

## INTRODUCTION

This annual Appropriations Report provides a single source document for obtaining summary and detailed information on appropriations for Fiscal Year 1999, as provided in the General Appropriation Act, Laws 1998, Chapter 2 (H.B. 2001), 4<sup>th</sup> Special Session, and other legislative acts. The Report also includes the economic and state revenue forecast upon which the budget was based. This Report 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 Staff.

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\* Most technical adjustments are not delineated in the individual agency description. Please see General Provisions section for these adjustments.

## 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 Herschella Horton  
Representative Laura Knaperek  
Representative Bill McGibbon  
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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Phoenix, Arizona 85007  
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Email: [jlbcwebmaster@azleg.state.az.us](mailto:jlbcwebmaster@azleg.state.az.us)  
JLBC Website: <http://www.azleg.state.az.us/jlbc.htm>



**APPROPRIATIONS COMMITTEE MEMBERS**  
**Forty-third Legislature**  
**Second Regular Session**

SENATE

Russell W. "Rusty" Bowers, Chairman  
Edward J. Cirillo, Vice Chairman  
Gus Arzberger  
Scott Bundgaard  
Pat Conner  
Tom Freestone  
Randall Gnant  
James Henderson, Jr.  
John Huppenthal  
Joe Eddie Lopez  
Gary Richardson  
Peter Rios  
Victor Soltero  
John Wettaw

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Robert "Bob" Burns, Chairman  
Laura Knaperek, Vice Chairman  
David Armstead  
Dean Cooley  
Linda Gray  
Mark Anderson  
Herschella Horton  
Jean Hough McGrath  
Robert J. McLendon  
Andy Nichols  
Dan Schottel  
John Verkamp  
Christine Weason  
James P. Weiers  
Barry Wong

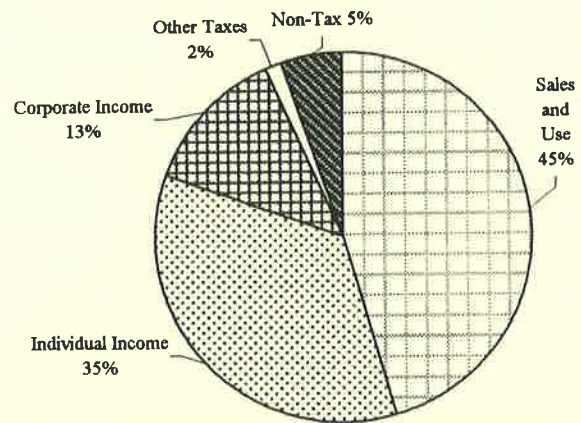
**STAFF OF THE**  
**JOINT LEGISLATIVE BUDGET COMMITTEE**

- Director ..... Richard Stavneak
- Assistant Director ..... John Lee
- Executive Assistant/JLBC Clerk ..... Linda Monsanto
- Chief Economist ..... Hank Reardon
- Principal Research/Fiscal Analyst ..... Bob Hull
- Senior Fiscal Analysts ..... Pat Mah
- ..... Lorenzo Martinez
- ..... Steve Schimpp
- ..... Lynne Smith
- Senior Economists ..... Kent Ennis
- ..... Justin Garosi
- Senior Research/Fiscal Analyst ..... Bruce Groll
- Economist/Fiscal Analyst ..... Brian Schmitz
- Fiscal Analysts ..... Lisa Cotter
- ..... Chris Earnest
- ..... Brad Mortensen
- ..... Brad Regens
- ..... Jim Rounds
- ..... Stefan Shepherd
- ..... Jennifer Vermeer
- Research/Fiscal Analyst ..... Steve Grunig
- Assistant Fiscal Analyst ..... Jake Corey
- Receptionist/Senior Secretary/JCCR Clerk ..... Jan Belisle
- Secretary ..... Cheryl Blunden
- Secretary ..... Adele Garcia
- Administrative Assistant ..... Lettie Phillips
- Senior Secretary ..... Sharon Savage

**BUDGET HIGHLIGHTS**

## FY 1999 General Fund Revenue - Where it Comes From

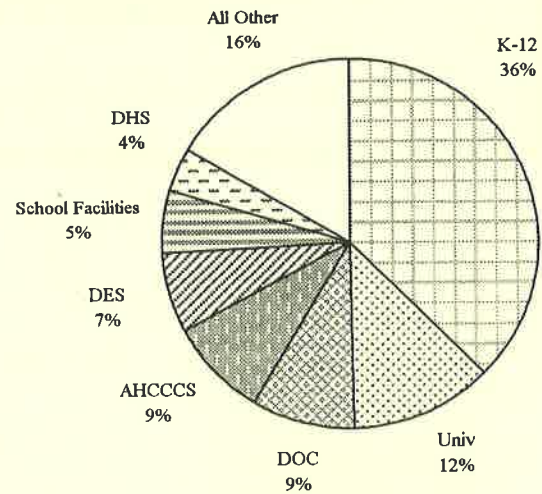
<u>Source</u>	<u>Revenue (Millions)</u>
Sales and Use Tax	\$ 2,439.0
Individual Income Tax	1,879.2
Corporate Income Tax	688.3
Other Taxes	80.7
Non-Tax Revenue	276.6
<b>TOTAL REVENUE</b>	<b>\$ 5,363.9 <sup>1/</sup></b>



<sup>1/</sup> Includes all legislated revenue changes, but does not include beginning balance. The projected FY 1999 beginning balance is \$523.3 million

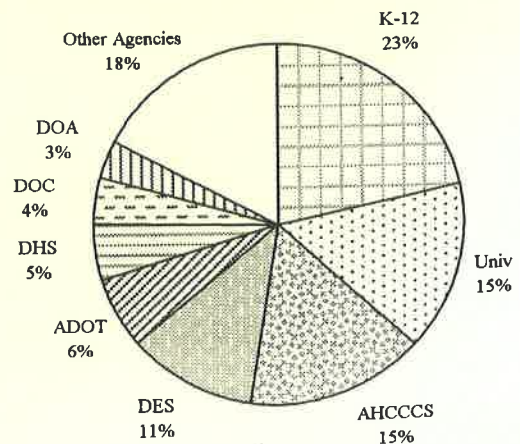
## FY 1999 General Fund Appropriations - Where it Goes

<u>Budget Unit</u>	<u>Appropriation (Millions)</u>
Education (K-12)	\$ 2,210.4
Universities	728.9
Corrections	518.7
AHCCCS	501.8
Economic Security	422.8
School Facilities Board	313.2
Health Services	232.9
Other Agencies	791.2
<b>TOTAL OPERATING BUDGET</b>	<b>5,719.9</b>
All Capital Outlay Bills	104.2
Budget Stabilization Fund Deposit	75.0
<b>TOTAL APPROPRIATIONS</b>	<b>\$ 5,899.1</b>



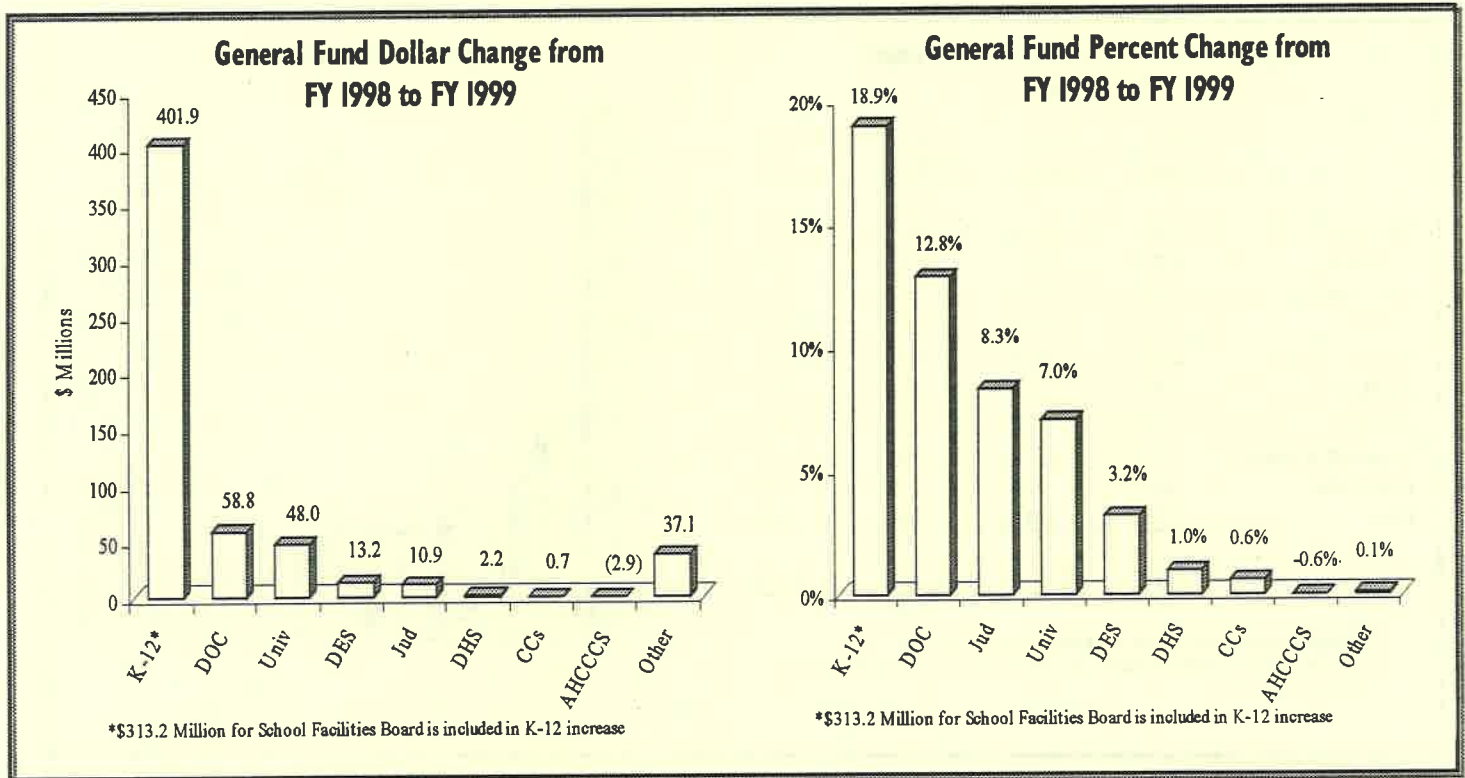
## FY 1999 Total Operating Spending - All Sources <sup>1/</sup>

<u>Budget Unit</u>	<u>Appropriation (Millions)</u>
Education (K-12)	\$ 2,772.7
Universities	1,985.0
AHCCCS	1,971.7
Economic Security	1,475.1
Transportation	829.5
Health Services	614.6
Corrections	556.4
Administration	405.3
Compensation Fund	364.8
Other Agencies	1,861.5
<b>TOTAL</b>	<b>\$ 12,836.6</b>



<sup>1/</sup> Mostly excludes direct state capital expenditures.

## MAJOR FACTORS IN GROWTH OF OPERATING BUDGETS



### School Facilities Board - \$313.2 M GF Change above FY 98

- \$200 M for New School Facilities, \$75 M for Building Renewal and \$35 M for Deficiency Corrections

### Department of Education - \$88.7 M GF/\$125.6 M Total Funds Change above FY 98

- \$47.2 M for Students FIRST Soft Capital and Charter Assistance
- \$34.0 M for \$33 Base Level Increase
- \$13.0 M for New Special Ed (Group B) Funding
- \$95.1 M for 3.3% Enrollment Growth
- \$(80.8) M Net Savings Due to Assessed Value Growth

### Dept. of Corrections - \$58.8 M GF Change above FY 98

- \$36.6 M to Open 2,400 New Beds
- \$13.7 M for Pay Adjustments
- \$1.8 M for 100 Temporary Private Beds
- \$600 K for Vanpooling

### Universities - \$48.0 M GF Change above FY 98

- \$27.4 M for Pay Adjustments
- \$10.0 M for Enrollment and New Facilities
- \$12.2 M for Legislative Policy Initiatives
- Total GF Change with Capital, \$69.4 M

### DES - \$13.2 M GF Change above FY 98

- \$23.2 M for Long Term Care Caseload Growth and Shortfall
- \$7.1 M for CPS Annualization
- \$(14.7) M Shift of Child Care Funding from GF to Fed Funds
- \$1.3 M to Eliminate DD Adult Waiting List (July) and Child Waiting List (January)

### Judiciary - \$10.9 M GF Change above FY 98

- \$7.2 M for 6.8% Probation Growth plus Annualization

- \$2.8 M for Pay Adjustments

### DHS - \$2.2 M GF Change above FY 98

- \$2.3 M to Implement ASH "Sexually Violent Persons" Program
- \$2.0 M for Psychotropic Medications for Non-Title XIX SMI

### Community Colleges - \$0.7 M GF Change above FY 98

- \$2.4 M Enrollment Growth and Equalization
- \$6 M for Operating Increases: \$1.25 M to Maricopa; \$750 K to Pima; and \$500 K to Each Rural District
- \$(8.0) M for One-Time Funding

### AHCCCS - \$(2.9) M GF Change below FY 98

- \$(9.4) M Savings from Acute Care Caseload, Inflation, and Other Changes
- \$7.0 M for ALTCS Caseload and Inflation
- \$(1.9) M Savings from New Fraud Detection Unit

### OTHERS

#### Dept. of Juvenile Corrections - \$10.8 M GF Change above FY 98

- \$8.5 M to Open 200 Beds at New Complex
- \$1.9 M to Transfer 200 DOC Beds to DJC, for a Total Increase of 400 Beds in FY 99

#### DEQ - \$5.7 M GF Change above Original FY 99

- \$4.3 M in Wastewater State Match for WIFA

#### Government Information Technology Agency - \$3 M GF/\$6.7 M Other Funds above Original FY 99

- Brings Total Funds available for Year 2000 automation adjustments to \$38.1 M



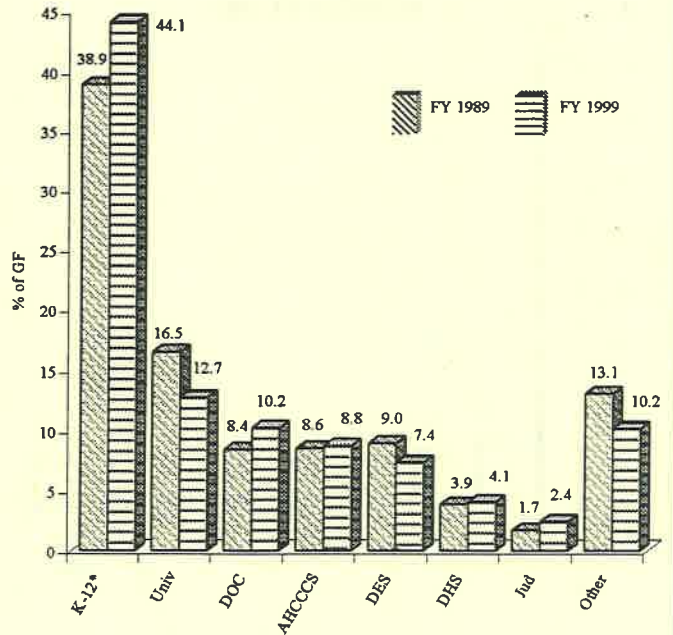
# "THEN AND NOW" - FY 1989 vs. FY 1999 General Fund Spending

**Comparison of 9 Largest Operating Budgets  
(\$ in Millions)**

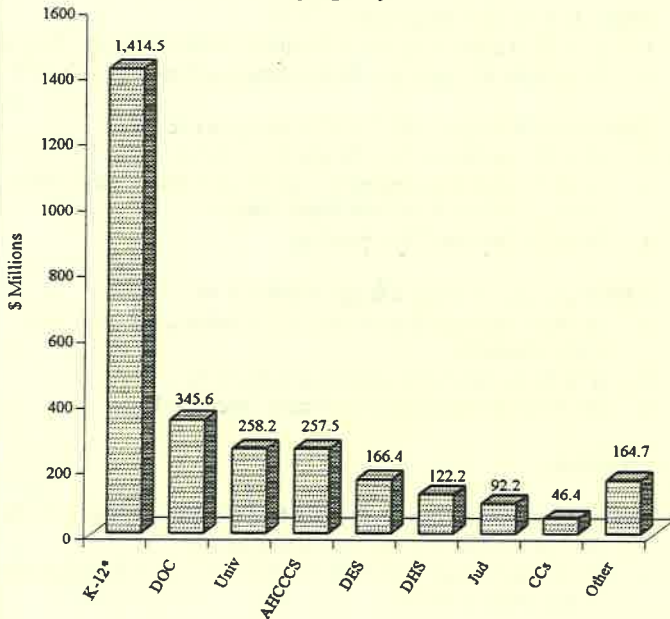
	FY 89 Actuals	FY 99 Approp.	\$ Change FY 89-99	% Change FY 89-99
Education (K-12) <sup>1/</sup>	\$ 1,109.1	\$ 2,523.6	\$ 1,414.5	127.5
Universities	470.7	728.9	258.2	54.9
Corrections <sup>2/</sup>	240.2	585.8	345.6	143.9
AHCCCS	244.3	501.8	257.5	105.4
Economic Security	256.4	422.8	166.4	64.9
Health Services	110.7	232.9	122.2	110.4
Judiciary	47.9	140.1	92.2	192.5
Community Colleges	75.1	121.5	46.4	61.8
Public Safety	69.9	75.0	5.1	7.3
Other	227.9	387.5	159.6	70.0
<b>TOTAL</b>	<b>\$ 2,852.2</b>	<b>\$ 5,719.9</b>	<b>\$ 2,867.7</b>	<b>100.5%</b>

<sup>1/</sup> Includes appropriations made to the School Facilities Board in FY 1999  
<sup>2/</sup> Includes Department of Corrections and Juvenile Corrections for comparability purposes.

