<u>(\$35,171.9)</u>	<u>(\$115,129.0)</u>	<u>\$4,177.0</u>	<u>\$12,455.5</u>	<u>(\$133,668.4)</u>

^{1/} FY 1997 net impact of \$(427.0) consisting of individual income tax revenue losses of \$3,114.0 and corporate income tax revenue gain of \$2,687.0.

**FORTY-THIRD LEGISLATURE
FIRST REGULAR AND FIRST SPECIAL SESSIONS
BILLS HAVING AN INITIAL GENERAL FUND REVENUE IMPACT IN FY 1999
(\$ Thousands)
[Effective Dates of Revenue Provisions]**

FIRST REGULAR SESSION:	<u>Property</u>	<u>Sales & Use</u>	<u>Individual Income</u>	<u>Corporation Income</u>	<u>Other</u>	<u>Total</u>
Ch. 48 (H.B. 2074) Tax Credit; School Tuition Organization [1/1/98]			(\$8,443.2)			(\$8,443.2)
Ch. 109 (H.B. 2353) Gila River Bridge [6/30/98]		(\$416.7)				(416.7)
Ch. 171 (S.B. 1055) Savings Account; Postsecondary Education [1/1/98]			(20.4)			(20.4)
Ch. 205 (S.B. 1355) Corporations; Nonprofit; Business [12/31/98]					(9.4)	(9.4)
Ch. 214 (S.B. 1125) State Lottery [7/1/98]					(1,000.0)	(1,000.0)
Ch. 218 (S.B. 1399) Energy Conservation Incentives [1/1/98]			(34.1)			(34.1)
Ch. 245 (S.B. 1184) Sales Tax; Nursing Home Campuses [7/1/98]		(2,000.0)				(2,000.0)
Ch. 291 (H.B. 2331) Employees; Accumulated Sick Leave; Payment [6/30/98]					200.0	200.0
Ch. 300 (S.B. 1357) Welfare Reform; Arizona Works Program [1/1/98]			(8,030.8)	(\$585.2)		(8,616.0)
TOTAL - FY 1999	<u>\$0.0</u>	<u>(\$2,416.7)</u>	<u>(\$16,528.5)</u>	<u>(\$585.2)</u>	<u>(\$809.4)</u>	<u>(\$20,339.8)</u>

Revenue collections in FY 1999 will also be subject to a somewhat slower economy, but additional revenue reductions to be absorbed in FY 1999 amount to only \$76.6 million. There is the possibility that the sessions in 1998 will pass additional legislation increasing the revenue reductions first effective in FY 1999. See Table 5 for details of legislative adjustments in FY 1996 and later years. See Tables 4, 10, and 11 for the "before and after" revenue forecasts.

Sales and Use Taxes

After legislative adjustments, sales and use tax collections are forecast to increase by 5.5% in FY 1997, by 1.4% in FY 1998 and by 4.9% in FY 1999. Without the effect of the reductions shown in Table 5, the forecast would have been for increases of 7.1% in FY 1997, 5.8% in FY 1998 and 5.1% in FY 1999.

Individual Income Tax

After legislative adjustments, Individual Income Tax collections are forecast to increase by 6.8% in FY 1997, by 0.9% in FY 1998 and by 4.7% in FY 1999. Without the effect of the legislative reductions shown in Table 5, the forecast would have been for increases of 7.3% for FY 1997, 7.8% in FY 1998 and 5.9% in FY 1999.

Corporation Income Tax

Arizona's economic growth began to slow in FY 1996 which reduced growth rates for corporation profits. In FY 1997, strong national corporate profitability as well as a strong Arizona corporate business sector are expected to drive net receipts up \$40 million over the December forecast to \$522.6 million after legislative adjustments.

FORTY-THIRD LEGISLATURE
FIRST REGULAR AND FIRST SPECIAL SESSIONS
TOTAL FISCAL IMPACT IN FY 1999 OF LEGISLATION HAVING AN INITIAL GENERAL FUND IMPACT IN 1998
(\$ Thousands)
[Effective Dates]

FIRST REGULAR SESSION:	Property	Sales & Use	Individual Income	Corporation Income	Other	Total
Ch. 4 (H.B. 2119) Education Finance [6/30/97]		(\$34,125.0)				(\$34,125.0)
Ch. 37 (H.B. 2088) Community Health Centers; Prescriptions; Fees [7/21/97]					(\$0.3)	(0.3)
Ch. 57 (H.B. 2175) Nuclear Emergency Appropriations and Assessments [4/7/97]					880.8	880.8
Ch. 62 (S.B. 1054) Internal Revenue Code Conformity [Varies]			(\$4,401.0)	\$3,131.0		(1,270.0)
Ch. 110 (S.B. 1018) Light Motor Vehicle Fee [9/30/97]		(2,120.0)				(2,120.0)
Ch. 178 S.B. 1354) Used Oil Amendments [7/21/97]		(97.7)				(97.7)
Ch. 227 (H.B. 2069) Use Tax Exemptions; School Libraries [8/7/85]		(38.7)				(38.7)
Ch. 228 (H.B. 2084) Agriculture Omnibus [7/21/97]					(90.0)	(90.0)
Ch. 238 (S.B. 1052) Income Tax; Income Adjustment [1/7/97]			(794.0)			(794.0)
Ch. 268 (H.B. 2149) Health Care Facilities; Permitting Process [7/21/97]					(15.0)	(15.0)
Ch. 269 (H.B. 2237) Air Quality Omnibus [1/1/94]			(275.0)			(275.0)
Ch. 274 (S.B. 1132) Tax Code; Omnibus Corrections [Varies]		(460.5)				(460.5)
Ch. 281 (S.B. 1271) Insurance Fraud Unit; Peace Officers [7/1/97]					336.0	336.0
FIRST SPECIAL SESSION:						
Ch. 1 (S.B. 1001) General Appropriations (ADOT Revenue Generating Projects) [7/21/97]					1,100.0	1,100.0
Ch. 3 (S.B. 1003) Omnibus Public Finances Budget Reconciliation (Flight Property Tax) [7/21/97]					8,646.0	8,646.0
Ch. 8 (S.B. 1008) Tax Relief Act of 1997 [1/1/97]			(120,826.0)			(120,826.0)
TOTAL	\$0.0	(\$36,841.9)	(\$126,296.0)	\$3,131.0	\$10,857.5	(\$149,149.4)

**STATE OF ARIZONA
GENERAL FUND
FORECAST COMPARISONS
BEFORE LEGISLATIVE ADJUSTMENTS
OF FIRST REGULAR AND FIRST SPECIAL SESSIONS
(\$ Thousands)**

	FY 1997			FY 1998		
	Start of Session	Mid-Session	Difference	Start of Session	Mid-Session	Difference
Taxes						
Sales and Use	\$2,212,000.0	\$2,219,000.0	\$7,000.0	\$2,259,400.0	\$2,285,000.0	\$25,600.0
Income- Individual	1,609,400.0	1,617,600.0	8,200.0	1,726,600.0	1,743,700.0	17,100.0
- Federal Retiree Project	(56,200.0)	(56,200.0)	0.0	(6,200.0)	(6,200.0)	0.0
- Corporation	480,000.0	520,000.0	40,000.0	485,000.0	497,700.0	12,700.0
- Urban Revenue Sharing	(257,800.0)	(257,800.0)	0.0	(291,200.0)	(291,200.0)	0.0
Property	45,100.0	47,300.0	2,200.0	41,000.0	41,700.0	700.0
Luxury	68,400.0	68,400.0	0.0	64,000.0	63,800.0	(200.0)
Insurance Premium	125,200.0	125,200.0	0.0	140,100.0	136,100.0	(4,000.0)
Motor Vehicle License	165,700.0	166,500.0	800.0	169,500.0	170,700.0	1,200.0
Estate	51,100.0	57,400.0	6,300.0	53,700.0	58,200.0	4,500.0
Other Taxes	2,600.0	2,300.0	(300.0)	2,600.0	2,300.0	(300.0)
Subtotal - Taxes	<u>4,445,500.0</u>	<u>4,509,700.0</u>	<u>64,200.0</u>	<u>4,644,500.0</u>	<u>4,701,800.0</u>	<u>57,300.0</u>
Other Non-Tax Revenues						
Lottery	31,000.0	31,500.0	500.0	25,500.0	25,500.0	0.0
Licenses, Fees and Permits	45,800.0	49,400.0	3,600.0	46,800.0	50,500.0	3,700.0
Interest	57,400.0	57,400.0	0.0	50,600.0	52,720.3	2,120.3
Sales and Services	3,300.0	2,900.0	(400.0)	3,300.0	2,900.0	(400.0)
Miscellaneous	57,400.0	61,100.0	3,700.0	43,500.0	42,900.0	(600.0)
Transfers and Reimbursements	53,073.8	49,647.8	(3,426.0)	18,000.0	18,000.0	0.0
From BSF Due to Cap	7,100.0	3,700.0	(3,400.0)	6,800.0	15,169.0	8,369.0
Disproportionate Share Revenue	<u>96,180.0</u>	<u>99,891.9</u>	<u>3,711.9</u>	<u>89,794.0</u>	<u>93,687.8</u>	<u>3,893.8</u>
Subtotal - Other Non-Tax Revenue	<u>351,253.8</u>	<u>355,539.7</u>	<u>4,285.9</u>	<u>284,294.0</u>	<u>301,377.1</u>	<u>17,083.1</u>
Total Base Revenue	<u>\$4,796,753.8</u>	<u>\$4,865,239.7</u>	<u>\$68,485.9</u>	<u>\$4,928,794.0</u>	<u>\$5,003,177.1</u>	<u>\$74,383.1</u>

Lower interest rates, and to a lesser extent lower debt ratios, have been the driver of strong profit growth over the last decade. With no additional declines in corporate net interest anticipated and some upward pressure on compensation expected as labor markets tighten, growth rates for corporate profits will flatten. Corporation income tax refunds will increase substantially as corporate cash flows become tight. After legislative adjustments, Corporation Income Taxes are forecast to increase by 16.7% in FY 1997, then to decline by (4.0)% in FY 1998 and to again decline by (5.2)% in FY 1999.

Property Tax

Assessed valuation (excluding Salt River Project) increased by 3.2% in FY 1997, and is expected to increase by 5.7% in FY 1998 and by 4.1% in FY 1999. Property Tax collections, however, are expected to decline by (74.9)% in FY 1997, by (11.8)% in FY 1998 and by (1.9)% in FY 1999. The forecast has been reduced by legislative reductions aggregating \$(142.6) million in FY 1997, \$(151.0) million in FY 1998,

and \$(159.8) million in FY 1999. These reductions do not include the effect on Salt River Project, which is in another line item. The major item in the reduction is the effect of Property Tax reform and reduction legislation, implemented (Laws 1996, 7th Special Session, Chapter 2).

Insurance Premium Tax

After legislative adjustments, the forecast calls for an increase of 9.7% in FY 1997, 9.0% in FY 1998 and 12.0% in FY 1999. The reasons for these steady and relatively large increases include (1) the expanding population of new cars and houses in Arizona, (2) the impact of more aggressive enforcement of Arizona's mandatory insurance laws, and (3) the expiration of insurance tax credits covering unusually large assessments under the state Insurance Guaranty Fund Program to pay the costs of several large insurance company bankruptcies in the early 1990's.

Table 10

STATE OF ARIZONA
GENERAL FUND
TOTAL BASE REVENUE
AFTER LEGISLATIVE ADJUSTMENTS
(S Thousands)

	Actual FY 1996		Forecast FY 1997		Forecast FY 1998		Forecast FY 1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Taxes								
Sales and Use	\$2,103,275.2	6.8%	\$2,219,000.0	5.5%	\$2,249,828.1	1.4%	\$2,359,041.4	4.9
Income- Individual	1,511,059.4	0.5	1,614,486.0	6.8	1,628,571.0	0.9	1,704,875.5	4.7
- Federal Retiree Project	(17,474.5)	(30.1)	(56,200.0)	221.6	(6,200.0)	(89.0)	0.0	--
- Corporation	448,039.0	7.5	522,687.0	16.7	501,877.0	(4.0)	475,745.8	(5.2)
- Urban Revenue Sharing	(218,543.3)	6.3	(257,800.0)	18.0	(291,200.0)	13.0	(312,200.0)	7.2
Property	188,296.4	5.4	47,300.0	(74.9)	41,700.0	(11.8)	40,900.0	(1.9)
Luxury	73,253.0	(1.1)	68,400.0	(6.6)	63,800.0	(6.7)	63,500.0	(0.5)
Insurance Premium	114,158.0	2.2	125,200.0	9.7	136,420.0	9.0	152,736.0	12.0
Motor Vehicle License	149,366.9	13.1	166,500.0	11.5	173,974.0	4.5	172,200.0	(1.0)
Estate	54,208.0	11.1	57,400.0	5.9	58,200.0	1.4	63,200.0	8.6
Other Taxes	<u>2,453.2</u>	(65.0)	<u>2,300.0</u>	(6.2)	<u>10,386.0</u>	351.6	<u>11,046.0</u>	6.4
Subtotal - Taxes	\$4,408,091.3	4.7	\$4,509,273.0	2.3	\$4,567,356.1	1.3	\$4,731,044.7	3.6
Other Non-Tax Revenues								
Lottery	32,747.1	(14.0)	31,500.0	(3.8)	25,500.0	(19.0)	20,415.0	(19.9)
Licenses, Fees and Permits	44,089.5	9.7	49,400.0	12.0	50,499.7	2.2	51,490.3	2.0
Interest	50,323.9	34.8	57,400.0	14.1	52,720.3	(8.2)	42,500.0	(19.4)
Sales and Services	3,248.3	(10.9)	2,900.0	(10.7)	2,900.0	0.0	2,800.0	(3.4)
Miscellaneous	33,301.6	(12.5)	61,100.0	83.5	43,675.8	(28.5)	26,875.8	(38.5)
Transfers and Reimbursements	19,321.1	80.5	49,647.8	157.0	18,000.0	(63.7)	20,000.0	11.1
From BSF Due to Cap	2,205.6	21.7	3,700.0	67.8	15,169.0	310.0	0.0	--
Disproportionate Share Revenue	<u>69,666.1</u>	(17.8)	<u>99,891.9</u>	43.4	<u>93,687.8</u>	(6.2)	<u>89,794.0</u>	(4.2)
Subtotal - Other Non-Tax Revenue	254,903.2	0.1	355,539.7	39.5	302,152.6	(15.0)	253,875.1	(16.0)
Total Base Revenue	<u>\$4,662,994.5</u>	<u>4.4%</u>	<u>\$4,864,812.7</u>	<u>4.3%</u>	<u>\$4,869,508.7</u>	<u>0.1%</u>	<u>\$4,984,919.8</u>	<u>2.4%</u>