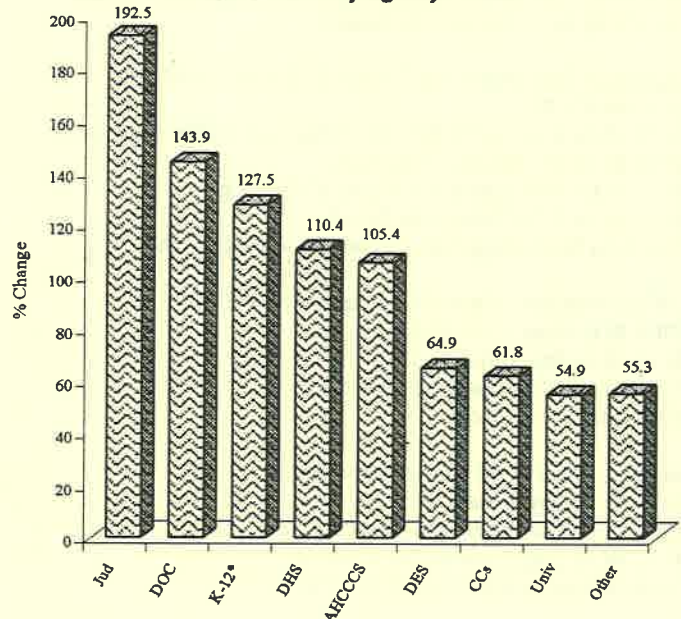
**Agency Share of General Fund**



**Dollar Change from FY 1989 to FY 1999  
by Agency**



**Percent Change from FY 1989 to FY 1999  
by Agency**



\* - All K-12 figures include the \$313.2 million appropriated to the School Facilities Board in FY 1999.

# "THEN AND NOW" - FY 1989 vs. FY 1999 General Fund Revenue and Carry-Forward Balances

## General Fund Revenue, Expenditures and Carry Forward Balances (\$ in Millions)

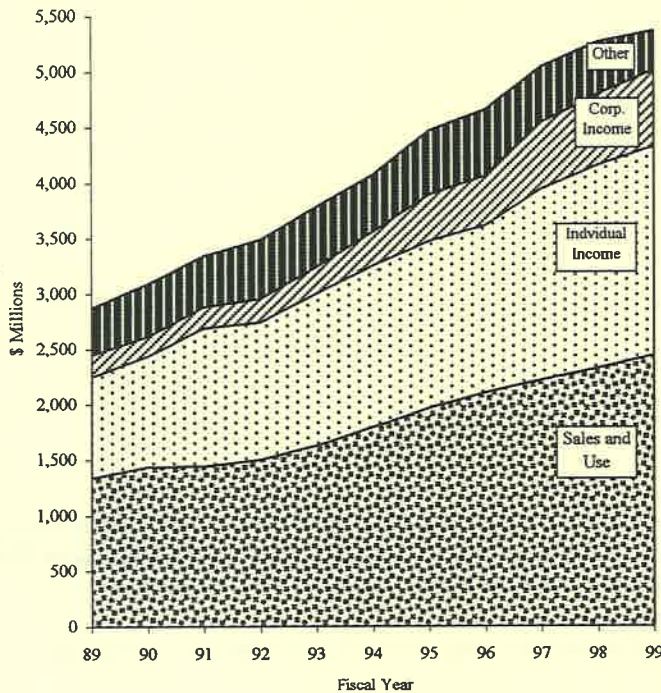
Fiscal Year	Revenue	Expenditures	Carry Forward	Carry Forward as a % of Revenue
1989	\$ 2,881.7	\$ 2,880.5	\$ 1.2	0.0%
1990	3,093.1	3,058.7	34.4	1.1%
1991	3,380.5	3,335.5	45.0	1.3%
1992	3,533.2	3,528.0	5.2	0.1%
1993	3,790.0	3,704.0	86.0	2.3%
1994	4,159.3	3,930.1	229.2	5.5%
1995	4,694.6	4,425.1	269.5	5.7%
1996	4,932.5	4,532.6	399.9	8.1%
1997	5,410.3 <sup>1/</sup>	4,894.3	516.0	9.5%
1998	5,778.7	5,255.4	523.3	9.1%
1999	5,887.2	5,874.2	13.0	0.2%

1/ Includes carry-forward of \$370.4 million.

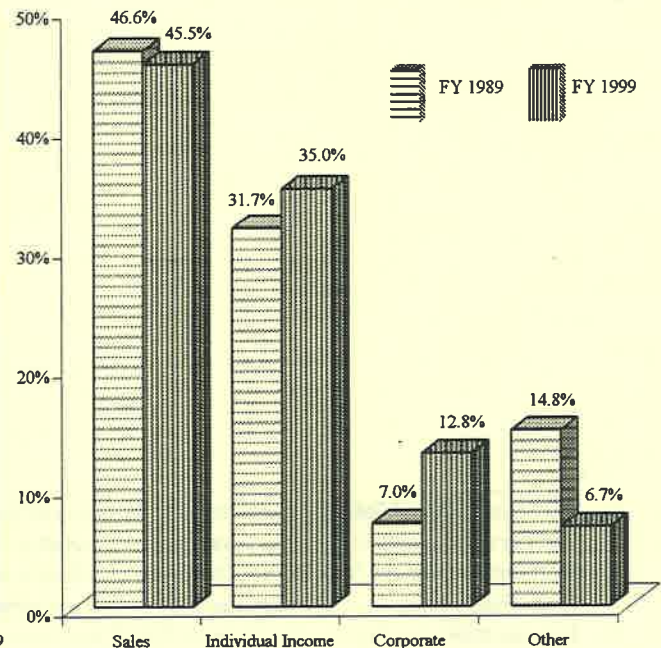
## General Fund Major Tax Sources as a Percent of Total Base Revenue

Fiscal Year	Sales	Individual Income	Corporate Income	Other
1989	46.6%	31.7%	7.0%	14.8%
1990	46.6%	32.2%	5.8%	15.4%
1991	43.2%	37.2%	5.7%	13.9%
1992	43.1%	35.5%	6.1%	15.4%
1993	43.1%	36.1%	6.3%	14.5%
1994	44.0%	35.8%	7.4%	12.7%
1995	44.1%	33.7%	9.3%	12.9%
1996	45.1%	32.4%	9.6%	12.9%
1997	43.9%	34.3%	11.9%	9.9%
1998	44.1%	34.8%	12.2%	8.9%
1999	45.5%	35.0%	12.8%	6.7%

## General Fund Major Tax Sources as a Percent of Total Revenue



## FY 1989 vs. FY 1999 Share of General Fund Revenue



**GENERAL FUND**  
**Statement of Projected Revenues and Expenditures**  
*Update of Enacted Budget as of Sine Die I/*

	Preliminary FY 1998	Forecast FY 1999
<b>REVENUES</b>		
Balance Forward	\$ 515,974,000	\$ 523,343,500
Base Revenues	5,262,641,400	5,491,868,200
Other Legislation and Adjustments	100,000	(128,009,200)
<b>TOTAL REVENUES</b>	<b>\$ 5,778,715,400</b>	<b>\$ 5,887,202,500</b>
<b>EXPENDITURES</b>		
Operating Appropriations	\$ 5,139,847,800	\$ 5,719,886,900 <sup>2/</sup>
Budget Stabilization Fund Deposit	30,000,000	75,115,000 <sup>3/</sup>
Capital Outlay	110,186,900	104,193,800
Administrative Adjustments and Emergencies	46,700,000	35,000,000 <sup>4/</sup>
Revertments	(71,362,800)	(60,000,000)
<b>TOTAL EXPENDITURES</b>	<b>\$ 5,255,371,900</b>	<b>\$ 5,874,195,700</b>
<b>ENDING BALANCE</b>	<b>\$ 523,343,500</b>	<b>\$ 13,006,800</b>

- 1/ This General Fund "balance sheet" reflects the status of the enacted budget as of the adjournment of the 1998 Regular Session. The key assumptions include: a) a compromise 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 May, and b) the JLBC Staff's estimate of all other enacted revenue and expenditure bills.
- 2/ Includes \$360.4 million for the Students FIRST legislation, which was declared unconstitutional by the Arizona Supreme Court on June 16, 1998.
- 3/ Authorized by Laws 1998, Chapter 2, 4th Special Session, Section 17.
- 4/ Includes \$7 million for emergency authorizations, including \$4 million in general emergency authority and \$3 million in wild land fire emergency authority.

**BUDGET DETAIL**



**SUMMARY OF APPROPRIATIONS**  
**By Individual Chapter**  
**For Fiscal Years 1998 and 1999 <sup>1/</sup>**

Chap. No.	Bill Number	Reference Title	Fiscal Year 1998		Fiscal Year 1999	
			General Fund	Other Funds	General Fund	Other Funds
<u>Forty-Third Legislature - Second Regular Session</u>						
61	S.B. 1087	Pioneer's Home; Appropriations	1,968,200	(1,322,400)	1,864,600	(1,395,100)
128	H.B. 2085	Arizona Capitol Land Exchange			250,000 C	
129	H.B. 2505	Appropriation; Community Colleges; Benson			500,000 C*	
131	H.B. 2022	Appropriation Use; Housing Development		0 2/		0 2/
135	S.B. 1133	Covenant Marriages			10,000	
136	S.B. 1277	Sexual Predators			792,000	
147	S.B. 1070	Electronic; Internet Distribution; Child Pornography			75,000	
148	S.B. 1151	Library Acquisitions; Preservation; Access; Approp.			100,000 *	
151	S.B. 1395	Juvenile Offenders; Note to Schools			39,000	
156	H.B. 2237	Appropriation; Air Traffic Control Tower			250,000 C	
158	H.B. 2272	Appropriations; Named Claimants	1,477,300			
161	S.B. 1050	Vulnerable Adults			698,400	
164	S.B. 1120	Education; Financing; Assistance; Conditional Repeal			240,000 3/	
166	H.B. 2168	Vocational Education; Adults, Expanded Year			600,000	
167	H.B. 2224	ADM Calculation; Alternative			170,000	
175	S.B. 1051	Ratite Slaughter Inspections; Appropriation			75,000	
179	S.B. 1332	Appropriation; Sex Offender Notification Employees			45,600	
181	S.B. 1376	Underground Storage Tank Program			460,000	
182	S.B. 1378	State Aid; Counties; Funds; Indigents			350,000	
201	H.B. 2043	Tuition; Military Reserve; National Guard			400,000	
204	H.B. 2361	Growing Smarter			350,000	
207	H.B. 2618	Appropriation; Elder Law Representation			100,000	
208	H.B. 2620	Appropriation; Welfare to Work Program			1,700,000	21,525,900
217	S.B. 1427	Air Quality Measures	125,000		1,900,000 *	
221	S.B. 1269	Alternative Fuels				(5,000,000) 4/
222	S.B. 1317	Appropriation; Navajo Senior Citizens Building			350,000 C	
226	S.B. 1127	Juveniles; Jails; Summer Youth; Appropriations			10,000,000 5/C	
227	H.B. 2609	DD; Rate Structure; Implementation			5,000,000	
231	H.B. 2130	Parental Choice for Reading Success			1,000,000	
235	H.B. 2193	Commission for Postsecondary Educ.; Continuation				383,600
237	H.B. 2263	Appropriation; Anticancer Drug Discovery				5,000,000 *
239	H.B. 2271	Acupuncture; Licensure			40,000 6/	
245	H.B. 2354	Alzheimer's Disease Research; Appropriation			1,000,000	
259	H.B. 2442	Liquor Licensees; Omnibus				233,500 7/
276	H.B. 2645	Temporary Custody; Preliminary Protective Hearing			1,475,000	
291	S.B. 1333	Sex Offenders; Registration	(262,200) 8/		600,000 8/	
292	S.B. 1354	DOA Omnibus				100,000
295	S.B. 1065	Healthy Families; Literacy; Health Start			4,000,000	
298	H.B. 2231	DEQ; Sunset; Five Years			505,000	
300	S.B. 1326	Appropriation; Space Flight Centers			500,000 C*	
303	S.B. 1175	Domestic Violence			200,030	
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION			<u>\$3,308,300</u>	<u>(\$1,322,400)</u>	<u>\$35,639,630</u>	<u>\$20,847,900</u>
<u>Forty-Third Legislature - Fourth Special Session</u>						
1	H.B. 2006	Supplemental Appropriations; Adjustments	31,371,100 9/	(1,851,900)	(24,798,600)	(15,124,300)
			10,899,600 9/C	(14,800,000) C		
2	H.B. 2001	General Appropriations			4,976,882,800	1,021,754,900
4	S.B. 1008	Children's Health Insurance Program				46,400,000
7	H.B. 2002	Capital Outlay Appropriations			49,643,800 C	328,682,000 C
SUBTOTAL APPROPRIATIONS - 4th SPECIAL SESSION			<u>\$42,270,700</u>	<u>(\$16,651,900)</u>	<u>\$5,001,728,000</u>	<u>\$1,381,712,600</u>
<u>Forty-Third Legislature - Third Special Session</u>						
1	H.B. 2003	Students' FIRST	200,000		360,380,000 10/	
<u>Forty-Third Legislature - Second Special Session</u>						
2	H.B. 2006	Long-Term Care	5,728,800			
3	S.B. 1001	Child Protective Services; Parental Rights	7,518,300			
SUBTOTAL APPROPRIATIONS - 2nd SPECIAL SESSION			<u>\$13,247,100</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Chap. No.	Bill Number	Reference Title	Fiscal Year 1998		Fiscal Year 1999	
			General Fund	Other Funds	General Fund	Other Funds
<b>Forty-Third Legislature - First Regular Session</b>						
4	H.B. 2119	Education Finance		0 10/		0 10/
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 *	
214	S.B. 1125	State Lottery		(2,647,800) 11/		2,540,000 11/
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 4/
281	S.B. 1271	Insurance Fraud Unit; Peace Officers			320,000	
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			\$0	(\$2,647,800)	\$15,991,080	\$7,990,000
<b>Forty-Third Legislature - First Special Session</b>						
1	H.B. 2001	General Appropriations		3,976,400 12/	436,357,000 13/	285,847,500 12/
2	H.B. 2002	Capital Outlay Appropriations			3,000,000 C	
SUBTOTAL APPROPRIATIONS - 1st SPECIAL SESSION			\$0	\$3,976,400	\$439,357,000	\$285,847,500
<b>Forty-Second Legislature - Seventh Special Session</b>						
6	S.B. 1002	Arizona Clean Air Act 14/			1,000,000 *	
<b>Forty-Second Legislature - Second Regular Session</b>						
337	H.B. 2354	Southwest Regional Corrections Facilities			0 15/	0 15/
365	S.B. 1071	Highway Fund; Distribution				850,000
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION			\$0	\$0	\$0	\$850,000
<b>Forty-Second Legislature - Fifth Special Session</b>						
2	H.B. 2002	Capital Outlay Appropriations			41,100,000 15/C	41,615,000 15/C*
7	H.B. 2001	1995-1996 Approp; Adjustments and Supp.			4,000,000	
SUBTOTAL APPROPRIATIONS - 5th SPECIAL SESSION			\$0	\$0	\$45,100,000	\$41,615,000
TOTAL APPROPRIATIONS			\$59,026,100	(\$16,645,700)	\$5,899,195,710	\$1,738,863,000