Motor Vehicle License Tax

After legislative adjustments, the JLBC Staff forecast is for an increase of 11.5% in FY 1997, 4.5% in FY 1998 and a decrease of (1.0)% in FY 1999. New car sales continue at a good pace, but market saturation will appear in FY 1998. Without legislative adjustments effective in FY 1996 and later years, growth would have been 15.5% in FY 1997, 7.0% in FY 1998, and 4.3% in FY 1999.

Lottery

Our forecast is for weak General Fund Lottery collections, with a decrease of (3.8)% in FY 1997, a decrease of (19.0)% in FY 1998 and a decrease of (19.9)% in FY 1999. The General Fund has a measure of protection in FY 1998 because certain minimum deposits must be made before the Local Transportation Assistance Fund for Mass Transit, the Arizona Clean Air Fund or Proposition 203 programs receive monies. However, in FY 1999, the only Lottery proceeds guaranteed to the General Fund are from Powerball sales (up to \$21 million of profits from this multi-state game).

Interest

Our forecast calls for an increase of 14.1% in FY 1997 and a decrease of (8.2)% in FY 1998 and a decrease of (19.4)% in FY 1999. The declines in FY 1998 and FY 1999 are brought about by anticipated declines in Operating Fund average balances and slight declines in applicable interest rates.

From Budget Stabilization Fund (BSF) Due to Cap

The 1995 Legislature decreased the maximum balance in the BSF from 15.0% to 5.0% of total General Fund revenues with any overage going to the General Fund. The 1997 Legislature (S.B. 1153) changed the maximum balance in the BSF 5.634% in FY 1998 and to 6.33% in FY 1999 and 7.0% thereafter. In addition, the 1997 Legislature appropriated \$30.0 million as an ad hoc contribution to the BSF in FY 1998. In FY 1998, our revenue forecast anticipates the return of \$15.2 million from the BSF to the General Fund.

Table 11

**STATE OF ARIZONA
GENERAL FUND
TOTAL BASE REVENUE
BEFORE LEGISLATIVE ADJUSTMENTS
EFFECTIVE IN FY 1996 AND LATER FISCAL YEARS
(S Thousands)**

	Actual FY 1996		Forecast FY 1997		Forecast FY 1998		Forecast FY 1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Taxes								
Sales and Use	\$2,138,987.7	8.7%	\$2,289,922.8	7.1%	\$2,421,812.1	5.8%	\$2,544,750.8	5.1
Income- Individual	1,725,750.0	14.8	1,852,219.2	7.3	1,996,550.4	7.8	2,113,745.0	5.9
- Federal Retiree Project	(17,474.5)	(30.1)	(56,200.0)	221.6	(6,200.0)	(89.0)	0.0	-
- Corporation	477,979.0	14.7	563,209.6	17.8	544,648.9	(3.3)	520,581.3	(4.4)
- Urban Revenue Sharing	(218,543.3)	6.3	(257,800.0)	18.0	(291,200.0)	13.0	(312,200.0)	7.2
Property	192,442.0	7.7	189,914.1	(1.3)	192,736.3	1.5	200,693.8	4.1
Luxury	79,553.0	7.4	76,500.0	(3.8)	72,600.0	(5.1)	72,500.0	(0.1)
Insurance Premium	114,158.0	2.2	128,700.0	12.7	139,775.0	8.6	156,222.0	11.8
Motor Vehicle License	149,366.9	13.1	172,500.0	15.5	184,550.5	7.0	192,465.0	4.3
Estate	54,208.0	11.1	57,400.0	5.9	58,200.0	1.4	63,200.0	8.6
Other Taxes	6,032.9	(13.9)	6,156.7	2.1	6,516.4	5.8	6,658.6	2.2
Subtotal - Taxes	\$4,702,459.7	11.7	\$5,022,522.4	6.8	\$5,319,989.6	5.9	\$5,558,616.5	4.5
Other Non-Tax Revenues								
Lottery	29,327.1	(23.0)	26,600.0	(9.3)	24,700.0	(7.1)	21,385.0	(13.4)
Licenses, Fees and Permits	44,114.5	9.7	49,425.3	12.0	50,525.5	2.2	51,525.7	2.0
Interest	50,323.9	34.8	57,400.0	14.1	52,720.3	(8.2)	42,500.0	(19.4)
Sales and Services	3,248.3	(10.9)	2,900.0	(10.7)	2,900.0	0.0	2,800.0	(3.4)
Miscellaneous	34,123.4	(10.4)	70,619.2	107.0	56,527.1	(20.0)	39,578.9	(30.0)
Transfers and Reimbursements	19,321.1	80.5	49,647.8	157.0	18,000.0	(63.7)	20,000.0	11.1
From BSF Due to Cap	2,205.6	21.7	3,700.0	67.8	15,169.0	310.0	0.0	-
Disproportionate Share Revenue	69,666.1	(17.8)	99,891.9	43.4	93,687.8	(6.2)	89,794.0	(4.2)
Subtotal - Other Non-Tax Revenue	252,330.0	(0.9)	360,184.2	42.7	314,229.7	(12.8)	267,583.6	(14.8)
Total Base Revenue	\$4,954,789.7	11.0%	\$5,382,706.6	8.6%	\$5,634,219.3	4.7%	\$5,826,200.1	3.4%

THE ARIZONA BUDGET STABILIZATION FUND

Background

The Budget Stabilization Fund (BSF) for Arizona was enacted in 1990 (A.R.S. § 35-144). The fund is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth. It is designed to provide revenue stabilization across a typical business cycle. Under the economic formula which drives the Budget Stabilization Fund, the first payment into the fund was required in FY 1994.

The Formula

The determination of the amount to be appropriated to (deposit) or transferred out (withdrawal) of the Budget Stabilization Fund is made using a formula based upon total annual Arizona personal income (excluding transfer payments) and adjusted for inflation. Essentially, when annual growth is above trend monies are deposited into the BSF, whereas, when growth is below trend monies are withdrawn from the BSF.