**SUMMARY OF APPROPRIATIONS  
By Individual Chapter  
For Fiscal Years 2000 and 2001 <sup>16/</sup>**

Chap. No.	Bill Number	Reference Title	Fiscal Year 2000		Fiscal Year 2001	
			General Fund	Other Funds	General Fund	Other Funds
<b>Forty-Third Legislature - Second Regular Session</b>						
129	H.B. 2505	Appropriation; Community Colleges; Benson	500,000 C			
148	S.B. 1151	Library Acquisitions; Preservation; Access; Approp.	200,000			
217	S.B. 1427	Air Quality Measures	500,000			
237	H.B. 2263	Appropriation; Anticancer Drug Discovery 17/		2,000,000		2,000,000 **
270	H.B. 2585	Fingerprinting	1,866,500			
300	S.B. 1326	Appropriation; Space Flight Centers	700,000 C			
	H.C.R. 2027	Growing Smarter			20,000,000 18/**	
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION			\$3,266,500	\$2,000,000	\$20,000,000	\$2,000,000
<b>Forty-Third Legislature - First Regular Session</b>						
208	S.B. 1006	Bonds; Greater Arizona Development Authority	9,000,000			
<b>Forty-Second Legislature - Seventh Special Session</b>						
6	S.B. 1002	Arizona Clean Air Act 14/	1,000,000		1,000,000 **	
<b>Forty-Second Legislature - Fifth Special Session</b>						
2	H.B. 2002	Capital Outlay Appropriations		520,000 C		
TOTAL APPROPRIATIONS			\$13,266,500	\$2,520,000	\$21,000,000	\$2,000,000

- C Designates a capital appropriation. All other appropriations are operating appropriations.
- \* Designates a bill with appropriations continuing beyond FY 1999.
- \*\* Designates a bill with appropriations continuing beyond FY 2001.
- 1/ For FY 1998, this table summarizes all appropriations enacted since the conclusion of the 1st Regular Session of the 43rd Legislature. For FY 1999, this table summarizes appropriations from the 2nd Regular Session of the 43rd Legislature, and all previous sessions.
- 2/ Chapter 131 appropriates \$500,000 from the Department of Commerce Housing Development Fund in FY 1998 and FY 1999. This same appropriation is made in Laws 1998, Chapter 1, 4th Special Session.
- 3/ Chapter 164 amends Laws 1998, Chapter 1, 3rd Special Session by changing the method of appropriation for Students' FIRST monies. Chapter 164 does not, however, change the cost of the Students' FIRST program in FY 1999. The Arizona Supreme Court ruled the Students FIRST legislation unconstitutional on June 16, 1998.
- 4/ Laws 1998, Chapter 221 repeals the appropriation made in Laws 1997, Chapter 269.
- 5/ Of the SB 1127 FY 1999 appropriation, \$8,600,000 is for capital projects.
- 6/ The \$40,000 appropriation is for the start-up costs of the new Board of Acupuncture Examiners. In addition to the required 10% of the board's license and fee monies that will be deposited to the General Fund, an additional 40% of licenses and fees will be deposited to the General Fund until the \$40,000 appropriation is repaid.
- 7/ JLBC Staff estimate of additional appropriations to the Board of Liquor Licenses and Control based upon provisions in Chapter 259.
- 8/ S.B. 1333 reappropriates a total of \$600,000 from Laws 1996, Chapter 315, Section 19 and Laws 1997, Chapter 1, 1st Special Session to DPS to establish and maintain an internet sex offender web site. Of the reappropriation, \$262,200 is reflected as a reduced appropriation in FY 1998 and \$337,800 is reflected as an increased reversionment.
- 9/ Laws 1998, Chapter 1, 4th Special Session contains \$10,889,600 in capital appropriations. Of this amount, Chapter 1 exappropriates \$2,207,600 from the DOC operating budget and reappropriates it for DOC capital improvements. The bill also reallocates \$1,225,000 from an existing DHS appropriation for ASH capital improvements, which will be offset by an increased reversionment.
- 10/ Laws 1997, Chapter 4 appropriated \$400,000 from the School Capital Equity Fund and continuously appropriated an estimated \$32,500,000 from the ABC Fund beginning in FY 1998. Laws 1998, Chapter 1, 3rd Special Session repealed the \$32,500,000 continuous appropriation. The Arizona Supreme Court ruled the Students FIRST legislation unconstitutional on June 16, 1998.
- 11/ Revised JLBC Staff estimates of additional appropriations to Lottery based on provisions in Chapter 214. The original estimates of \$3,922,800 in FY 1998 has been lowered by \$2,647,800. The FY 1999 amount has been revised from \$4,637,800 to \$2,540,000.
- 12/ The Other Fund appropriations estimates for the 1998 General Appropriation Act changed subsequent to the publication of the Appropriations Report. The FY 1998 changes include an increase of \$10,598,700 for the Universities and a decrease of \$6,622,300 for a revised Lottery forecast. For FY 1999, the bill contained \$10,975,000 OF for pay. In last year's Appropriations Report, the pay in the bill was assumed to be \$18,735,000. The revised FY 1999 estimate includes a decrease of \$7,760,000 from the amount reported last year to accurately reflect FY 1999 pay. The revised FY 1999 amount also reflects a \$8,705,000 decrease in the Lottery forecast.
- 13/ The General Fund appropriations estimates for the 1998 General Appropriation Act changed subsequent to the publication of the Appropriations Report. The bill contained \$62,000,000 GF for pay in FY 1999. In last year's Appropriations Report, the pay in the bill was assumed to be \$106,000,000 GF. The revised estimate includes a decrease of \$44,000,000 from the amount reported last year to accurately reflect FY 1999 pay.
- 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 lesser of \$1,000,000 or the Farm and Home deposit amount.
- 15/ As amended by Chapter 337, the Capital Outlay Bill appropriates \$41,100,000 from the General Fund to the Corrections Fund in FY 1999, which is further appropriated from the Corrections Fund. Both of these amounts are listed under the Capital Outlay Bill.
- 16/ For FY 2000 and FY 2001, this table summarizes appropriations from all sessions.
- 17/ Chapter 237 also appropriates \$1 million from the Health Research Account of the Tobacco Tax and Health Care Fund in FY 2002.
- 18/ This appropriation, which is contingent upon voter approval of the Growing Smarter ballot proposition, continues from FY 2001 to FY 2011. In addition, if the "Citizens Growth Management Act" initiative is approved by the voters, the Growing Smarter legislation will not be enacted and this appropriation will not be made.

## SUMMARY OF LINE ITEM VETOES For Laws 1998, 2nd Regular Session and Laws 1998, 4th Special Session

Chap. No.	Bill Number	Reference Title	Items Line Item Vetoed
<b>Forty-Third Legislature - Second Regular Session</b>			
226	S.B. 1127	Juveniles; Jails; Summer Youth; Appropriations	Sec. 3E & F: Appropriated \$2,600,000 in FY 2000, including \$2,100,000 to partially fund the County Jail Improvement Fund and \$500,000 to partially fund the State Aid to Detention Fund.
227	H.B. 2609	DD; Rate Structure; Implementation	Sec. 4B: Appropriated \$10,000,000 to DES' Division of Development Disabilities in FY 2000, including \$5,000,000 to continue the FY 1999 43 cent per hour pay increase for DD direct care employees and \$5,000,000 for an additional 43 cent per hour pay increase for DD direct care employees.
<b>Forty-Third Legislature - Fourth Special Session</b>			
2	H.B. 2001	General Appropriations	Sec. 8: A footnote stating that of the \$2,000,000 appropriated to DHS for psychotropic medications, \$50,000 shall be used for a study of the clinical status and level of functioning of patients before and after using atypical antipsychotic medications. Sec. 12: A footnote stating that the Universities shall deposit annually a minimum of \$1,000,000 in the University Performance Bonus Fund. The Board of Regents shall submit a proposed award methodology to the JLBC by July 1, 1998 that shall incorporate standards of educational quality and productivity.
7	H.B. 2002	Capital Outlay Appropriations	Sec. 2G(8): A footnote stating that any monies remaining in the Safety Enhancement and Transportation Infrastructure Fund after legislative appropriations have been distributed are appropriated in FY 1999 for the Nogales port of entry project.



**SUMMARY OF APPROPRIATED OPERATING FUNDS  
By Agency For Fiscal Years 1998 and 1999<sup>1/</sup>**

	Fiscal Year 1998			Fiscal Year 1999		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
<b>ANNUAL BUDGET UNITS</b>						
Administration, AZ Department of	\$27,920,100	\$119,395,900	\$147,316,000	\$26,381,400	\$133,489,400	\$159,870,800
AHCCCS	504,713,000	0	504,713,000	501,814,100	39,677,000	541,491,100
Community Colleges, St. Board of Directors for	120,757,700	246,500	121,004,200	121,490,000	148,900	121,638,900
Corrections, State Department of	459,907,700	26,775,400	486,683,100	518,704,100	14,767,500	533,471,600
Economic Security, Department of	409,640,900	302,060,800	711,701,700	422,831,000	303,885,000	726,716,000
Education, Department of	2,121,661,200	38,040,000	2,159,701,200	2,210,395,400	74,866,500	2,285,261,900
Health Services, Department of	230,719,800	16,370,800	247,090,600	232,855,700	37,824,400	270,680,100
Judiciary						
Court of Appeals	9,557,900	0	9,557,900	9,842,800	0	9,842,800
Superior Court	106,121,300	6,121,900	112,243,200	115,447,000	10,046,700	125,493,700
Supreme Court	13,702,500	8,381,400	22,083,900	15,037,100 2/	11,382,500 2/	26,419,600
SUBTOTAL - Judiciary	\$129,381,700	\$14,503,300	\$143,885,000	\$140,326,900	\$21,429,200	\$161,756,100
Juvenile Corrections, Department of	56,243,800	2,872,000	59,115,800	67,061,600	4,322,600	71,384,200
Transportation, Department of	578,000	224,391,500	224,969,500	579,600	267,857,800	268,437,400
Universities						
Arizona State University - Main	234,608,800	88,249,700	322,858,500	254,211,300	92,654,900	346,866,200
Arizona State University - East	6,995,000	2,680,200	9,675,200	10,283,200	2,680,200	12,963,400
Arizona State University - West	35,744,800	6,009,200	41,754,000	37,261,100	6,103,300	43,364,400
Northern Arizona University	97,288,600	26,641,000	123,929,600	101,603,800	26,641,000	128,244,800
Board of Regents	10,588,300	0	10,588,300	14,882,100	0	14,882,100
University of Arizona - Main	244,577,400	64,160,300	308,737,700	256,662,100	63,614,400	320,276,500
University of Arizona - Health Sciences Center	51,106,600	5,976,000	57,082,600	54,011,800	5,976,000	59,987,800
SUBTOTAL - Universities	\$680,909,500	\$193,716,400	\$874,625,900	\$728,915,400	\$197,669,800	\$926,585,200
<b>TOTAL - ANNUAL BUDGET UNITS</b>	<b>\$4,742,433,400</b>	<b>\$938,372,600</b>	<b>\$5,680,806,000</b>	<b>\$4,971,355,200</b>	<b>\$1,095,938,100</b>	<b>\$6,067,293,300</b>
<b>BIENNIAL BUDGET UNITS</b>						
Accountancy, State Board of	0	1,244,100	1,244,100	0	1,255,300	1,255,300
Acupuncture Examiners, Board of	0	0	0	40,000	0	40,000
Administrative Hearings, Office of	597,900	732,700	1,330,600	614,100	753,300	1,367,400
Agriculture, AZ Department of	11,242,100	2,137,700	13,379,800	11,484,200	2,177,600	13,661,800
Appraisal, State Board of	0	288,800	288,800	0	294,200	294,200
Arts, Arizona Commission on the	3,950,200	0	3,950,200	4,353,600	0	4,353,600
Attorney General - Department of Law	24,406,100	12,907,500	37,313,600	24,622,900	21,180,800	45,803,700
Auto Theft Authority	0	1,173,500	1,173,500	0	1,177,100	1,177,100
Banking Department, State	2,501,100	0	2,501,100	2,568,100	0	2,568,100
Barbers, Board of	0	158,600	158,600	0	162,900	162,900
Behavioral Health Examiners, Board of	0	394,300	394,300	0	394,600	394,600
Boxing Commission, AZ State	70,100	0	70,100	71,900	0	71,900
Building and Fire Safety, Department of	3,010,200	0	3,010,200	3,081,100	0	3,081,100
Charter Schools, State Board for	0	0	0	415,200	0	415,200
Chiropractic Examiners, State Board of	0	255,200	255,200	0	259,600	259,600
Commerce, Department of	14,918,900	3,070,400	17,989,300	20,703,600	2,991,800	23,695,400
Constitutional Defense Council	350,000	0	350,000	0	0	0
Contractors, Registrar of	0	5,949,800	5,949,800	0	6,979,000	6,979,000
Corporation Commission	5,730,100	10,082,500	15,812,600	5,843,700	10,660,700	16,504,400
Cosmetology, Board of	0	835,400	835,400	0	881,900	881,900
Criminal Justice Commission, Arizona	1,250,000	1,925,200	3,175,200	1,391,000	2,458,600	3,849,600
Deaf and the Blind, AZ State Schools for	17,566,900	6,449,300	24,016,200	18,095,100	6,420,800	24,515,900
Dental Examiners, State Board of	0	669,600	669,600	0	683,300	683,300
Drug & Gang Prevention Resource Center	0	205,200	205,200	0	207,500	207,500
Emergency & Military Affairs, Department of	14,078,200	847,700	14,925,900	11,260,100	47,700	11,307,800
Environmental Quality, Department of	32,434,500	20,185,200	52,619,700	34,853,400	18,573,500	53,426,900
Equal Opportunity, Governor's Office of	248,400	0	248,400	255,200	0	255,200
Equalization, State Board of	694,600	0	694,600	706,500	0	706,500
Executive Clemency, Board of	1,680,100	0	1,680,100	1,642,500	0	1,642,500
Exposition and State Fair Board, AZ	0	12,019,300	12,019,300	0	12,266,500	12,266,500
Funeral Directors and Embalmers, Board of	0	186,100	186,100	0	187,600	187,600
Game and Fish Department, AZ	0	20,724,100	20,724,100	0	20,910,200	20,910,200
Gaming, Department of	0	4,559,900	4,559,900	0	4,505,200	4,505,200
Geological Survey, Arizona	780,300	0	780,300	796,500	0	796,500
Government Information Technology Agency	10,100,000	9,308,100	19,408,100	11,000,000	6,891,900	17,891,900
Governor, Office of the	5,505,100	0	5,505,100	5,337,900	0	5,337,900
Gov's Ofc. of Management & Budgeting	3,223,400	500,000	3,723,400	3,308,900	500,000	3,808,900
Hearing Impaired, AZ Council for the	257,400	4,158,000	4,415,400	254,600	4,160,900	4,415,500
Historical Society, Arizona	4,288,500	0	4,288,500	4,607,300	0	4,607,300
Historical Society, Prescott	683,800	0	683,800	703,100	0	703,100
Homeopathic Medical Examiners, Board of	0	47,300	47,300	0	63,900	63,900
Indian Affairs, AZ Commission of	156,000	0	156,000	160,300	0	160,300
Industrial Commission of AZ	0	14,063,100	14,063,100	0	13,692,500	13,692,500
Insurance, Department of	4,786,500	0	4,786,500	5,404,700	0	5,404,700
Land Department, State	13,880,900	900,000	14,780,900	14,644,300	901,600	15,545,900
Law Enforcement Merit System Council	52,100	0	52,100	52,300	0	52,300
Legislature						
Auditor General	9,883,900	0	9,883,900	10,112,700	0	10,112,700
House of Representatives	8,931,900	0	8,931,900	9,612,700	0	9,612,700

	Fiscal Year 1998			Fiscal Year 1999		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Joint Legislative Budget Committee	2,165,900	0	2,165,900	2,223,600	0	2,223,600
Legislative Council	4,844,500 3/	0	4,844,500	4,037,000	0	4,037,000
Library, Archives & Public Records	6,197,200	15,000	6,212,200	6,546,300	0	6,546,300
Senate	6,263,700	0	6,263,700	6,401,200	0	6,401,200
<b>SUBTOTAL - Legislature</b>	<b>\$38,287,100</b>	<b>\$15,000</b>	<b>\$38,302,100</b>	<b>\$38,933,500</b>	<b>\$0</b>	<b>\$38,933,500</b>
Liquor Licenses & Control, Department of	2,728,600	0	2,728,600	2,848,600	233,500	3,082,100
Lottery Commission, AZ State	0	42,955,000	42,955,000	0	43,607,200	43,607,200
Medical Examiners, Board of	0	3,173,600	3,173,600	0	3,213,000	3,213,000
Medical Student Loans, Board of	286,200	19,400	305,600	239,000	77,400	316,400
Mine Inspector, State	1,045,000	0	1,045,000	1,037,000	0	1,037,000
Mines & Mineral Resources, Department of	732,400	0	732,400	760,000	0	760,000
Naturopathic Physician Examiners Board	0	110,700	110,700	0	116,400	116,400
Navigable Stream Adjudication Commission	209,700	0	209,700	144,700	0	144,700
Nursing, State Board of	0	1,573,600	1,573,600	0	1,649,200	1,649,200
Nursing Care Institution Administrators Board	0	123,100	123,100	0	124,300	124,300
Occupational Safety & Health Review Board	9,000	0	9,000	9,000	0	9,000
Occupational Therapy Examiners, Board of	0	106,900	106,900	0	106,800	106,800
Opticians, State Board of Dispensing	0	74,200	74,200	0	71,000	71,000
Optometry, State Board of	0	114,100	114,100	0	117,000	117,000
Osteopathic Examiners, AZ Board of	0	364,600	364,600	0	389,800	389,800
Parks Board, Arizona State	6,631,600	3,645,000	10,276,600	7,187,800	3,350,800	10,538,600
Personnel Board	385,800	0	385,800	359,100	0	359,100
Pharmacy, AZ State Board of	0	725,100	725,100	0	737,000	737,000
Physical Therapy Examiners, Board of	0	132,100	132,100	0	133,600	133,600
Pioneers' Home, AZ	4,220,700	661,900	4,882,600	4,181,600	549,700	4,731,300
Podiatry Examiners, State Board of	0	69,700	69,700	0	70,600	70,600
Postsecondary Education, Commission for	1,734,900	2,341,000	4,075,900	1,732,700	2,811,400	4,544,100
Private Postsecondary Education, Board for	0	165,500	165,500	0	169,400	169,400
Psychologist Examiners, State Board of	0	270,500	270,500	0	275,400	275,400
Public Safety, Department of	63,590,300	48,255,500	111,845,800	75,776,400	45,001,300	120,777,700
Racing, Arizona Department of	2,643,600	300,600	2,944,200	2,653,200	305,100	2,958,300
Radiation Regulatory Agency	1,604,200	110,800	1,715,000	1,622,400	113,200	1,735,600
Rangers' Pension, Arizona	10,800	0	10,800	11,100	0	11,100
Real Estate Department, State	2,955,200	0	2,955,200	3,010,100	0	3,010,100
Residential Utility Consumer Office	0	946,400	946,400	0	942,400	942,400
Respiratory Care Examiners, Board of	0	186,100	186,100	0	183,600	183,600
Retirement System, Arizona State	0	10,071,700	10,071,700	0	9,085,700	9,085,700
Revenue, Department of	55,352,100	1,387,500	56,739,600	56,722,000	1,405,700	58,127,700
School Capital Facilities, State Board for	0	30,400,000	30,400,000	0	0	0
School Facilities Board	200,000	0	200,000	313,200,000	0	313,200,000
Secretary of State	2,805,300	0	2,805,300	4,374,700	0	4,374,700
Structural Pest Control Commission	0	1,411,500	1,411,500	0	1,475,300	1,475,300
Tax Appeals, State Board of	292,000	0	292,000	289,500	0	289,500
Technical Registration, State Board of	10,000	821,600	831,600	0	934,300	934,300
Tourism, Office of	8,295,500	0	8,295,500	8,826,600	0	8,826,600
Treasurer, State	5,320,700	0	5,320,700	4,450,400	0	4,450,400
Uniform State Laws, Commission on	30,600	0	30,600	33,700	0	33,700
Veterans' Service Commission, AZ	964,900	9,650,400	10,615,300	1,005,100	8,551,300	9,556,400
Veterinary Medical Examining Board	0	240,200	240,200	0	240,800	240,800
Water Resources, Department of	16,779,200	75,000	16,854,200	19,994,400	80,000	20,074,400
Weights and Measures, Department of	1,845,300	418,700	2,264,000	1,705,300	745,100	2,450,400
<b>TOTAL - BIENNIAL BUDGET UNITS</b>	<b>\$397,414,100</b>	<b>\$296,895,600</b>	<b>\$694,309,700</b>	<b>\$739,380,000</b>	<b>\$268,507,800</b>	<b>\$1,007,887,800</b>
<b>OPERATING BUDGET TOTAL</b>	<b>\$5,139,847,500</b>	<b>\$1,235,268,200</b>	<b>\$6,375,115,700</b>	<b>\$5,710,735,200</b>	<b>\$1,364,445,900</b>	<b>\$7,075,181,100</b>
Unallocated Salary Adjustment	0	535,200	535,200	0	62,900	62,900
Unallocated CSA	300	4,300	4,600	0	0	0
Unallocated FY 1999 CSA	0	0	0	8,730,800	4,042,200	12,773,000
Highway Capital CSA	0	1,000	1,000	0	0	0
Unallocated Retiree Sick Leave	0	0	0	21,000	15,000	36,000
Santa Cruz County	0	0	0	400,000	0	400,000
<b>GRAND TOTAL</b>	<b>\$5,139,847,800</b>	<b>\$1,235,808,700</b>	<b>\$6,375,656,500</b>	<b>\$5,719,887,000</b>	<b>\$1,368,566,000</b>	<b>\$7,088,453,000</b>

- 1/ This table summarizes FY 1998 and FY 1999 operating appropriations from the 2nd 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 \$222,900 and the Other Fund appropriation of \$7,800 for the Classification Salary Adjustments has been added to the Supreme Court. This dollar amount will be allocated to each of the agencies in the Judiciary.
- 3/ Includes \$825,000 appropriated to legislative committees.



**SUMMARY OF THE CAPITAL OUTLAY BILL (CHAPTER 7, 4th Special Session)  
AND OTHER BILLS WITH CAPITAL OUTLAY APPROPRIATIONS I/**

	FY 1998		FY 1999		FY 2000	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>ARIZONA DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM</b>						
Administration, Arizona Department of						
ASPC-Tucson Security Improvements (Chapter 1, 4th Special Session)	2,207,600					
Building Renewal 2/ 3/			10,128,000	3,500,000		
State Health Laboratory (Chapter 1, 4th Special Session)		(14,800,000)				
Capitol Land Exchange (Chapter 128)			250,000			
Construct Capitol Mall Maintenance Compound			1,244,100			
Build-out New DJC Secure Care Complex (Ch. 1, 4th S.S. & Ch. 7, 4th S.S.) 4/	7,042,000			1,558,000		
Construct Public Alternative Fuel Station and Motor Pool Facility				1,671,100		
Construct ASPC-Lewis 5/				2,505,700		
Construct ASPC-Yuma 5/				190,000		
Prison Planning and Siting				2,000,000		
ASPC-Douglas Wastewater Treatment Project				5,290,000		
Subtotal - Arizona Department of Administration	\$9,249,600	(\$14,800,000)	\$11,622,100	\$16,714,800	\$0	\$0
Community Colleges, State Board of Directors for						
Cochise Community College District - Benson Campus (Chapter 129)			500,000		500,000	
Criminal Justice Commission, Arizona						
County Jail Expansion (Chapter 226)			2,000,000			
Deaf and the Blind, Schools for the						
Athletic Facilities Renovation			2,000,000			
Economic Security, Department of						
ATP-Tucson Land Study			25,000			
Navajo Nation Senior Citizen Centers (Chapter 222)			350,000			
Subtotal - Department of Economic Security	\$0	\$0	\$375,000	\$0	\$0	\$0
Education, Department of						
Space Flight Centers (Chapter 300)			500,000		700,000	
Exposition and State Fair Board, AZ						
Building Renewal 2/				963,800		
Game and Fish Department, AZ						
Building Renewal 2/				242,400		
Facilities Improvements				182,400		
Shooting Range Development				50,000		
Flagstaff Shooting Range				125,800		
Migratory Waterfowl Development				100,000		
Lease-Purchase Payoff				1,100,000		
Subtotal - AZ Game and Fish Department	\$0	\$0	\$0	\$1,800,600	\$0	\$0
Health Services, Department of						
SAMHC Building Renewal 2/				66,300		
Sexually Violent Persons Program - ASH (Chapter 1, 4th S.S.)	1,650,000					
Subtotal - Department of Health Services	\$1,650,000	\$0	\$0	\$66,300	\$0	\$0
Library and Archives, Department of						
Move Genealogy Archives			25,000			
Lottery Commission, Arizona State						
Building Renewal 2/				24,700		
Mohave County Airport Authority						
Laughlin/Bullhead International Airport Control Tower (Chapter 156)			250,000			
Supreme Court						
Juvenile Detention Center Construction (Chapter 226)			6,600,000			
Williams Gateway Airport Authority						
Roadway and Infrastructure Development				4,000,000		
SUBTOTAL - ADOA BUILDING SYSTEM	\$10,899,600	(\$14,800,000)	\$23,872,100	\$23,570,200	\$1,200,000	\$0
<b>ARIZONA BOARD OF REGENTS BUILDING SYSTEM</b>						
Building Renewal 2/			32,031,700			
Arizona State University						
ASU-East - Fire Alarms and Infrastructure Refurbishment			4,190,000			
SUBTOTAL - ABOR BUILDING SYSTEM	\$0	\$0	\$36,221,700	\$0	\$0	\$0
<b>ARIZONA DEPARTMENT OF TRANSPORTATION BUILDING SYSTEM</b>						
Building Renewal 2/				2,088,400		
Underground Storage Tank Upgrades				860,000		
Spreader Racks				1,045,000		
Southeast Regional MVD Service Center - Land Acquisition				900,000		
De-icer Building - Jacob's Lake				180,000		
Water Systems Improvements				800,000		
North Central Regional MVD Service Center				2,100,000		
Tucson Traffic Operations Center				500,000		
Highway Construction 6/ 8/				281,084,000		
Airport Planning and Development 7/				14,554,400		
Nogales Port-of-Entry				1,000,000		
SUBTOTAL - ADOT BUILDING SYSTEM	\$0	\$0	\$0	\$305,111,800	\$0	\$0
TOTAL - ALL BUILDING SYSTEMS	\$10,899,600	(\$14,800,000)	\$60,093,800	\$328,682,000	\$1,200,000	\$0

	FY 1998		FY 1999		FY 2000	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
ADVANCE APPROPRIATIONS 9/						
ASPC-Lewis			41,100,000	41,100,000		
ASU-East - Technology Center Renovation			3,000,000			
Old Capitol Renovation				515,000		520,000
SUBTOTAL - ADVANCE APPROPRIATIONS	\$0	\$0	\$44,100,000	\$41,615,000	\$0	\$520,000
GRAND TOTAL - ALL APPROPRIATIONS	\$10,899,600	(\$14,800,000)	\$104,193,800	\$370,297,000	\$1,200,000	\$520,000
SUMMARY OF CAPITAL APPROPRIATIONS BY SESSION						
Laws 1998, 2nd Regular Session	0	0	10,450,000	0	1,200,000	0
Laws 1998, 4th Special Session	10,899,600	(14,800,000)	49,643,800	328,682,000	0	0
Laws 1997, 1st Special Session	0	0	3,000,000	0	0	0
Laws 1996, 5th Special Session	0	0	41,100,000	41,615,000	0	520,000

- 1/ This table summarizes all Capital Appropriations for FY 1999 and FY 2000 from the 2nd Regular Session of the 43rd Legislature and all prior legislative sessions. The FY 1998 appropriates 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 100% of full funding. The Regents' formula and the State Highway Fund portion of ADOT's formula were also funded at 100% 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/ Chapter 1, 4th Special Session appropriates \$7,042,000 in FY 1998 and Chapter 7, 4th Special Session appropriates \$1,558,000 in FY 1999. Includes appropriations for project-specific FTE Positions, Personal Services, and Employee Related Expenditures.
- 5/ The monies appropriated for the construction of the ASPC-Lewis and ASPC-Yuma shall be considered state matching monies to any federal monies allocated to the projects. (Capital Outlay Bill Footnote)
- 6/ 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)
- 7/ 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)
- 8/ 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, 1998 for review. (Capital Outlay Bill footnote)
- 9/ Appropriations for FY 1999 and FY 2000 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 following table shows the total bonds outstanding, as of June 30, 1997; the required debt service payments for FY 1999; and the sources of the payments.

<u>Institution</u>	<u>Bonds Outstanding</u>	<u>FY 1999 Payment</u>	<u>Funding Source</u>
Arizona Board of Regents (ABOR)			
Arizona State University	\$256,656,000	\$22,424,000	Academic and Auxiliary Revenues
Northern Arizona University	157,530,000	11,717,600	Academic and Auxiliary Revenues
University of Arizona	375,270,000	24,242,800	Academic and Auxiliary Revenues
SUBTOTAL - ABOR	<u>\$789,456,000</u>	<u>\$58,384,400</u>	
Department of Transportation	652,500,000	46,059,000	State Highway Fund and Non-Appropriated Funds
Arizona Power Authority	79,105,000	5,416,300	Non-Appropriated Funds
<b>TOTAL</b>	<b><u>\$1,521,061,000</u></b>	<b><u>\$109,859,700</u></b>	

## 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, 1997: 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 1999 lease-purchase payment, which is included in the operating budgets for the various tenants<sup>1/</sup>; and 4) the General Fund, Other Appropriated Fund, and Non-Appropriated amounts for the FY 1999 payment.

<u>AZ Dept. of Administration</u>	<u>Original Issue</u>	<u>FY 1999 Payment</u>	<u>General Fund</u>	<u>Other Appropriated</u>	<u>Non- Appropriated<sup>1/</sup></u>
ENSCO (1991)	\$55,080,000	\$4,586,500	\$4,586,500	\$0	\$0
Revenue Building (1992)	26,919,000	2,131,000	2,126,300	0	0
DES Group Homes (1992)	3,420,500	272,400	178,500	0	93,900
16th Ave. Parking Garage (1992)	5,390,000	383,600	383,600	0	0
Courts Building (1992)	40,440,000	3,418,800	3,300,900	0	94,400
Historical Society Museum (1992)	13,665,000	1,255,600	1,255,200	0	0
ASDB Food Service (1992)	3,765,000	380,500	380,400	0	0
DES West (1992)	36,205,000	3,013,200	1,729,700	508,100	775,400
Tucson Office Building (1992)	22,365,000	2,166,700	1,555,800	293,900	341,600
Capital Center (1992)	20,845,000	1,726,800	1,199,200	452,000	81,100
Welcome Center (1992)	490,000	67,600	67,700	0	0
Distressed Properties (1992)	15,625,000	2,217,800	1,324,000	387,400	499,700
Game and Fish Offices (1993)	2,927,300	82,000	0	82,000	0
Records Management (1993)	2,441,900	183,000	182,900	0	0
Library for the Blind (1993)	1,405,100	106,000	106,000	0	0
ASDB H.S. & Auditorium (1993)	15,811,200	1,198,600	1,198,400	0	0
1616 West Adams (1993)	8,020,900	609,700	353,700	253,500	0
Tonto Natural Bridge (1993)	4,721,900	353,400	0	0	353,400
DOC 768 Beds (1994)	44,370,000	12,414,000	0	12,414,000	0
AHCCCS Buildings (1995)	12,000,000	1,656,100	1,656,100	0	16,900
<b>SUBTOTAL - ADOA</b>	<b>\$335,907,800</b>	<b>\$38,223,300</b>	<b>\$21,584,900</b>	<b>\$14,390,900</b>	<b>\$2,256,400</b>
<b>Industrial Commission Building</b>	<b>\$17,000,000</b>	<b>\$1,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,000,000</b>
<b>Universities</b>					
Arizona State University	67,120,000	5,722,000	4,934,100	0	787,900
Northern Arizona University	2,108,000	199,100	0	0	199,100
University of Arizona	75,153,300	7,727,600	0	0	7,727,600
<b>SUBTOTAL - UNIVERSITIES</b>	<b>\$144,381,300</b>	<b>\$13,648,700</b>	<b>\$4,934,100</b>	<b>\$0</b>	<b>\$8,714,600</b>
<b>TOTAL</b>	<b>\$497,289,100</b>	<b>\$52,872,000</b>	<b>\$26,519,000</b>	<b>\$14,390,900</b>	<b>\$11,971,000</b>

<sup>1/</sup> Non-appropriated funding sources do not appear in agency budgets



**SUMMARY OF ADDITIONAL APPROPRIATIONS <sup>1/</sup>**  
**(Other Than The General Appropriation Act and All Capital Outlay Appropriations)**  
**Enacted by the 43rd Legislature <sup>2/</sup>**