The Arizona Economic Estimates Commission (EEC) determines the annual growth rate of inflation-adjusted total state personal income, the trend growth rate over the past 7 years, and the required appropriation to or transfer from the BSF. The EEC reports this calculation for the prior calendar year in the April-May time frame.

Key features of the Arizona BSF can be summarized as follows:

- The deposit into the BSF (or withdrawal from the BSF) for a given fiscal year is determined by comparing the annual growth rate of inflation adjusted Arizona Personal Income (AZPI) for the calendar year ending in the fiscal year to the trend growth rate of inflation adjusted AZPI for the most recent seven years (see Chart 12).
- If the annual growth rate exceeds the trend growth rate, the excess multiplied by General Fund revenue of the prior fiscal year would equal the amount to be deposited into the BSF (see Chart 13).
- If the annual growth rate is less than the trend growth rate, the deficiency when multiplied by the General Fund revenue of the prior fiscal year would equal the amount to be withdrawn from the BSF (see Chart 13).

- By a two-thirds majority, the Legislature, with the concurrence of the Governor, can decrease a deposit or increase a withdrawal.

Appropriations (Deposits) to BSF

The Economic Estimates Commission reported (May 2, 1994) that the first pay-in would be required in FY 1994 in the amount of \$78.3 million. This pay-in was, due to the sharp improvement in Arizona's economy in 1993 as it recovered from the long, recession in the Arizona economy.

Several requirements were specified by the Legislature for funding the BSF in FY 1995. These included the requirement that any "excess" ending balance (above \$107.2) from FY 1994 be used to repay the "K-12 Rollover" and, thereafter, to make the required deposit to the BSF (Trigger #1). This requirement was satisfied and \$68.4 million was deposited to the BSF. In addition, any total General Fund revenues above \$4,237.1 million in FY 1995 were eligible for deposit as long as the total deposit for FY 1995 did not exceed the amount called for by the BSF formula (Trigger #2). Based upon strong Arizona growth in 1994 as compared to the 7-year moving average, the formula called for a \$178.8 million deposit. When combined with the \$68.4 million deposit from Trigger #1, the total of \$178.8 million was deposited to the fund in FY 1995. The ending balance in the BSF was \$225.0 million.

While the 1995 Legislature decreased the maximum balance in the BSF from 15.0% to 5.0% of total General Fund revenues, the most recent action by the 1997 Legislature (S.B. 1153) changed the maximum balance in the BSF to 5.634% in FY 1998, 6.33% in FY 1999, and 7.0% thereafter. In addition, the 1997 Legislature appropriated \$30.0 million as an ad hoc contribution to the BSF in FY 1998. Interest earnings accrue to the BSF, but when the total in the BSF accounts exceeds the statutory maximum percent of prior fiscal year revenues, the difference is deposited back to the General Fund. This happened in FY 1995 and FY 1996 and \$1.8 million and \$2.2 million were actually transferred back into the General Fund. These excess earnings are expected to continue in FY 1997, when \$3.7 million is expected to revert to the General Fund. The larger estimated transfer of \$15.2 million in FY 1998 may be much lower or zero, depending on revenues that year.

Table 12 shows the actual deposits to the BSF for FY 1995 and FY 1996 as well as estimates for FY 1997 and FY 1998.

**ESTIMATED CHANGES TO THE BUDGET STABILIZATION FUND
FY 1995 THROUGH FY 1998**
(Amounts in Dollars)

	<u>Actual FY 1995</u>	<u>Actual FY 1996</u>	<u>Estimate FY 1997</u>	<u>Estimate FY 1998</u>
General Fund Revenues	\$ 4,463,732,000	\$ 4,661,181,800	\$ 4,861,112,700	\$4,854,339,700
Limit for BSF Balances	\$ 223,187,000 5.0%	\$ 233,130,000 5.0%	\$ 243,262,000 5.0%	\$ 273,493,500 5.634%
BSF Formula Recommended				
Deposit or (Withdrawal)	\$ 178,817,000	\$ 223,196,380	\$ 121,000,000	\$ 0
BSF Beginning Balance	\$ 42,051,988	\$ 223,187,000	\$ 233,130,000	\$ 243,262,000
Actual Deposit	\$ 68,504,000	\$ 0	\$ 0	\$ 30,000,000
Actual Deposit	\$ 110,312,944	--	--	--
Total Deposits	\$ 178,816,944	\$ 0	\$ 0	\$ 30,000,000
Estimated Interest Rate	--	5.4%	5.9%	5.4%
Estimated Interest Earned	\$ 4,130,468	\$ 12,149,000	\$ 13,832,000	\$ 15,400,000
Ending BSF Balance	\$ 224,999,400	\$ 235,336,000	\$ 246,962,000	\$ 288,662,000
Amount Transferred Deposited to General Fund to Stay Below Max. BSF Balance	\$ 1,812,400	\$ 2,206,000	\$ 3,700,000	\$ 15,169,000
Adjusted Year-End Balance	<u>\$ 223,187,000</u>	<u>\$ 233,130,000</u>	<u>\$ 243,262,000</u>	<u>\$ 273,493,000</u>