	Fiscal Year 1998		Fiscal Year 1999		Fiscal Year 2000	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>ANNUAL BUDGET UNITS</b>						
<b>Administration, AZ Department of</b>						
Ch. 158 (H.B. 2272) - Appropriations; Named Claimants	1,477,300					
Ch. 292 (S.B. 1354) - DOA Omnibus				100,000		
Subtotal - AZ Department of Administration	\$1,477,300	\$0	\$0	\$100,000	\$0	\$0
<b>AHCCCS</b>						
Ch. 4, 4th Special Session (S.B. 1008) - Children's Health Insurance Program				\$38,400,000		
<b>Economic Security, Department of</b>						
Ch. 161 (S.B. 1050) - Vulnerable Adults			698,400			
Ch. 208 (H.B. 2620) - Welfare to Work			1,700,000	21,525,900		
Ch. 226 (S.B. 1127) - Juveniles; Jails; Summer Youth; Appropriations			1,000,000			
Ch. 227 (H.B. 2609) - DD; Rate Structure; Implementation			5,000,000			
Ch. 276 (H.B. 2645) - Temporary Custody; Preliminary Protective Hearing			1,012,300			
Ch. 295 (S.B. 1065) - Healthy Families; Literacy; Health Start			3,000,000			
Subtotal - Department of Economic Security	\$0	\$0	\$12,410,700	\$21,525,900	\$0	\$0
<b>Education, Department of</b>						
Ch. 164 (S.B. 1120) - Education; Financing; Assistance; Conditional Repeal			240,000			
Ch. 166 (H.B. 2168) - Vocational Education; Adults; Expanded Year			600,000			
Ch. 167 (H.B. 2224) - ADM Calculation; Alternative			170,000			
Ch. 231 (H.B. 2130) - Parental Choice for Reading Success			1,000,000			
Ch. 295 (S.B. 1065) - Healthy Families; Literacy; Health Start			1,000,000			
Ch. 1, 3rd Special Session (H.B. 2003) - Students' First			47,180,000			
Subtotal - Department of Education	\$0	\$0	\$50,190,000	\$0	\$0	\$0
<b>Health Services, Department of</b>						
Ch. 136 (S.B. 1277) - Sexual Predators			792,000			
Ch. 237 (H.B. 2263) - Appropriation; Anticancer Drug Discovery				5,000,000		2,000,000 <sup>3/</sup>
Ch. 245 (H.B. 2354) - Alzheimer's Disease Research; Appropriation			1,000,000			
Ch. 4, 4th Special Session (S.B. 1008) - Children's Health Insurance Program				8,000,000		
Subtotal - Department of Health Services	\$0	\$0	\$1,792,000	\$13,000,000	\$0	\$2,000,000
<b>Judiciary</b>						
<b>Superior Court</b>						
Ch. 303 (S.B. 1175) - Domestic Violence			134,000			
<b>Supreme Court</b>						
Ch. 135 (S.B. 1133) - Covenant Marriages			10,000			
Ch. 151 (S.B. 1395) - Juvenile Offender; Notice to Schools			39,000			
Ch. 182 (S.B. 1378) - State Aid; Counties; Funds; Indigents			350,000			
Ch. 207 (H.B. 2618) - Appropriation; Elder Law Representation			100,000			
Ch. 276 (H.B. 2645) - Temporary Custody; Preliminary Protective Hearing			269,000			
Subtotal - Judiciary	\$0	\$0	\$902,000	\$0	\$0	\$0
<b>TOTAL - ANNUAL BUDGET UNITS</b>	<b>\$1,477,300</b>	<b>\$0</b>	<b>\$65,294,700</b>	<b>\$73,025,900</b>	<b>\$0</b>	<b>\$2,000,000</b>
<b>BIENNIAL BUDGET UNITS</b>						
<b>Acupuncture Examiners, Board of</b>						
Ch. 239 (H.B. 2271) - Acupuncture; Licensure			40,000 <sup>4/</sup>			
<b>Agriculture, Department of</b>						
Ch. 175 (S.B. 1051) - Ratite Slaughter Inspections; Appropriation			75,000			
<b>Attorney General - Department of Law</b>						
Ch. 276 (H.B. 2645) - Temporary Custody; Preliminary Protective Hearing			193,700			
<b>Commerce, Department of</b>						
Ch. 131 (H.B. 2022) - Appropriation Use; Housing Development				0 <sup>5/</sup>		0 <sup>5/</sup>
Ch. 221 (S.B. 1269) - Alternative Fuels				(5,000,000)		
Subtotal - Department of Commerce	\$0	\$0	\$0	(\$5,000,000)	\$0	\$0
<b>Criminal Justice Commission, Arizona</b>						
Ch. 147 (S.B. 1070) - Electronic; Internet Distribution; Child Pornography			75,000			
Ch. 303 (S.B. 1175) - Domestic Violence			66,000			
Subtotal - Arizona Criminal Justice Commission	\$0	\$0	\$141,000	\$0	\$0	\$0
<b>Emergency and Military Affairs, Department of</b>						
Ch. 201 (H.B. 2043) - Tuition; Military Reserve; National Guard			400,000			

	Fiscal Year 1998		Fiscal Year 1999		Fiscal Year 2000	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Environmental Quality, Department of</b>						
Ch. 181 (S.B. 1376) - Underground Storage Tank Program			460,000			
Ch. 217 (S.B. 1427) - Air Quality Program	125,000		1,700,000		500,000	
Ch. 298 (H.B. 2231) - DEQ; Sunset; Five Years			500,000			
Subtotal - Department of Environmental Quality	\$125,000	\$0	\$2,660,000	\$0	\$500,000	\$0
<b>Land Department</b>						
Ch. 204 (H.B. 2361) - Growing Smarter; Urban Planning			350,000			
Ch. 217 (S.B. 1427) - Air Quality Program			200,000			
Subtotal - Land Department	\$0	\$0	\$550,000	\$0	\$0	\$0
<b>Legislature</b>						
<b>Auditor General</b>						
Ch. 298 (H.B. 2231) - DEQ; Sunset; Five Years			5,000			
<b>Library, Archives, and Public Records, Department of</b>						
Ch. 148 (S.B. 1151) - Library Acquisitions; Preservation; Access; Appropriation			100,000		200,000	
Subtotal - Legislature	\$0	\$0	\$105,000	\$0	\$200,000	\$0
<b>Liquor Licenses and Control, Department of</b>						
Ch. 259 (H.B. 2442) - Liquor Licenses; Omnibus				233,500 <sup>6/</sup>		
<b>Parks Board, Arizona State</b>						
H.C.R. 2027 - Appropriation; Growing Smarter						
<b>Pioneers' Home, Arizona</b>						
Ch. 61 (S.B. 1087) - Pioneer's Home; Appropriation	1,968,200	(1,322,400)	1,864,600	(1,395,100)		
<b>Postsecondary Education, Commission for</b>						
Ch. 235 (H.B. 2193) - Commission for Postsecondary Education; Continuation				383,600		
<b>Public Safety, Department of</b>						
Ch. 179 (S.B. 1332) - Appropriation; Sex Offender Notification Employees			45,600			
Ch. 270 (H.B. 2585) - Fingerprinting					1,866,500	
Ch. 291 (S.B. 1333) - Sex Offenders; Registration	(262,200) <sup>8/</sup>		600,000 <sup>8/</sup>			
Subtotal - Department of Public Safety	(\$262,200)	\$0	\$645,600	\$0	\$1,866,500	\$0
<b>School Facilities Board</b>						
Ch. 1, 3rd Special Session (H.B. 2003) - Students' First	200,000		313,200,000			
<b>TOTAL - BIENNIAL BUDGET UNITS</b>	<b>\$2,031,000</b>	<b>(\$1,322,400)</b>	<b>\$319,874,900</b>	<b>(\$5,778,000)</b>	<b>\$2,566,500</b>	<b>\$0</b>
<b>OTHER ENTITIES</b>						
<b>Santa Cruz County</b>						
Ch. 226 (S.B. 1127) - Juveniles; Jails; Summer Youth; Appropriations			400,000			
<b>GRAND TOTAL</b>	<b>\$3,508,300</b>	<b>(\$1,322,400)</b>	<b>\$385,569,600</b>	<b>\$67,247,900</b>	<b>\$2,566,500</b>	<b>\$2,000,000</b>
<b>SUMMARY OF ADDITIONAL APPROPRIATIONS BY SESSION</b>						
Laws 1998, 2nd Regular Session	3,308,300	(1,322,400)	25,189,600	20,847,900	2,566,500	2,000,000
Laws 1998, 3rd Special Session	200,000		360,380,000			
Laws 1998, 4th Special Session				46,400,000		

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

2/ Represents Second Regular Session unless otherwise specified.

3/ Also appropriates \$2,000,000 in FY 2001 and \$1,000,000 in FY 2002.

4/ The \$40,000 GF appropriation is for the start-up and first-year operating costs of the new Board of Acupuncture Examiners. In addition to the required 10% of license and fee monies collected by the board being deposited to the General Fund, an additional 40% of licenses and fees will be deposited to the General Fund in FY 1999 until the \$40,000 appropriation is repaid.

5/ Chapter 131 appropriates \$500,000 from the Department of Commerce Housing Development Fund in FY 1998 and FY 1999. This same appropriation is made in Laws 1998, Chapter 1, 4th Special Session.

6/ JLBC Staff estimate of additional appropriations to the Board of Liquor Licenses and Control based upon provisions in Chapter 259.

7/ This appropriation, which is contingent upon voter approval of the Growing Smarter ballot proposition, appropriates \$20,000,000 per year from FY 2001 to FY 2011. In addition, if the "Citizens Growth Management Act" initiative is approved by the voters, the Growing Smarter legislation will not be enacted and this appropriation will not be made.

8/ Chapter 291 re-appropriates a total of \$600,000 from Laws 1996, Chapter 315, Section 19 and Laws 1997, Chapter 1, 1st Special Session to DPS to establish and maintain an internet sex offender web site. Of the re-appropriation, \$262,200 is reflected as a reduced appropriation in FY 1998 and \$337,800 is reflected as an increased reversion.

**SUMMARY OF TOTAL OPERATING SPENDING AUTHORITY  
(APPROPRIATED AND NON-APPROPRIATED FUNDS)  
For Fiscal Years 1998 and 1999**

	Fiscal Year 1998			Fiscal Year 1999		
	Non-Appropriated		Total	Non-Appropriated		Total
	Appropriated General and Other Funds	Appropriated Federal and Other Funds 1/		Appropriated General and Other Funds	Appropriated Federal and Other Funds 1/	
<b>ANNUAL BUDGET UNITS</b>						
Administration, AZ Department of AHCCCS	\$147,316,000	233,648,300	\$380,964,300	\$159,870,800	245,401,000	\$405,271,800
Community Colleges, St. Board of Directors for	504,713,000	1,371,057,000	1,875,770,000	541,491,100	1,430,187,000	1,971,678,100
Corrections, State Department of	121,004,200	240,000	121,244,200	121,638,900	240,000	121,878,900
Economic Security, Department of	486,683,100	27,445,700	514,128,800	533,471,600	22,941,300	556,412,900
Education, Department of	711,701,700	733,889,900	1,445,591,600	726,716,000	748,358,900	1,475,074,900
Health Services, Department of	2,159,701,200	497,997,500	2,657,698,700	2,285,261,900	487,436,000	2,772,697,900
Judiciary	247,090,600	359,164,900	606,255,500	270,680,100	343,880,600	614,560,700
Court of Appeals	9,557,900	0	9,557,900	9,842,800	0	9,842,800
Superior Court	112,243,200	0	112,243,200	125,493,700	0	125,493,700
Supreme Court	22,083,900	11,697,900	33,781,800	26,419,600	7,911,400	34,331,000
SUBTOTAL - Judiciary	\$143,885,000	\$11,697,900	\$155,582,900	\$161,756,100	\$7,911,400	\$169,667,500
Juvenile Corrections, Department of	59,115,800	2,115,600	61,231,400	71,384,200	2,172,000	73,556,200
Transportation, Department of	224,969,500	660,066,700	885,036,200	268,437,400	561,088,100	829,525,500
Universities						
Arizona State University - Main	322,858,500	224,481,800	547,340,300	346,866,200	243,700,600	590,566,800
Arizona State University - East	9,675,200	3,477,500	13,152,700	12,963,400	4,032,300	16,995,700
Arizona State University - West	41,754,000	3,352,500	45,106,500	43,364,400	3,504,300	46,868,700
Northern Arizona University	123,929,600	97,694,600	221,624,200	128,244,800	100,625,400	228,870,200
Board of Regents	10,588,300	1,996,000	12,584,300	14,882,100	1,482,700	16,364,800
University of Arizona - Main	308,737,700	586,250,800	894,988,500	320,276,500	600,759,500	921,036,000
University of Arizona - Health Sciences Center	57,082,600	102,379,400	159,462,000	59,987,800	104,304,900	164,292,700
SUBTOTAL - Universities	\$874,625,900	\$1,019,632,600	\$1,894,258,500	\$926,585,200	\$1,058,409,700	\$1,984,994,900
<b>TOTAL - ANNUAL BUDGET UNITS</b>	<b>\$5,680,806,000</b>	<b>\$4,916,956,100</b>	<b>\$10,597,762,100</b>	<b>\$6,067,293,300</b>	<b>\$4,908,026,000</b>	<b>\$10,975,319,300</b>
<b>BIENNIAL BUDGET UNITS</b>						
Accountancy, State Board of	1,244,100	0	1,244,100	1,255,300	0	1,255,300
Acupuncture Examiners, Board of	0	0	0	40,000	0	40,000
Administrative Hearings, Office of	1,330,600	0	1,330,600	1,367,400	0	1,367,400
Agriculture, AZ Department of	13,379,800	6,243,900	19,623,700	13,661,800	6,442,000	20,103,800
Appraisal, State Board of	288,800	0	288,800	294,200	0	294,200
Arts, Arizona Commission on the	3,950,200	1,557,600	5,507,800	4,353,600	1,507,600	5,861,200
Attorney General - Department of Law	37,313,600	10,968,700	48,282,300	45,803,700	11,115,900	56,919,600
Auto Theft Authority	1,173,500	0	1,173,500	1,177,100	0	1,177,100
Banking Department, State	2,501,100	350,900	2,852,000	2,568,100	154,600	2,722,700
Barbers, Board of	158,600	0	158,600	162,900	0	162,900
Behavioral Health Examiners, Board of	394,300	0	394,300	394,600	0	394,600
Boxing Commission, AZ State	70,100	0	70,100	71,900	0	71,900
Building and Fire Safety, Department of	3,010,200	372,600	3,382,800	3,081,100	368,500	3,449,600
Charter Schools, State Board for	0	0	0	415,200	0	415,200
Chiropractic Examiners, State Board of	255,200	0	255,200	259,600	0	259,600
Commerce, Department of	17,989,300	39,288,500	57,277,800	23,695,400	33,812,400	57,507,800
Compensation Fund, State	0	372,595,500	372,595,500	0	364,811,400	364,811,400
Constitutional Defense Council	350,000	0	350,000	0	0	0
Contractors, Registrar of	5,949,800	3,193,800	9,143,600	6,979,000	3,093,800	10,072,800
Corporation Commission	15,812,600	98,000	15,910,600	16,504,400	98,000	16,602,400
Cosmetology, Board of	835,400	0	835,400	881,900	0	881,900
Criminal Justice Commission, Arizona	3,175,200	12,499,000	15,674,200	3,849,600	12,499,000	16,348,600
Deaf and the Blind, AZ State Schools for	24,016,200	3,292,700	27,308,900	24,515,900	3,332,500	27,848,400
Dental Examiners, State Board of	669,600	0	669,600	683,300	0	683,300
Drug & Gang Prevention Resource Center	205,200	2,218,100	2,423,300	207,500	2,218,100	2,425,600
Emergency & Military Affairs, Department of	14,925,900	58,142,400	73,068,300	11,307,800	31,438,300	42,746,100
Environmental Quality, Department of	52,619,700	85,820,800	138,440,500	53,426,900	56,398,600	109,825,500
Equal Opportunity, Governor's Office of	248,400	58,100	306,500	255,200	58,100	313,300
Equalization, State Board of	694,600	0	694,600	706,500	0	706,500
Executive Clemency, Board of	1,680,100	0	1,680,100	1,642,500	0	1,642,500
Exposition and State Fair Board, AZ	12,019,300	400,000	12,419,300	12,266,500	400,000	12,666,500
Funeral Directors and Embalmers, Board of	186,100	0	186,100	187,600	0	187,600
Game and Fish Department, AZ	20,724,100	28,048,900	48,773,000	20,910,200	28,063,700	48,973,900
Gaming, Department of	4,559,900	0	4,559,900	4,505,200	0	4,505,200
Geological Survey, Arizona	780,300	240,800	1,021,100	796,500	241,800	1,038,300
Government Information Technology Agency	19,408,100	0	19,408,100	17,891,900	0	17,891,900
Governor, Office of the	5,505,100	9,803,200	15,308,300	5,337,900	9,803,200	15,141,100
Gov's Ofc. of Management & Budgeting	3,723,400	0	3,723,400	3,808,900	0	3,808,900
Hearing Impaired, AZ Council for the	4,415,400	57,500	4,472,900	4,415,500	57,500	4,473,000
Historical Society, Arizona	4,288,500	1,652,500	5,941,000	4,607,300	1,579,900	6,187,200
Historical Society, Prescott	683,800	898,500	1,582,300	703,100	910,100	1,613,200
Homeopathic Medical Examiners, Board of	47,300	0	47,300	63,900	0	63,900
Indian Affairs, AZ Commission of	156,000	12,500	168,500	160,300	13,000	173,300
Industrial Commission of AZ	14,063,100	19,101,600	33,164,700	13,692,500	19,516,000	33,208,500