**ARIZONA REAL PERSONAL INCOME GROWTH
ONE-YEAR RATE TO SEVEN-YEAR AVERAGE**

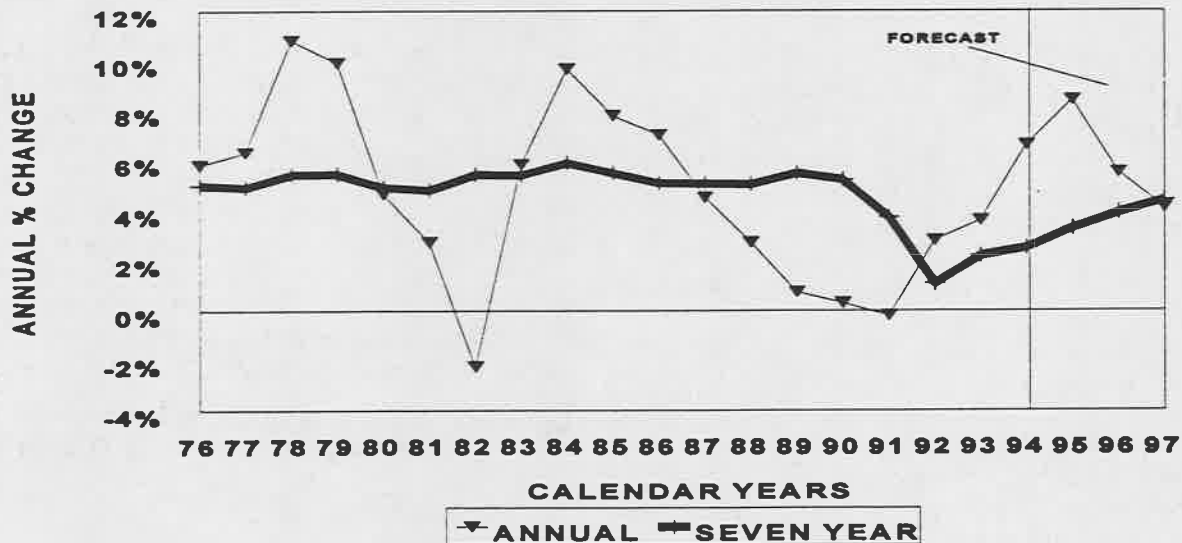
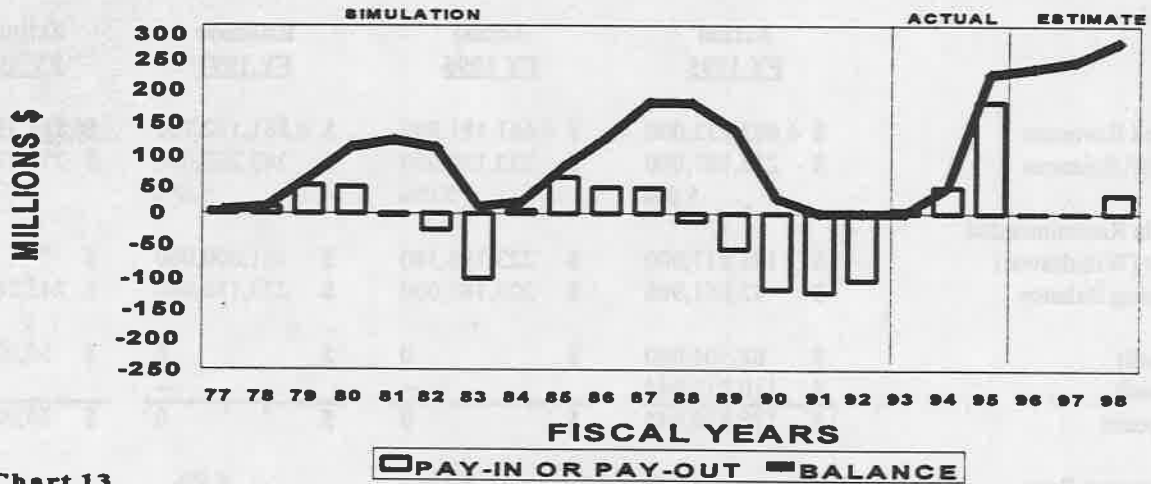


Chart 12

ARIZONA BUDGET STABILIZATION FUND DEPOSITS, WITHDRAWALS AND FUND BALANCES



ARIZONA REAL PERSONAL INCOME GROWTH ONE-YEAR RATE TO SEVEN-YEAR AVERAGE



**FY 1997
GENERAL FUND ADJUSTMENTS**

FY 1997 GENERAL FUND ADJUSTMENTS ^{1/}

	Original Forecast ^{2/}	Change	Revised Estimate
REVENUES			
Balance Forward	\$265,734,400	\$134,197,600	\$399,932,000
Base Revenue ^{2/}	4,711,035,600	154,204,100	4,865,239,700
Other Legislative Changes	0	(427,000)	(427,000)
TOTAL REVENUES	\$4,976,770,000	\$287,974,700	\$5,264,744,700
EXPENDITURES			
Original Operating Budget	\$4,717,176,400	\$0	\$4,717,176,400
7th Special Session ^{2/}		124,243,100	124,243,100
1st Special Session ^{3/}	0	(11,738,100)	(11,738,100)
Other Bills - 2nd Regular Session ^{4/}	0	300,900	300,900
SUBTOTAL-REVISED OPERATING	\$4,717,176,400	\$112,805,900	\$4,829,982,300
Original Capital Appropriations	94,081,900	0	94,081,900
Supplementals -1st Special Session	0	1,000,000	1,000,000
SUBTOTAL-REVISED CAPITAL	\$94,081,900	\$1,000,000	\$95,081,900
Administrative Adjustments & Emergencies	25,500,000	27,464,300 ^{5/}	52,964,300
Revertments	(60,742,100)	0	(60,742,100)
TOTAL EXPENDITURES	\$4,776,016,200	\$141,270,200	\$4,917,286,400
Property Tax Relief ^{2/}	(200,000,000)	200,000,000	0
ENDING BALANCE	\$753,800	\$346,704,500	\$347,458,300

1/ This General Fund "balance sheet" reflects the status of the FY 1997 budget as of the adjournment of the 1997 Regular Session.

2/ The original forecast reflects the status of the FY 1997 budget at the adjournment of the 1996 Regular Session. At that time, the Legislature had not yet allocated the \$200 million Property Tax Relief Fund. The Legislature subsequently enacted legislation in the 7th Special Session that distributed the \$200 million as follows: \$(150,710,000) property tax reduction, \$48,293,100 Department of Education appropriation and \$(996,100) remained unallocated and thereby increased the ending balance. With these adjustments, the base revenue change of \$154,204,100 consists of a base revenue increase of \$304,914,100 and a property tax reduction of \$(150,710,000).

3/ See following table for more information.

4/ Laws 1997, Chapter 88.

5/ Includes \$25,000,000 revision in administrative adjustments estimates and \$2,464,300 increase in Land Department wildfire emergency authority. The latter was authorized by Laws 1997, Chapter 7, 1st Special Session.

FY 1997 GENERAL FUND ADJUSTMENT

For the fifth year in a row, the General Fund did not require mid-year revenue increases, expenditure reductions or fund transfers to remain balanced. The FY 1997 budget, however, did require certain supplemental appropriations.

At the time of adjournment of the 2nd Regular Session of the 42nd Legislature (and the publication of the FY 1997 Appropriations Report), legislation had not yet been enacted to allocate \$200 million in property tax relief authorized by Laws 1995, Chapter 9, 1st Special Session. In the 7th Special Session, the Legislature subsequently approved legislation which reduced the qualifying tax rates (QTR) for school property taxes and eliminated the state property tax for education (Chapter 2). The lower QTR had the effect of increasing the amount of state aid required to fund the statutory education formula. The \$200 million was distributed as follows:

- State property tax revenues were reduced by \$(150,710,000);
- The Department of Education's FY 1997 General Fund appropriation was increased by \$48,293,100; and
- The sum of \$(996,100) remained unallocated, which resulted in a higher overall ending balance.

The 7th Special Session also approved the following FY 1997 appropriations:

- \$70,000,000 from the General Fund to the State Board for School Capital Facilities for deposit into the School Capital Equity Fund (Chapter 1);
- \$4,300,000 from the General Fund to the Department of Environmental Quality to subsidize the Vehicle Emissions Inspection program (Chapter 6). In addition, Chapter 6 appropriated \$1,400,000 from the Motor Vehicle Pool Revolving Fund to the Department of Administration for the conversion of the motor vehicle fleet to alternative fuels. Chapter 6 also appropriated \$50,000 from the Arizona Clean Air Fund to the Arizona Department of Transportation for mass transportation services to certain cities and towns;
- \$150,000 from the General Fund to the Judicial System - Supreme Court to pay fees for counsel appointed to represent indigent capital defendants in state post-conviction relief proceedings (Chapter 7); and
- \$1,500,000 from the General Fund to the Department of Administration for distribution to the Veterans' Nursing Home (Chapter 8).
- \$1,400,000 from the Motor Vehicle Revolving Fund to the Department of Administration for the conversion of motor pool vehicles to alternative fuels.
- \$50,000 from the Arizona Clean Air Fund to the Department of Transportation for mass transit services.

The 7th Special Session appropriations totaled \$124,243,100 from the General Fund and \$1,450,000 from Other Appropriated Funds. In addition, Chapter 7 of the 1st Special Session of the 43rd Legislature made the following adjustments:

- Reduced FY 1997 General Fund agency operating budgets by the net amount of \$(11,738,100) and increased Other Appropriated Fund operating budgets by \$208,187,200;
- Revised Laws 1996, Chapter 312 to shift \$1,000,000 in General Fund capital expenses for Clifton flood control from FY 1998 to FY 1997. Increased Other Appropriated Fund capital expenditures by \$2,879,700;
- Increased the Land Department's wildfire emergency authority by \$2,464,300.

There were another \$300,900 of FY 1997 General Fund appropriations approved in other legislation enacted by the 43rd Legislature, 1st Regular Session.

This additional FY 1997 funding was financed by higher-than-anticipated carry-forward balances from FY 1996 and revenue growth throughout the fiscal year. This growth occurred mainly in corporate income tax, individual income tax and sales and use tax.

FY 1997 SUPPLEMENTALS
Laws 1997, Chapter 7, 1st Special Session

GENERAL FUND

Operating Budget - Annual Budgets

Arizona Department of Administration	\$	515,500
Federal Gov't Payback of Personnel Fund Costs		
Joint revised upward by \$1,900 for technical adjustment		

AHCCCS

Apache/Navajo County - Unpaid FY 96 Claims		3,274,000
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Department of Economic Security

Summer Youth Program Fund		1,000,000
Child Care Block Grant Shift/Ex-Appropriation		(3,430,900)
Temp. Assistance for Needy Families Block Grant Shift/Ex-Appropriation		(18,800,000)
TOTAL - DES		(21,230,900)

Department of Education

Net Formula Change (Mostly Current Year Funding/District Charters). Includes \$(994,900) to adjust Chinle for loss of charter school		2,481,200
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Judiciary

<i>Court of Appeals - Division 1</i>		65,200
Elected Official Salary Adjustments		
<i>Court of Appeals - Division 2</i>		24,400
Elected Official Salary Adjustments		
<i>Superior Court</i>		246,400
Elected Official Salary Adjustments		
<i>Supreme Court</i>		
Elected Official Salary Adjustments		21,300
State Grand Jury Expenses		132,100
Total - Supreme Court		153,400
TOTAL - Judiciary		489,400

Department of Juvenile Corrections

Operating Expenses of Additional Beds		1,952,900
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Operating Budgets - Biennial Budgets

Corporation Commission		16,800
Elected Official Salary Adjustments		

Council for the Hearing Impaired

Rules Revisions		5,000
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Department of Library and Archives

State Share of \$1 Million in Federal Grants		258,000
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Veterans' Services Commission

Nursing Home Costs		500,000
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TOTAL - FY 1997 OPERATING BUDGET SUPPLEMENTALS	\$	(11,738,100)
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Capital Outlay

Department of Emergency and Military Affairs

Move FY 98 Clifton Flood Costs to FY 97 1,000,000

Administrative Adjustments & Emergencies

Land Department

Fire Suppression Costs 2,464,300

OTHER APPROPRIATED FUNDS

Operating Budgets

Arizona Department of Administration

Technology and Telecommunications Fund: Defer purchase of mainframe computer to FY 98 (1,700,000)

Department of Economic Security

Temporary Assistance for Needy Families Block Grant 166,815,000

Child Care Block Grant 38,374,500

Central Processing Unit - Federal Indirect Cost Recovery 2,600,000

TOTAL - DES 207,789,500

Department of Liquor Licenses and Control

Automation Fund 49,200

Lottery Commission

Lottery Fund: Distribution of Settlement Proceeds & Instant Tickets 2,046,300

Occupational Therapy Examiners Board

Postage Costs 2,200

Capital Outlay

Department of Health Services

Move part of SAMHC Building Renewal Funding to FY 97 79,900

Department of Transportation

Highway Fund: MVD Land & Service Centers 2,800,000

TOTAL FY 1997 OTHER FUND SUPPLEMENTALS

\$ 211,067,100

TOTAL EXPENDITURE AUTHORITY

AHCCCS

Disproportionate Share payments and Higher Indian Health Service Claims \$ 15,221,400