	Fiscal Year 1998			Fiscal Year 1999		
	Appropriated	Non-	Total	Appropriated	Non-	Total
	General and Other Funds	Appropriated Federal and Other Funds 1/		General and Other Funds	Appropriated Federal and Other Funds 1/	
Insurance, Department of	4,786,500	31,185,300	35,971,800	5,404,700	14,206,600	19,611,300
Land Department, State	14,780,900	3,641,800	18,422,700	15,545,900	3,508,000	19,053,900
Law Enforcement Merit System Council	52,100	0	52,100	52,300	0	52,300
Legislature						
Auditor General	9,883,900	1,145,300	11,029,200	10,112,700	1,145,300	11,258,000
House of Representatives	8,931,900	0	8,931,900	9,612,700	0	9,612,700
Joint Legislative Budget Committee	2,165,900	0	2,165,900	2,223,600	0	2,223,600
Legislative Council	4,844,500 2/	0	4,844,500	4,037,000	0	4,037,000
Library, Archives & Public Records	6,212,200	2,003,000	8,215,200	6,546,300	1,923,700	8,470,000
Senate	6,263,700	0	6,263,700	6,401,200	0	6,401,200
SUBTOTAL - Legislature	\$38,302,100	\$3,148,300	\$41,450,400	\$38,933,500	\$3,069,000	\$42,002,500
Liquor Licenses & Control, Department of	2,728,600	346,500	3,075,100	3,082,100	348,700	3,430,800
Lottery Commission, AZ State	42,955,000	135,928,000	178,883,000	43,607,200	130,780,000	174,387,200
Medical Examiners, Board of	3,173,600	0	3,173,600	3,213,000	0	3,213,000
Medical Student Loans, Board of	305,600	0	305,600	316,400	0	316,400
Mine Inspector, State	1,045,000	265,000	1,310,000	1,037,000	265,000	1,302,000
Mines & Mineral Resources, Department of	732,400	81,200	813,600	760,000	68,700	828,700
Naturopathic Physician Examiners Board	110,700	0	110,700	116,400	0	116,400
Navigable Stream Adjudication Commission	209,700	0	209,700	144,700	0	144,700
Nursing, State Board of	1,573,600	436,700	2,010,300	1,649,200	436,700	2,085,900
Nursing Care Institution Administrators Board	123,100	0	123,100	124,300	0	124,300
Occupational Safety & Health Review Board	9,000	0	9,000	9,000	0	9,000
Occupational Therapy Examiners, Board of	106,900	0	106,900	106,800	0	106,800
Opticians, State Board of Dispensing	74,200	0	74,200	71,000	0	71,000
Optometry, State Board of	114,100	0	114,100	117,000	0	117,000
Osteopathic Examiners, AZ Board of	364,600	0	364,600	389,800	0	389,800
Parents Commission on Drug Educ. & Prev., AZ	0	2,000,000	2,000,000	0	2,000,000	2,000,000
Parks Board, Arizona State	10,276,600	25,727,600	36,004,200	10,538,600	21,590,600	32,129,200
Personnel Board	385,800	0	385,800	359,100	0	359,100
Pharmacy, AZ State Board of	725,100	0	725,100	737,000	0	737,000
Physical Therapy Examiners, Board of	132,100	0	132,100	133,600	0	133,600
Pioneers' Home, AZ	4,882,600	551,400	5,434,000	4,731,300	591,100	5,322,400
Podiatry Examiners, State Board of	69,700	0	69,700	70,600	0	70,600
Postsecondary Education, Commission for	4,075,900	0	4,075,900	4,544,100	0	4,544,100
Power Authority, Arizona	0	22,216,100	22,216,100	0	22,216,100	22,216,100
Private Postsecondary Education, Board for	165,500	53,000	218,500	169,400	53,000	222,400
Psychologist Examiners, State Board of	270,500	0	270,500	275,400	0	275,400
Public Safety, Department of	111,845,800	19,503,100	131,348,900	120,777,700	19,440,500	140,218,200
Public Safety Personnel Retirement System	0	1,564,000	1,564,000	0	1,617,000	1,617,000
Racing, Arizona Department of	2,944,200	1,754,800	4,699,000	2,958,300	1,736,300	4,694,600
Radiation Regulatory Agency	1,715,000	124,600	1,839,600	1,735,600	124,600	1,860,200
Rangers' Pension, Arizona	10,800	0	10,800	11,100	0	11,100
Real Estate Department, State	2,955,200	250,200	3,205,400	3,010,100	296,000	3,306,100
Residential Utility Consumer Office	946,400	0	946,400	942,400	0	942,400
Respiratory Care Examiners, Board of	186,100	0	186,100	183,600	0	183,600
Retirement System, Arizona State	10,071,700	15,586,500	25,658,200	9,085,700	15,586,500	24,672,200
Revenue, Department of	56,739,600	2,777,900	59,517,500	58,127,700	394,700	58,522,400
School Capital Facilities, State Board for	30,400,000	0	30,400,000	0	0	0
School Facilities Board	200,000	0	200,000	313,200,000	0	313,200,000
Secretary of State	2,805,300	123,000	2,928,300	4,374,700	127,000	4,501,700
Structural Pest Control Commission	1,411,500	97,000	1,508,500	1,475,300	97,000	1,572,300
Tax Appeals, State Board of	292,000	0	292,000	289,500	0	289,500
Technical Registration, State Board of	831,600	0	831,600	934,300	0	934,300
Tourism, Office of	8,295,500	295,000	8,590,500	8,826,600	275,000	9,101,600
Treasurer, State	5,320,700	0	5,320,700	4,450,400	0	4,450,400
Uniform State Laws, Commission on	30,600	0	30,600	33,700	0	33,700
Veterans' Service Commission, AZ	10,615,300	165,700	10,781,000	9,556,400	165,700	9,722,100
Veterinary Medical Examining Board	240,200	0	240,200	240,800	0	240,800
Water Resources, Department of	16,854,200	16,269,200	33,123,400	20,074,400	13,174,900	33,249,300
Weights and Measures, Department of	2,264,000	0	2,264,000	2,450,400	0	2,450,400
<b>TOTAL - BIENNIAL BUDGET UNITS</b>	<b>\$694,309,700</b>	<b>\$941,008,000</b>	<b>\$1,635,317,700</b>	<b>\$1,007,887,800</b>	<b>\$840,102,700</b>	<b>\$1,847,990,500</b>
<b>OPERATING BUDGET TOTAL</b>	<b>\$6,375,115,700</b>	<b>\$5,857,964,100</b>	<b>\$12,233,079,800</b>	<b>\$7,075,181,100</b>	<b>\$5,748,128,700</b>	<b>\$12,823,309,800</b>
Unallocated Salary Adjustment	535,200	0	535,200	62,900	0	62,900
Unallocated CSA	4,600	0	4,600	0	0	0
Unallocated FY 1999 CSA	0	0	0	12,773,000	0	12,773,000
Highway Capital CSA	1,000	0	1,000	0	0	0
Unallocated Retiree Sick Leave	0	0	0	36,000	0	36,000
Santa Cruz County	0	0	0	400,000	0	400,000
<b>GRAND TOTAL</b>	<b>\$6,375,656,500</b>	<b>\$5,857,964,100</b>	<b>\$12,233,620,600</b>	<b>\$7,088,453,000</b>	<b>\$5,748,128,700</b>	<b>\$12,836,581,700</b>

1/ The amounts shown are generally based on estimates published in the JLBC Staff's Non-Appropriated Fund Report (January 1998). The following updated information has been included: AHCCCS, Federal Funds - \$1,081,376,800 in FY 1998 and \$1,115,498,100 in FY 1999, and Tobacco Tax and Health Care Fund - Medical Services Stabilization Fund - \$8,000,000 in FY 1999; Department of Economic Security, Federal Grants - \$353,266,500 in FY 1999, and Long Term Care - \$172,800,300 in FY 1999.

2/ Includes \$825,000 appropriated to legislative committees.

**STATE PERSONNEL SUMMARY**  
**By Full-Time Equivalent Positions for Fiscal Years 1998 and 1999 <sup>1/</sup>**

	Fiscal Year 1998			Fiscal Year 1999		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
<b>MAJOR BUDGET UNITS</b>						
Administration, AZ Department of	400.7	580.3	981.0	409.7	514.3	924.0
Capital Outlay	4.0	22.0	26.0	4.0	20.0	24.0
AHCCCS 2/	1,074.8	0.0	1,074.8	1,097.9	28.3	1,126.2
Community Colleges, State Board of Directors for	10.0	3.0	13.0	10.0	3.0	13.0
Corrections, Department of	9,020.4	0.0	9,020.4	9,959.4	0.0	9,959.4
Economic Security, Department of 3/ 4/	2,570.2	1,147.0	3,717.2	2,627.2	1,130.9	3,758.1
Education, Department of	201.7	0.0	201.7	180.7	21.0	201.7
Health Services, Department of	1,161.1	36.0	1,197.1	1,273.1	44.5	1,317.6
Judiciary						0.0
Court of Appeals	137.5	0.0	137.5	138.5	0.0	138.5
Superior Court	181.0	8.0	189.0	181.0	42.1	223.1
Supreme Court 5/	164.8	17.5	182.3	169.8	17.5	187.3
SUBTOTAL - Judiciary	483.3	25.5	508.8	489.3	59.6	548.9
Juvenile Corrections, Department of	1,032.5	46.0	1,078.5	1,284.0	78.0	1,362.0
Transportation, Department of	2.0	3,681.0	3,683.0	2.0	3,886.0	3,888.0
Capital Outlay	0.0	665.0	665.0	0.0	665.0	665.0
Universities						
Board of Regents	28.1	0.0	28.1	29.4	0.0	29.4
ASU - Main Campus	5,519.4	0.0	5,519.4	5,832.4	0.0	5,832.4
ASU - East Campus	148.0	0.0	148.0	190.0	0.0	190.0
ASU - West Campus	640.9	0.0	640.9	646.2	0.0	646.2
Northern Arizona University	2,229.7	0.0	2,229.7	2,256.1	0.0	2,256.1
University of Arizona	5,431.0	0.0	5,431.0	5,459.0	0.0	5,459.0
U of A - Health Sciences Center	674.0	0.0	674.0	695.6	0.0	695.6
SUBTOTAL - Universities	14,671.1	0.0	14,671.1	15,108.7	0.0	15,108.7
<b>TOTAL - MAJOR BUDGET UNITS</b>	<b>30,631.8</b>	<b>6,205.8</b>	<b>36,837.6</b>	<b>32,446.0</b>	<b>6,450.6</b>	<b>38,896.6</b>
<b>BIENNIAL BUDGET UNITS</b>						
Accountancy, State Board of	0.0	10.0	10.0	0.0	10.0	10.0
Administrative Hearings, Office of	9.9	12.1	22.0	9.9	12.1	22.0
Agriculture, AZ Department of	241.3	43.0	284.3	248.1	43.0	291.1
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	385.5	170.6	556.1	370.5	300.1	670.6
Auto Theft Authority	0.0	2.0	2.0	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	68.5	0.0	68.5	68.5	0.0	68.5
Charter Schools, State Board for	0.0	0.0	0.0	6.0	0.0	6.0
Chiropractic Examiners, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Commerce, Department of	70.5	19.0	89.5	70.5	18.0	88.5
Constitutional Defense Council	0.0	0.0	0.0	0.0	0.0	0.0
Contractors, Registrar of	0.0	112.8	112.8	0.0	112.8	112.8
Corporation Commission	118.0	165.0	283.0	118.0	165.0	283.0
Cosmetology, Board of	0.0	17.5	17.5	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	362.8	174.1	536.9	365.8	174.1	539.9
Dental Examiners, State Board of	0.0	9.0	9.0	0.0	9.0	9.0
Drug & Gang Prevention Resource Ctr.	0.0	1.8	1.8	0.0	1.8	1.8
Emergency and Military Affairs, Department of 6/	68.0	0.0	68.0	68.0	0.0	68.0
Environmental Quality, Department of	247.4	230.2	477.6	247.4	234.0	481.4
Equal Opportunity, Governor's Office of	5.0	0.0	5.0	5.0	0.0	5.0
Equalization, State Board of	9.0	0.0	9.0	9.0	0.0	9.0
Executive Clemency, Board of 7/	36.0	0.0	36.0	33.0	0.0	33.0
Exposition and State Fair Board, Arizona	0.0	175.0	175.0	0.0	175.0	175.0
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	67.0	67.0	0.0	71.0	71.0
Geological Survey, AZ	13.3	0.0	13.3	13.3	0.0	13.3
Government Information Technology Agency	0.0	17.0	17.0	0.0	17.0	17.0
Governor's Office of Management and Budget	43.0	0.0	43.0	43.0	0.0	43.0
Hearing Impaired, AZ Council for the	5.0	4.0	9.0	5.0	4.0	9.0
Historical Society, Arizona	64.5	0.0	64.5	64.5	0.0	64.5
Historical Society, Prescott	17.0	0.0	17.0	17.0	0.0	17.0
Homeopathic Medical Examiners, Board of	0.0	0.5	0.5	0.0	1.0	1.0
Indian Affairs, AZ Commission of	3.0	0.0	3.0	3.0	0.0	3.0
Industrial Commission of AZ	0.0	277.0	277.0	0.0	278.0	278.0
Insurance, Department of	100.0	0.0	100.0	105.0	0.0	105.0
Land Department, State 8/	174.0	2.0	176.0	179.0	2.0	181.0
Law Enforcement Merit System Council	1.0	0.0	1.0	1.0	0.0	1.0
Legislature						
Auditor General	175.0	0.0	175.0	179.0	0.0	179.0
Joint Legislative Budget Committee	34.0	0.0	34.0	34.0	0.0	34.0
Legislative Council	53.5	0.0	53.5	55.0	0.0	55.0
Library, Archives and Public Records	120.1	0.0	120.1	122.1	0.0	122.1
SUBTOTAL - Legislature	382.6	0.0	382.6	390.1	0.0	390.1

	Fiscal Year 1998			Fiscal Year 1999		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Liquor Licenses & Control, Department of	44.0	0.0	44.0	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	44.5	44.5	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	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	2.0	2.0	0.0	2.0	2.0
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	27.7	27.7
Nursing Care Institution Administrators Board	0.0	1.7	1.7	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	146.5	39.5	186.0	171.5	39.5	211.0
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	2.0	2.0	0.0	2.0	2.0
Pioneers Home, AZ 9/	107.4	0.0	107.4	107.4	0.0	107.4
Podiatry Examiners, State Board of	0.0	1.0	1.0	0.0	1.0	1.0
Postsecondary Education, Commission for	2.0	3.0	5.0	2.0	4.0	6.0
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 10/	927.4	768.1	1,695.5	1,050.8	684.7	1,735.5
Racing, Arizona Department of	48.8	6.0	54.8	48.8	6.0	54.8
Radiation Regulatory Agency 5/	27.0	2.0	29.0	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	122.0	122.0	0.0	124.0	124.0
Revenue, Department of	1,237.0	18.0	1,255.0	1,237.0	18.0	1,255.0
School Capital Facilities, State Board for 11/	0.0	7.0	7.0	0.0	0.0	0.0
School Facilities Board 12/	9.0	0.0	9.0	9.0	0.0	9.0
Secretary of State	38.0	0.0	38.0	38.0	0.0	38.0
Structural Pest Control Commission	0.0	31.0	31.0	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	16.5	16.5
Tourism, Office of	22.0	0.0	22.0	22.0	0.0	22.0
Treasurer, State	36.0	0.0	36.0	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	214.7	0.0	214.7	214.7	0.0	214.7
Weights and Measures, Department of	34.0	6.0	40.0	36.5	7.0	43.5
TOTAL - BIENNIAL BUDGET UNITS	5,513.6	3,290.7	8,804.3	5,679.8	3,344.6	9,024.4
TOTAL APPROPRIATED FUNDS	36,145.4	9,496.5	45,641.9	38,125.8	9,795.2	47,921.0
TOTAL NON-APPROPRIATED FUNDS	0.0	17,082.5	17,082.5	0.0	16,040.3	16,040.3
GRAND TOTAL	36,145.4	26,579.0	62,724.4	38,125.8	25,835.5	63,961.3

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.

2/ FY 1999 Other Fund amount includes 14.3 FTE Positions appropriated by Laws 1998, 4th Special Session, Chapter 4.

3/ FY 1998 General Fund amount includes 29 FTE Positions appropriated by Laws 1997, 2nd Special Session, Chapter 3.

4/ Laws 1998, Chapter 161, appropriates General Fund money to DES for the hiring of 4 additional full-time adult protection services employees in FY 1999. These 4 positions are included in the FY 1999 GF amount.

5/ Includes 4 General Fund FTE Positions for the Commission on Judicial Conduct.

6/ 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 GF FTE Positions in DEMA and 4 GF FTE Positions in ARRA have been included in FY 1998 and FY 1999.

7/ Laws 1997, Chapter 134 reduced the number of board members from 7 to 5.

8/ Laws 1998, Chapter 204, appropriates 5 GF FTE Positions to the Land Department.

9/ Laws 1998, Chapter 61, eliminated 39 FTE Positions from the Miners Fund in both FY 1998 and FY 1999 and added 39 FTE Positions from the General Fund for FY 1998 and FY 1999.

10/ Laws 1998, Chapter 179, appropriates money to DPS to hire an administrative assistant. This position is included in the FY 1999 GF amount.

11/ The State Board for School Capital Facilities is eliminated beginning in FY 1999.

12/ Laws 1998, 3rd Special Session, Chapter 1 appropriates 9 FTE Positions for the School Facilities Board for FY 1998 and 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 1998, Chapter 2, 4<sup>th</sup> Special Session), along with the FY 1998 Supplemental Appropriation Act (Laws 1998, Chapter 1, 4<sup>th</sup> Special Session), provide direction with regard to several general provisions.

### General Provisions

**Salary Adjustments** — Laws 1997, Chapter 1, 1<sup>st</sup> Special Session (the FY 1998 General Appropriation Act) included state employee salary adjustments for both FY 1998 and FY 1999. This funding was provided as a lump sum in Section 107 of the bill. For FY 1999, this funding would annualize the cost of FY 1998 salary adjustments and fund a 2.5% merit adjustment on January 1, 1999. An individual merit pay adjustment shall not exceed 5% of an employee's salary. As part of the January 1999 adjustment, the Arizona Department of Administration (ADOA) is to increase the salary schedule for clerical pool employees by 2.5%. As described in more detail below, Chapter 1 also provided funding for classification salary adjustments (CSAs).

The FY 1999 funding for the merit salary adjustments of biennial agencies remains in the FY 1998 General Appropriation Act. (Biennial agencies received both their FY 1998 and FY 1999 appropriations in the FY 1998 legislation). The Joint Legislative Budget Committee (JLBC) Staff shall determine and ADOA shall allocate, to each biennial agency, an amount sufficient from the lump sum to implement these pay adjustments. For biennial agencies, these amounts may be found starting on page GP-14 in the FY 1998 Appropriations Report. For annual agencies, the FY 1999 amounts were built into each agency budget and are not listed separately.

The FY 1998 Supplemental Appropriation Act, however, removed the FY 1999 salary adjustment funding for the annual budget units from the FY 1998 legislation. That funding is now incorporated into each annual agency's appropriation in the FY 1999 General Appropriation Act. As a result, ADOA no longer needs to allocate these amounts from a lump sum appropriation. The original stipulations on the salary adjustments as contained in the FY 1998 legislation still apply to the monies transferred to the FY 1999 General Appropriation Act.

The following table summarizes the FY 1999 salary adjustment funding by statutory sources (the FY 1998 or FY 1999 General Appropriation Act) and by the particular salary adjustment. In total, the FY 1999 budget contains \$65.6 million from the General Fund and \$12.1 million from Other Funds for salary adjustments, including CSAs.

		<u>FY 1999 Salary Adjustment Funding</u>	
		<u>General Fund</u>	<u>Other Funds</u>
<b>FY 1998 General Appropriation Act <sup>1/</sup></b>			
7/1/98	Annualize FY 1998 Salary Increases	\$10,944,400	\$ 967,000
7/1/98	Annualize FY 1998 CSA Increases	759,400	246,000
1/1/99	2.5% Merit	<u>2,996,200</u>	<u>3,400,000</u>
	<b>Subtotal</b>	<b>\$14,700,000</b>	<b>\$4,613,000</b>
10/1/98	New Non-University CSAs	<u>9,733,000</u>	<u>4,050,000</u>
	<b>FY 1998 Act Total</b>	<b>\$24,433,000</b>	<b>\$8,663,000</b>
<b>FY 1999 General Appropriation Act <sup>2/ 3/</sup></b>			
7/1/98	Annualize FY 1998 Salary Increases	\$14,459,300	\$ 395,500
7/1/98	Annualize FY 1998 CSA Increases	3,909,700	558,900
10/1/98	New University CSAs	6,767,000	0
1/1/98	2.5% Merit	<u>16,069,000</u>	<u>2,497,600</u>
	<b>FY 1999 Act Total</b>	<b>\$41,205,000</b>	<b>\$3,452,000</b>
	<b>Statewide FY 1999 Total</b>	<b>\$65,638,000</b>	<b>\$12,115,000</b>
<u>1/</u>	Laws 1997, Chapter 1, 1 <sup>st</sup> Special Session, as modified by Laws 1998, Chapter 1, 4 <sup>th</sup> Special Session, Section 50.		
<u>2/</u>	Laws 1998, Chapter 2, 4 <sup>th</sup> Special Session, individual agency sections of the bill.		
<u>3/</u>	Amounts reflect estimates.		

### *Classification Salary Adjustments*

CSAs 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 from lump sum appropriations.

The FY 1998 General Appropriation Act originally included \$16.5 million from the General Fund and \$2.9 million from Other Funds for CSAs effective October 1, 1998. The FY 1998 Supplemental removed \$6.7 million for the University CSA from the FY 1998 legislation. This amount is now incorporated into the individual University appropriations in the FY 1999 General Appropriation Act. The FY 1998 Supplemental also increased the Other Fund appropriation from \$2.9 million to \$4.05 million.

The following table summarizes the allocation of the FY 1999 CSAs by personnel system.



**FY 1999 Classification Salary Adjustments**

(by Personnel System)

	<u>General Fund</u>	<u>Other Funds</u>
ADOA	\$8,730,800	\$4,042,200
Judiciary	222,900	7,800
DPS	779,300	0
Non-University Subtotal <sup>1/</sup>	\$9,733,000	\$4,050,000
Universities <sup>2/</sup>	6,767,000	0
<b>Total</b>	<b>\$16,500,000</b>	<b>\$4,050,000</b>

<sup>1/</sup> Laws 1997, Chapter 1, 1<sup>st</sup> Special Session, Section 107, as modified by Laws 1998, Chapter 1, 4<sup>th</sup> Special Session, Section 50.

<sup>2/</sup> Laws 1998, Chapter 2, 4<sup>th</sup> Special Session, individual University sections.

While the University CSA has been removed from the FY 1998 legislation, the Supplemental Appropriation Act specified that all provisions would continue to apply to the Arizona Board of Regents. Each of the 4 personnel systems reported its FY 1999 recommendations for the job classifications to receive adjustments to the JLBC. The recommendations included 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. The JLBC recommended delaying the review for Arizona State University - Main, East, and West Campuses until July 1998. The Committee gave a favorable review to the plans submitted by the Arizona Department of Administration, Judiciary, Department of Public Safety, University of Arizona, Northern Arizona University, and Arizona Board of Regents.

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, 1998, 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, 1999, unless the JLBC determines that additional classification salary adjustments are necessary.

**Retiree Accumulated Sick Leave** — Section 16 of the General Appropriation Act appropriates \$2,400,000, of which not more than \$2,000,000 shall be from the General Fund for FY 1999 Employee Related Expenditures (ERE) for state agencies. These monies are intended to provide funding for Retiree Accumulated Sick Leave (RASL) charges which agencies must pay into the RASL Fund, starting in FY 1999. The JLBC Staff shall determine and ADOA shall allocate to each agency or department an amount sufficient to increase each agency's ERE by 0.19% of its eligible Personal Services base. These amounts are in addition to .05% of Personal Services, which was built into the JLBC Staff recommended budgets for each annual agency. *(The agency detail of the General Fund amounts can be found starting on page GP-6, and Other Fund amounts starting on page GP-11. For a discussion of RASL, see page 6 in the Arizona Department of Administration section.)*

**Expenditure Reporting** — Section 19 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 used to implement budget reform legislation (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 20 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, 1999 for the first half of the fiscal year and by August 1, 1999 for the entire fiscal year to the Director of the JLBC, comparing the level of FTE Position usage in FY 1999 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 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.

**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 1998 participation. Health insurance amounts shall be transferred to the Special Employee Health Insurance Trust Fund. The FY 1999 appropriated medical and dental insurance amounts are as follows: General Fund \$99,573,400; Other Funds \$23,522,900; Total \$123,096,300. *(The agency detail of the General Fund amounts can be found starting on page GP-6, and Other Fund amounts starting on page GP-11.)*

**Employer Contribution Rates** — The following chart provides an estimate of employer contribution rates during FY 1999. Annual budget units have been funded at these rates in the FY 1999 General Appropriation Act. In comparison, the FY 1998 General Appropriation Act may have used different rates for the FY 1999 budgets of

biennial agencies (*see page GP-3 of the FY 1998 Appropriations Report*). Nonetheless, the biennial agencies will pay the latest rate for FY 1999. One exception is the employer share of state employee health insurance premiums. General Fund agencies will pay the amounts in the FY 1998 Appropriations Report. Other Fund agencies will pay the latest rate, but their total contribution is not to exceed the FY 1999 amounts identified in the FY 1998 Appropriations Report.

	FY 1999 Rate
Life Insurance (per FTE)	\$29.28
Unemployment Insurance	0.25%
Personnel Division Services	0.90
Disability (Non-State Retirement)	0.546
Information Technology Planning	0.15
<u>Federal Insurance Contributions Act (FICA)</u>	
Social Security (salary ≤ \$65,400)	6.20%
Medicare (no salary cap)	1.45
<u>State Retirement Systems</u>	
State Retirement (Includes Long Term Disability)	3.34%
Department of Corrections	5.84
Department of Juvenile Corrections	6.98
Elected Officials	0.00
Liquor License	5.69
Department of Public Safety *	6.68
Northern Arizona University Police	4.05
University of Arizona Police	4.01
Arizona State University Police	4.79
Game and Fish Department	13.31
DEMA Firefighters	5.47
Attorney General Investigators	6.52
ADOA Capitol Police	6.77
* Plus 5% member contributions paid by employer	

**Workers' Compensation** — The rates vary by individual agency. Agency budgets include the Workers' Compensation rates recommended by the ADOA Risk Management section. *(For a discussion of Workers' Compensation Fund balances, see page 13 in the Arizona Department of Administration section.)*

**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-15 and GP-17)*

**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-18. For a discussion of COSF balances, see page 9 in the Arizona Department of Administration section.)* For FY 1999, the rates applied per square foot for state-owned space are Office, \$13.00; Storage, \$4.50.

These rates are expected to generate the deposit of \$10,663,500 in FY 1999 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 section.)*

**Biennial Appropriations** — The General Appropriation Act appropriated a FY 1999 amount only to agencies defined by A.R.S. § 35-101 as "Major Budget Units." The Major Budget Units for FY 1999 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. Other agencies received both FY 1998 and FY 1999 appropriations in the last year's General Appropriation Act, as modified by this year's Supplemental Appropriation Act. The Major Budget Units will move to a biennial budget cycle starting in FY 2000.

**Program Authorization Review** — Laws 1996, Chapter 339 required 36 programs and subprograms in 18 state agencies to undergo a Program Authorization Review (PAR). The individual agency sections of this report include a discussion of the PAR if it substantially affected the agency's budget. *(Please refer to page GP-28 for a summary of the 1998 PAR reviews.)*



## HEALTH INSURANCE AND RETIREE ACCUMULATED SICK LEAVE ALLOCATIONS

### GENERAL FUND

	Health Insurance 1/		Retiree Sick Leave 2/
	Medical Insurance	Dental Insurance	Employee Related Expenditures
<b>ANNUAL BUDGET UNITS</b>			
<b>Administration, Arizona Department of</b>			
Administration	\$98,600	\$6,300	\$1,900
Governor's Regulatory Review Committee*	19,200	1,200	400
Capitol Police*	147,900	9,400	1,800
Finance	306,400	19,500	5,500
General Services	532,800	33,900	5,900
Total - AZ Dept of Administration	\$1,104,900	\$70,300	\$15,500
<b>AHCCCS</b>			
Administration	1,426,500	91,500	20,200
Indian Advisory Council*	5,400	300	100
DES - Eligibility*	1,390,500	89,200	17,300
DES - DDSA*	3,200	200	100
DES - PASARR*	1,300	100	0
DHS - Licensure*	32,200	2,100	500
DHS - PASARR*	500	0	0
Total - AHCCCS	\$2,859,600	\$183,400	\$38,200
<b>Community Colleges, State Board of Directors for</b>			
Corrections, State Department of	18,500	2,200	700
<b>Prison Operations</b>			
Administration	21,132,400	1,460,700	305,500
Administration	1,386,400	95,900	24,200
Inmate Health Services	2,047,700	141,500	45,400
Office of the Director	84,600	5,800	1,900
Total - Dept of Corrections	\$24,651,100	\$1,703,900	\$377,000
<b>Economic Security, Department of</b>			
Administration	573,300	40,000	12,700
Attorney General Legal Services*	14,800	1,000	400
EBT Welfare Reform*	11,300	800	200
Finger Imaging*	7,500	500	100
Aging and Community Services	213,200	14,900	4,100
LTC Ombudsman*	0	0	0
Child Support Enforcement	5,000	300	100
Attorney General Legal Services*	94,600	6,600	0
Children Youth and Families	1,639,400	114,400	29,000
Attorney General Legal Services*	125,900	8,800	3,300
CPS Appeals*	17,600	1,200	300
Family Builders*	5,000	300	100
Videotaping*	5,000	300	100
Employment and Rehabilitative Services	462,100	32,200	7,000
Benefits and Medical Eligibility	1,865,400	130,100	27,900
Long Term Care	163,500	11,400	3,000
Case Management*	199,800	13,900	3,300
Home and Community Based Services*	33,100	2,300	700
Institutional Services*	38,600	2,700	600
Medical Services*	13,300	900	400
AZ Training Program at Coolidge*	243,300	17,000	2,600
AZ Training Program at Tucson*	0	0	0
Developmental Disabilities	254,300	17,700	3,900
Case Management*	122,100	8,500	1,600
Home and Community Based Services*	96,600	6,700	1,900
AZ Training Program at Coolidge*	389,500	27,200	5,600
Total - Dept of Economic Security	\$6,594,200	\$459,700	\$108,900
<b>Education, Department of</b>			
State Board of Education	5,000	400	100
General Services Administration	274,300	20,400	6,000
Charter Schools Administration*	10,100	800	200
Achievement Testing*	7,600	600	100
Special Education Audit*	6,300	500	100
Assistance to Schools	14,600	1,100	300
Adult Education Assistance*	5,000	400	100
Arizona Teacher Evaluation*	2,500	200	100
Career Ladder Administration*	7,600	600	100
Chemical Abuse*	0	0	0

	Health Insurance 1/		Retiree Sick Leave 2/
	Medical Insurance	Dental Insurance	Employee Related Expenditures
Gifted Support*	5,000	400	100
School Report Cards*	7,600	600	100
Special Education & Residential Voucher Fund*	2,500	200	100
State Block Grant--Early Childhood*	14,400	1,100	200
State Block Grant--Vocational Education*	86,500	6,400	1,700
Total - Department of Education	\$449,000	\$33,700	\$9,300
Health Services, Department of			
Administration	559,200	38,100	10,300
Assurance & Licensure*	282,400	19,200	4,600
Behavioral Health Services	169,400	11,500	2,200
Psychiatric Review Board*	5,000	300	100
Arizona State Hospital	1,313,300	89,400	20,500
Sexually Violent Persons*	188,200	12,800	2,300
Public Health	314,000	21,400	5,100
Laboratory Services*	141,800	9,600	2,300
Family Health	167,100	11,400	2,800
Total - Dept of Health Services	\$3,140,400	\$213,700	\$50,200
Judiciary			
Court of Appeals			
Division I	245,700	20,300	7,800
Division II	84,500	7,900	2,900
Subtotal - Court of Appeals	\$330,200	\$28,200	\$10,700
Superior Court			
Operating	306,700	26,500	10,500
Adult Intensive Probation*	18,400	1,600	17,700
Adult Standard Probation*	16,100	1,400	21,700
Child Support Enforcement*	18,400	1,600	500
Community Punishment*	6,900	600	2,600
Interstate Compact*	6,900	600	1,200
Juvenile Intensive Probation*	16,100	1,400	8,500
Juvenile Standard Probation*	2,300	200	6,500
Juvenile Treatment Services*	23,000	2,000	2,000
Progressively Increasing Consequences*	2,300	200	5,400
Subtotal - Superior Court	\$417,100	\$36,100	\$76,600
Supreme Court			
Judicial and Administrative	281,600	24,300	7,700
Commission on Judicial Conduct*	11,500	1,000	300
Judicial Performance Review*	6,900	600	300
Foster Care Review Board	85,100	7,400	1,800
Subtotal - Supreme Court	\$385,100	\$33,300	\$10,100
Total - Judiciary	\$1,132,400	\$97,600	\$97,400
Juvenile Corrections, Department of			
Administration	197,500	13,100	4,200
Community Care	205,000	13,600	3,600
Education	142,800	9,500	2,900
Secure Care	2,382,500	157,700	35,300
Rincon Beds*	218,800	14,500	1,600
Total - Dept of Juvenile Corrections	\$3,146,600	\$208,400	\$47,600
Transportation, Department of			
Highways	5,500	400	100
Universities			
Board of Regents	80,100	4,800	2,100
Faculty Teaching Incentive Fund*	0	0	0
ASU - Main Campus	11,718,900	875,700	305,100
ASU - East Campus	406,200	30,400	10,700
ASU - West Campus	1,359,900	101,600	31,900
Northern Arizona University	5,340,300	450,900	102,200
NAU - Yuma *	106,600	9,000	1,900
University of Arizona - Main Campus	8,518,800	638,300	243,700
Agriculture*	2,001,600	136,600	41,000
Sierra Vista Campus*	90,400	6,900	2,000
Pima County Campus*	55,700	4,200	1,500
U of A - Health Sciences Center	1,525,900	99,500	49,400
AHSC Telemedicine Network *	10,000	800	400
Clinical Rural Rotations*	16,300	1,200	400