Department of Economic Security

Developmental Disabilities Long Term Care Caseload \$ 9,000,000

**FY 1997 OPERATING BUDGET
REVISIONS TO AGENCY SPENDING AUTHORITY I/**

	General Fund			Other Funds		
	Original Appropriation	Revision	Final Appropriation	Original Appropriation	Revision	Final Appropriation
ANNUAL BUDGET UNITS						
Administration, AZ Department of	\$25,646,500	\$2,525,600 2/	\$28,172,100	\$125,786,700	(\$270,800) 2/	\$125,515,900
AHCCCS	478,997,100	3,315,200	482,312,300	0		0
Community Colleges, State Board of Directors for	111,080,000		111,080,000	145,300		145,300
Corrections, State Department of	431,114,600	122,000	431,236,600	18,541,100		18,541,100
Economic Security, Department of	394,579,900	(20,900,700)	373,679,200	5,522,700	207,789,500	213,312,200
Education, Department of	1,924,371,800	50,776,400 2/	1,975,148,200	0		0
Health Services, Department of	216,200,100	47,300	216,247,400	17,419,900	300	17,420,200
Judiciary						
Court of Appeals	9,005,200	95,300	9,100,500	0		0
Superior Court	94,433,400	263,100	94,696,500	0		0
Supreme Court	12,706,200	281,000 2/	12,987,200	1,468,900		1,468,900
SUBTOTAL - Judiciary	\$116,144,800	\$639,400	\$116,784,200	\$1,468,900	\$0	\$1,468,900
Juvenile Corrections, Department of	46,918,000	1,953,100	48,871,100	2,038,600		2,038,600
Transportation, Department of	300,000		300,000	188,547,600	223,100 2/	188,770,700
Universities						
Board of Regents	6,207,300		6,207,300	0		0
ASU - Main Campus	216,693,100		216,693,100	71,170,400	7,703,500 3/	78,873,900
ASU - East Campus	5,023,600		5,023,600	2,697,900	96,400 3/	2,794,300
ASU - West Campus	34,354,000		34,354,000	5,584,700	160,300 3/	5,745,000
Northern Arizona University	90,922,200		90,922,200	26,750,100	1,312,500 3/	28,062,600
University of Arizona - Main Campus	232,910,100		232,910,100	63,821,000	538,300 3/	64,359,300
U of A - Health Sciences Center	48,543,100		48,543,100	5,025,200	(2,603,900) 3/	2,421,300
SUBTOTAL - Universities	\$634,653,400	\$0	\$634,653,400	\$175,049,300	\$7,207,100	\$182,256,400
TOTAL - ANNUAL BUDGET UNITS	\$4,380,006,200	\$38,478,300	\$4,418,484,500	\$534,520,100	\$214,949,200	\$749,469,300
BIENNIAL BUDGET UNITS						
Accountancy, State Board of	0		0	1,053,600		1,053,600
Administrative Hearings, Office of	926,700		926,700	419,200		419,200
Agriculture, AZ Department of	10,510,900	200	10,511,100	2,172,000	479,400 4/	2,651,400
Appraisal, State Board of	0		0	251,400	300	251,700
Arts, Arizona Commission on the	1,526,100		1,526,100	0		0
Attorney General - Department of Law	23,319,100	1,200	23,320,300	2,743,300		2,743,300
Auto Theft Authority	225,000		225,000	0		0
Banking Department, State	2,458,100		2,458,100	0		0
Barbers, Board of	0		0	156,200		156,200
Behavioral Health Examiners, Board of	0		0	357,700		357,700
Boxing Commission, AZ State	68,300		68,300	0		0
Building & Fire Safety, Department of	2,873,000		2,873,000	0		0
Chiropractic Examiners, State Board of	0		0	245,700		245,700
Coliseum and Exposition Center Board	0		0	15,340,700	(2,547,400) 5/	12,793,300
Commerce, Department of	9,665,900		9,665,900	3,471,900		3,471,900
Constitutional Defense Council	0		0	0		0
Contractors, Registrar of	0		0	4,786,000	1,100	4,787,100
Corporation Commission	5,208,000	18,700	5,226,700	6,619,600	1,200	6,620,800
Cosmetology, Board of	0		0	691,400		691,400
Criminal Justice Commission, Arizona	500,000		500,000	577,000		577,000
Deaf and the Blind, AZ State Schools for the	16,827,100		16,827,100	5,864,600		5,864,600
Dental Examiners, State Board of	0		0	596,100		596,100
Drug & Gang Prevention Resource Center	0		0	0		0
Emergency & Military Affairs, Department of	9,368,300		9,368,300	621,700		621,700
Environmental Quality, Department of	17,091,400	4,325,700 2/	21,417,100	18,146,400	11,200	18,157,600
Equal Opportunity, Governor's Office of	237,900		237,900	0		0
Equalization, State Board of	803,900		803,900	0		0
Executive Clemency, Board of	1,691,200		1,691,200	0		0
Funeral Directors and Embalmers, Board of	0		0	180,300		180,300
Game and Fish Department, AZ	0		0	17,904,600	3,700	17,908,300
Gaming, Department of	0		0	3,901,200		3,901,200
Geological Survey, AZ	743,300		743,300	0		0
Govt. Information Technology Agency	0		0	0		0
Governor, Office of the	6,565,200	(1,591,000)	4,974,200	500,000	(500,000)	0
Gov's Ofc. of Management & Budget	1,732,800	1,591,000	3,323,800	0	500,000	500,000
Hearing Impaired, AZ Council for the	253,000	5,000	258,000	0		0
Historical Society, Arizona	4,154,300	4,600	4,158,900	0		0
Historical Society, Prescott	616,300	1,400	617,700	0		0
Homeopathic Medical Examiners, Board of	0		0	33,200		33,200
Indian Affairs, AZ Commission of	175,400		\$175,400	0		\$0
Industrial Commission of AZ	0		0	12,827,700	6,100	12,833,800
Insurance, Department of	4,388,500	7,700	4,396,200	0		0
Land Department, State	13,093,900	4,300	13,098,200	0		0
Law Enforcement Merit System Council	48,100		48,100	0		0

	General Fund			Other Funds		
	Original Appropriation	Revision	Final Appropriation	Original Appropriation	Revision	Final Appropriation
Legislature						
Auditor General	9,540,500		9,540,500	0		0
House of Representatives	8,152,400		8,152,400	0		0
Joint Legislative Budget Committee	2,137,200		2,137,200	0		0
Legislative Council	3,517,500		3,517,500	0		0
Library, Archives and Public Records	5,387,000	259,400	5,646,400	0		0
Senate	6,070,300		6,070,300	0		0
SUBTOTAL - Legislature	\$34,804,900	\$259,400	\$35,064,300	\$0	\$0	\$0
Liquor Licenses & Control, Department of	2,530,000		2,530,000	0	49,200	49,200
Lottery Commission, AZ State	0		0	42,800,400	501,200 5/	43,301,600
Medical Examiners, Board of	0		0	2,906,100		2,906,100
Medical Student Loans, Board of	236,600		236,600	0		0
Military Airport Preservation Committee, AZ	0		0	0		0
Mine Inspector, State	917,200		917,200	0		0
Mines and Mineral Resources, Department of	706,500		706,500	0		0
Naturopathic Physician Examiners Board	0		0	72,000		72,000
Navigable Stream Adjudication Commission	117,400		117,400	0		0
Nursing, State Board of	0		0	1,547,000		1,547,000
Nursing Care Institution Administrators Board	0		0	91,900		91,900
Occupational Safety & Health Review Board	9,000		9,000	0		0
Occupational Therapy Examiners, Board of	0		0	92,300	2,200	94,500
Opticians, State Board of Dispensing	0		0	67,200		67,200
Optometry, State Board of	0		0	109,900		109,900
Osteopathic Examiners, AZ Board of	0		0	340,600		340,600
Parks Board, Arizona State	6,103,400	18,200	6,121,600	3,621,500	3,200	3,624,700
Personnel Board	310,600		310,600	0		0
Pharmacy, AZ State Board of	0		0	729,300		729,300
Physical Therapy Examiners, Board of	0		0	93,000		93,000
Pioneers' Home, AZ	1,973,000	300	1,973,300	1,155,600	6,900	1,162,500
Podiatry Examiners, State Board of	0		0	58,200		58,200
Postsecondary Education, Commission for	1,334,000		1,334,000	2,929,100		2,929,100
Private Postsecondary Education, Board for	0		0	160,300		160,300
Psychologist Examiners, State Board of	0		0	255,300	400	255,700
Public Safety, Department of	55,521,400		55,521,400	44,072,700		44,072,700
Racing, Arizona Department of	2,578,400	900	2,579,300	293,400		293,400
Radiation Regulatory Agency	1,526,700		1,526,700	107,600		107,600
Rangers' Pension, Arizona	10,500		10,500	0		0
Real Estate Department, State	2,846,000	3,800	2,849,800	0		0
Residential Utility Consumer Office	0		0	1,021,500		1,021,500
Respiratory Care Examiners, Board of	0		0	165,700		165,700
Retirement System, Arizona State	0		0	3,795,400	4,200	3,799,600
Revenue, Department of	51,545,900	46,000	51,591,900	332,500	1,500	334,000
School Capital Facilities, State Board for	0	70,000,000 2/	70,000,000	30,000,000		30,000,000
Secretary of State	4,138,900		4,138,900	0		0
Structural Pest Control Commission	0		0	1,377,100		1,377,100
Tax Appeals, State Board of	269,700		269,700	0		0
Technical Registration, State Board of	0		0	874,900	800	875,700
Tourism, Office of	7,687,200		7,687,200	0		0
Treasurer, State	3,910,100		3,910,100	0		0
Uniform State Laws, Commission on	29,200		29,200	0		0
Veterans' Service Commission, AZ	960,100		960,100	7,920,100	9,600	7,929,700
Veterinary Medical Examining Board	0		0	217,100		217,100
Water Resources, Department of	19,752,000	4,300	19,756,300	0		0
Weights and Measures, Department of	1,604,800		1,604,800	331,400		331,400
TOTAL - BIENNIAL BUDGET UNITS	\$336,495,200	\$74,701,700	\$411,196,900	\$247,000,600	(\$1,465,200)	\$245,535,400
Unallocated Salary Adjustment	0	0	0	281,000	0	281,000
Unallocated CMR	675,000	(675,000)	0	299,500	(255,200)	44,300
GRAND TOTAL	\$4,717,176,400	\$112,505,000	\$4,829,681,400	\$782,101,200	\$213,228,800	\$995,330,000

- 1/ Unless otherwise noted, the amounts reflect General Appropriation Act appropriations and additional legislation appropriations, as revised by Laws 1997, Chapter 7, 1st Special Session and the allocation of the Classification Maintenance Reviews as appropriated by Laws 1996, Chapter 1, 5th Special Session. The CMR adjustment can be distinguished from supplemental appropriations by consulting the FY 1997 Supplementals chart prior to this table. The CMR adjustment for DPS and the Universities is contained in the "Original Appropriation" column because they were allocated before printing of the FY 1997 Appropriations Report. For the DOA System and the Judiciary, the CMR adjustment is contained in the "Revision" column.
- 2/ Laws 1996, 7th Special Session included the following appropriations: ADOA GF, \$1,500,000; ADOA OF, \$1,400,000; ADE GF, \$48,293,000; Supreme Court GF, \$150,000; DOT OF, \$50,000; DEQ GF, \$4,300,000; State Board for School Capital Facilities GF, \$70,000,000.
- 3/ Revised collections estimate
- 4/ Revised appropriations authority of \$542,200 for Dangerous Plants, (\$98,900) for Native Plant, \$43,300 for Seed Law, and \$300 for Organic Food. The Seizure and Equine Maintenance Funds were consolidated into the non-appropriated Livestock Custody Fund. As a result, appropriation authority was reduced by \$7,400 for Seizure, and \$100 for Equine Maintenance.
- 5/ Revised appropriations authority.

RECENT JOINT LEGISLATIVE BUDGET COMMITTEE STAFF REPORTS

- **Funding Review on Clinical Teaching Support for the College of Medicine of the University of Arizona, January 1992**
- **Higher Education Enrollment Growth in Arizona, June 1992**
- **Lower Division Cost of Education at Arizona's Universities and Community Colleges, August 1992**
- **1993 FISCAL FACTS, October 1992**
- **Report to the Interim Committee on Statutory Funding Formulas, Health and Welfare Funding Formulas, July 1993**
- **Report to the Interim Committee on Statutory Funding Formulas, Higher Education Funding Formulas, August 1993**
- **Inventory of State Assets - Unimproved Land, Equipment, and Buildings, August 1993**
- **K-12 Funding Formula Examples and Descriptions, September 1993**
- **Report to the Interim Committee on Statutory Funding Formulas, Local Revenue Sharing and Court Funding Formulas, October 1993**
- **Faculty Workload Study for Arizona Universities, December 1993**
- **Faculty Salary Comparison: Arizona Public Universities, June 1994**
- **Administrative Costs Study of Arizona's Public Universities and Community College Districts, July 1994**
- **1995 FISCAL FACTS, August 1994**
- **An Analysis of the Size and Importance of the "Retirement Industry" in Arizona, December 1994**
- **State and Local Tax Support for Arizona Higher Education: A Comparative Analysis, December 1994**
- **JLBC Staff Report on State Government Information Technology, January 1995**
- **JLBC Staff Report on Arizona Per Capita Personal Income: Historical Observations, March 1995**
- **Arizona School Facilities Review Preliminary Summary Report of Findings, April 1995**
- **1996 Program Authorization Review: Executive Summaries and Individual Reports, (Jointly authored with the Office of Strategic Planning and Budgeting) November 1995**
 - Arizona Department of Administration - Enterprise Network Services
 - Arizona Supreme Court - Judicial Collection Enhancement
 - Department of Juvenile Corrections - Diagnostic Services
 - Arizona Board of Regents - Arizona Area Health Education Centers
 - Arizona Department of Health Services - Medical Malpractice Program, Primary Care Program, Arizona Loan Repayment Program

- Arizona Department of Education - Dropout Prevention
- Arizona Department of Corrections - Complex Administration
- Department of Environmental Quality - Underground Storage Tanks
- Arizona Board of Medical Student Loans - Arizona Medical Student Loan Program
- Arizona Department of Agriculture - State Agricultural Laboratory
- **1997 FISCAL FACTS, August 1996**
- **1997 Program Authorization Review: Executive Summaries and Individual Reports, (Jointly authored with the Office of Strategic Planning and Budgeting), October 1996**
 - Department of Revenue - Compliance
 - Arizona Department of Transportation - Highway Maintenance
 - Corporation Commission - Corporations
 - Arizona Department of Administration - Facilities Management
 - Arizona State Schools for the Deaf and the Blind - Cooperative Programs
 - Department of Economic Security - Comprehensive Medical and Dental Program
 - Department of Commerce - International Trade and Investment
 - State Department of Corrections - Inmate Programs
 - Department of Public Safety - Anti-Gang Enforcement
 - Judicial System Juvenile - Community Corrections
 - Department of Health Services - Arizona State Hospital
 - Arizona State University/University of Arizona - Colleges of Law
 - Arizona Game and Fish Department - Sportfish Management
- **Legislative Orientation on the State Budget, January 1997**

Annual Reports

- **Annual Budget, Analysis and Recommendations, January**
- **Non-Appropriated Funds Report, January**
- **Appropriations Report, June**
- **Tax Handbook and Annual Updates, October**
- **Non-Appropriated Funds Report: Recommendations to the Joint Legislative Budget Committee, November**

Periodic Reports

- **Budget Status Report**
- **Federal Funds Report**
- **Arizona Budget Issues in Brief**

Monthly/Bi-Monthly Reports

- **Economic Review**
- **Monthly Revenue Highlights**