	Health Insurance 1/		Retiree Sick Leave 2/
	Medical Insurance	Dental Insurance	Employee Related Expenditures
Clinical Teaching Support *	443,900	33,800	0
Liver Research Institute	18,100	1,400	600
Total - Universities	\$31,692,700	\$2,395,100	\$792,900
<b>TOTAL - ANNUAL BUDGET UNITS</b>	<b>\$74,794,900</b>	<b>\$5,368,400</b>	<b>\$1,537,800</b>
<b>BIENNIAL BUDGET UNITS</b>			
Administrative Hearings, Office of Agriculture, AZ Department of	\$28,400	\$2,200	\$800
Administration	90,900	5,200	2,000
Consultation & Training*	5,400	300	100
Animal Services	239,700	13,800	4,700
Agricultural Lab	51,100	2,900	1,100
Chemical/Environmental	32,300	1,900	600
Plant Industries	248,000	14,300	4,900
Total - AZ Dept of Agriculture	\$667,400	\$38,400	\$13,400
Arts, Arizona Commission on the	33,700	1,900	700
Attorney General - Department of Law			
Administration	152,000	9,600	4,400
Civil	313,400	19,800	10,900
Civil Rights	106,400	6,700	2,500
Criminal	359,600	22,800	13,400
State Grand Jury*	0	0	0
Total - Attorney General - Dept of Law	\$931,400	\$58,900	\$31,200
Banking Department, State	141,600	8,500	3,400
Boxing Commission, AZ State	6,200	600	100
Building & Fire Safety, Department of	192,500	9,600	3,800
Charter Schools, State Board for	15,100	1,100	300
Commerce, Department of			
Operating	142,400	8,800	4,700
Motion Picture Development*	13,900	900	500
Rural Tourism Development*	2,300	100	100
Special Needs Housing*	2,300	100	100
CEDC Fund Operating			
Senior Living Office*	2,300	100	100
Total - Dept of Commerce	\$163,200	\$10,000	\$5,500
Corporation Commission			
Administration/Hearings	65,000	3,900	2,200
Corporations	135,600	31,800	2,000
Securities	97,200	5,800	2,700
Railroad Safety	21,600	1,300	500
Total - Corporation Commission	\$319,400	\$42,800	\$7,400
Deaf and the Blind, AZ State Schools for the			
Phoenix Day School	173,500	9,400	4,000
Tucson Campus	524,200	28,500	11,900
Administration/Statewide Programs	201,600	11,000	5,500
Total - Schools for the Deaf and the Blind	\$899,300	\$48,900	\$21,400
Emergency & Military Affairs, Department of			
Emergency Management	29,600	1,900	800
Nuclear Emergency Management*	8,900	600	
Military Affairs	95,900	6,300	2,600
Total - Dept of Emergency & Military Affairs	\$134,400	\$8,800	\$3,400
Environmental Quality, Department of	606,000	33,100	15,100
Aquifer Protection Permit Program*	45,100	2,500	1,000
Total - Dept of Environmental Quality	\$651,100	\$35,600	\$16,100
Equal Opportunity, Governor's Office of	7,800	600	300
Equalization, State Board of	18,300	1,500	600
Executive Clemency, Board of	83,900	5,100	1,900
Geological Survey, AZ	25,500	2,000	900
Governor, Office of the	158,400	10,900	6,100
Gov's Ofc. of Management and Budget			
Office for Excellence in Government	46,300	3,200	1,900
Gov's Ofc. of Strategic Planning & Budgeting	58,500	4,000	2,400
Total - Office of Management and Budget	\$104,800	\$7,200	\$4,300
Hearing Impaired, AZ Council for the	14,400	700	300
Historical Society, Arizona	91,500	5,300	2,500
Papago Park Museum *	52,500	3,000	1,200
Total - Arizona Historical Society	\$144,000	\$8,300	\$3,700

	Health Insurance 1/		Retiree Sick Leave 2/
	Medical Insurance	Dental Insurance	Employee Related Expenditures
Historical Society, Prescott	59,400	3,400	900
Indian Affairs, AZ Commission of	6,200	100	200
Insurance, Department of	219,100	10,900	5,000
Fraud Unit*	39,400	2,000	1,100
Total - Department of Insurance	\$258,500	\$12,900	\$6,100
Land Department, State	478,300	30,900	11,100
Streambed Ownership*			100
Total - State Land Department	478,300	30,900	11,200
Law Enforcement Merit System Council	4,100	400	100
Legislature			
Auditor General	451,300	29,000	13,600
House of Representatives	498,900	38,400	11,500
Joint Legislative Budget Committee	90,300	4,300	3,100
Legislative Council	139,300	9,200	4,300
Ombudsman*	13,900	900	400
Library, Archives and Public Records	298,000	16,800	6,100
Senate	328,900	24,500	8,400
Total - Legislature	\$1,820,600	\$123,100	\$47,400
Liquor Licenses & Control, Department of	121,800	7,400	1,000
Mine Inspector, State	35,900	1,700	1,100
Mined Land Reclamation*	4,200	200	100
Total - State Mine Inspector	\$40,100	\$1,900	\$1,200
Mines and Mineral Resources, Department of	22,300	2,300	500
Navigable Stream Adjudication Commission	6,100	200	100
Parks Board, Arizona State	417,300	19,800	7,600
Kartchner Caverns Operating*	74,400	3,500	0
Total - Arizona State Parks Board	\$491,700	\$23,300	\$7,600
Personnel Board	6,100	100	200
Pioneers' Home, AZ	369,600	26,500	5,100
Postsecondary Education, Commission for	1,500	200	100
Public Safety, Department of			
Agency Support	992,000	58,300	24,300
Criminal Investigations Bureau	737,400	43,300	20,200
GITEM*	219,500	12,900	5,600
Criminal Justice Support	719,200	42,200	18,200
Sex Offender Notification*	3,200	200	100
Director's Office	322,800	19,000	8,000
Licensing	0	0	1,300
AFIN	0	0	300
Highway Patrol Bureau	2,392,400	140,500	63,100
Total - Dept of Public Safety	\$5,386,500	\$316,400	\$141,100
Racing, Arizona Department of			
Commercial	137,900	7,300	3,000
Total - Arizona Department of Racing	\$137,900	\$7,300	\$3,000
Radiation Regulatory Agency	65,200	3,600	1,500
Nuclear Emergency Management Fund*	11,300	600	0
Total - Radiation Regulatory Agency	\$76,500	\$4,200	\$1,500
Real Estate Department, State	158,900	7,800	3,700
Revenue, Department of			
Director's Office	36,100	1,900	1,300
Administrative Services	229,400	12,400	3,900
Property Valuation & Equalization	195,900	10,600	4,200
Building Permits Database*	18,000	1,000	300
Special Support	118,500	6,400	2,900
Compliance	1,502,300	81,000	29,100
Taxpayer Support	363,700	19,600	5,800
Data Management	649,900	35,000	12,700
Total - Dept of Revenue	\$3,113,800	\$167,900	\$60,200
School Facilities Board	16,400	1,400	0
Secretary of State	75,100	2,900	1,800
Elections*	17,500	700	400
Total - Secretary of State	\$92,600	\$3,600	\$2,200
Tax Appeals, State Board of	8,100	700	300
Tourism, Office of	40,500	2,300	1,300
Welcome Center Operations *	9,000	500	200
Total - Office of Tourism	\$49,500	\$2,800	\$1,500
Treasurer, State	119,100	8,100	2,600

	Health Insurance 1/		Retiree Sick Leave 2/
	Medical Insurance	Dental Insurance	Employee Related Expenditures
Veterans' Service Commission, AZ			
Veterans' Services and Administration	59,200	3,500	1,100
Water Resources, Department of			
Administrative Support	153,600	9,300	4,100
Indian Water Rights*	2,700	200	100
Hydrology	102,600	6,200	2,600
Groundwater Management	169,500	10,300	3,900
Surface Water Management	148,400	9,000	4,000
USGS*	2,700	200	0
Total - Dept of Water Resources	\$579,500	\$35,200	\$14,700
Weights and Measures, Department of			
General Services	82,100	4,000	1,600
Vapor Recovery	20,500	1,000	400
Total - Department of Weights and Measures	\$102,600	\$5,000	\$2,000
TOTAL - BIENNIAL BUDGET UNITS	\$18,311,300	\$1,098,800	\$441,200
UNALLOCATED AMOUNTS	\$0	\$0	\$21,000
TOTAL ADJUSTMENTS	\$93,106,200	\$6,467,200	\$2,000,000

\* Denotes Special Line Item.

1/ Medical and dental insurance amounts are appropriated in the individual agency sections of the FY 1998 General Appropriation Act (Laws 1997, Chapter 1, 1st Special Session, as modified by Laws 1998 Chapter 1, 4th Special Session) and the FY 1999 General Appropriation Act (Laws 1998 Chapter 2, 4th Special Session). Pursuant to A.R.S. 38-654, the Joint Legislative Budget Committee (JLBC) Staff annually identifies amounts in state agency appropriations for the payment of employee medical and dental insurance. These amounts are transferred from agency appropriations to the Special Employee Health Insurance Trust Fund. Amounts from capital appropriations and non-appropriated funds are transferred based on actual usage.

2/ Section 16 of the General Appropriation Act appropriates \$2,400,000 in FY 1999, of which not more than \$2,000,000 shall be from the General Fund, for Employee Related Expenditures. In accordance with Section 16, the JLBC Staff has determined amounts projected to equal a total of 0.19% of each agency's eligible Personal Services appropriation. These amounts will be allocated to agencies by the Arizona Department of Administration for payment into the Retiree Accumulated Sick Leave Fund. This list excludes amounts appropriated in individual agency sections of the bill.

### 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%.



# HEALTH INSURANCE AND RETIREE ACCUMULATED SICK LEAVE ALLOCATIONS

## OTHER FUNDS

	Health Insurance 1/		Retiree Sick Leave 2/
	Medical Insurance	Dental Insurance	Employee Related Expenditures
<b>ANNUAL BUDGET UNITS</b>			
<b>Administration, AZ Department of</b>			
Administration - COSF	\$6,200	\$400	\$100
Administration - Corrections Fund	6,200	400	100
General Services - COSF	78,700	5,000	1,500
General Services - Corrections Fund	19,900	1,300	400
Motor Pool*	52,000	3,300	700
Operations & Maintenance*	41,100	2,600	500
Information Services	567,000	36,000	10,800
Risk Management	178,000	11,300	3,000
Attorney General Defense - Risk Management*	0	0	5,700
Workers' Compensation	49,300	3,100	700
Attorney General Defense - Workers' Comp*	0	0	200
Human Resources	332,800	21,200	5,800
Health Insurance and Wellness*	58,900	3,700	900
Total - AZ Department of Administration	\$1,390,100	\$88,300	\$30,400
<b>AHCCCS</b>			
Administration - Healthcare Group*	\$37,600	\$2,400	\$600
Community Colleges, State Board of Directors for	5,600	700	100
<b>Economic Security, Department of</b>			
Administration	238,200	16,600	4,700
Attorney General Legal Services*	11,300	700	200
EBT Welfare Reform*	2,500	200	100
Finger Imaging*	3,800	300	100
Public Assistance Collections*	17,500	1,300	300
Aging and Community Services	10,300	700	200
Child Support Enforcement	503,100	35,100	7,000
Attorney General Legal Services*	183,800	12,800	1,700
Children Youth and Families	292,000	20,400	5,700
Child Abuse Prevention	2,500	200	
Employment and Rehabilitative Services	522,200	36,400	8,300
Benefits and Medical Eligibility	1,104,200	77,000	17,500
Total - Department of Economic Security	\$2,891,400	\$201,700	\$45,800
<b>Education, Department of</b>			
General Services Administration			
Teacher Certification*	\$53,000	\$3,900	\$800
<b>Health Services, Department of</b>			
Family Health			
Newborn Screening Program*	21,300	1,500	400
Child Fatality Review Team*	10,000	700	0
Public Health			
Emergency Medical Services Operations*	85,300	5,800	1,300
Total - Department of Health Services	\$116,600	\$8,000	\$1,700
<b>Judiciary</b>			
Superior Court			
Defensive Driving Fund*	\$78,500	\$6,800	\$1,900
Juvenile Crime Reduction Fund*	11,500	1,000	200
Case Processing Assistance Fund*	6,900	600	400
Subtotal - Superior Court	\$96,900	\$8,400	\$2,500
Supreme Court			
Judicial Collection Enhancement Fund*	13,800	1,200	300
FCRB: Court Appointed Special Advocate*	18,400	1,600	1,300
FCRB: Confidential Intermediary*	8,100	700	100
Subtotal - Supreme Court	\$40,300	\$3,500	\$1,700
Total - Judiciary	\$137,200	\$11,900	\$4,200
<b>Juvenile Corrections, Department of</b>			
Education	197,200	13,000	3,800
<b>Transportation, Department of</b>			
Administration - State Highway Fund	1,249,100	87,400	22,600
Administration - Air Quality Fund	4,100	300	0
Attorney General Legal Services* - State Highway Fund	0	0	1,800
Transportation Dept. Equipment Fund*	668,000	46,700	10,300
Highways - State Highway Fund	2,218,600	155,200	41,700
Highway Maintenance - State Highway Fund	2,446,500	171,200	32,300

	Health Insurance 1/		Retiree Sick Leave 2/
	Medical Insurance	Dental Insurance	Employee Related Expenditures
Landscape Maintenance* - State Highway Fund	99,400	7,000	1,000
Aeronautics Division - State Aviation Fund	52,400	3,700	900
Grand Canyon Airport* - State Aviation Fund	38,600	2,700	400
Motor Vehicle Division			
State Highway Fund	3,544,100	248,000	50,700
Safety Enforcement and Infrastructure	35,900	2,500	400
Total - Department of Transportation	\$10,356,700	\$724,700	\$162,100
<b>TOTAL - ANNUAL BUDGET UNITS</b>	<b>\$15,185,400</b>	<b>\$1,054,600</b>	<b>\$249,500</b>
<b>BIENNIAL BUDGET UNITS</b>			
Accountancy, State Board of	\$22,500	\$1,500	\$500
Administrative Hearings, Office of	34,800	2,600	1,000
Agriculture, AZ Department of Administration			
Consulting & Training*	2,700	200	100
Animal Services			
Egg Inspection*	16,100	900	300
Plant Industries			
Fruit and Vegetable Standardization*	56,500	3,200	1,000
Chemicals/Environmental			
Commercial Feed Program*	8,100	500	200
Fertilizer Materials Program*	8,100	500	200
Native Plant Program*	13,500	800	200
Pesticide Program*	10,800	600	300
Total - AZ Dept of Agriculture	\$115,800	\$6,700	\$2,300
Appraisal, State Board of	7,800	300	200
Attorney General - Department of Law			
Civil ISA's	522,500	33,100	12,100
Civil Collection Enforcement Revolving Fund	69,100	4,400	1,800
Civil Antitrust	23,000	1,500	500
Civil Rights ISA's	30,400	1,900	800
Criminal ISA's	72,700	4,600	2,700
Criminal Victims' Rights Implementation*	13,000	800	400
Economic Security ISA's	82,700	5,200	2,600
Total - Attorney General	\$813,400	\$51,500	\$20,900
Auto Theft Authority	5,600	300	200
Barbers, Board of	6,100	500	200
Behavioral Health Examiners, Board of	18,700	1,200	300
Chiropractic Examiners, State Board of	12,100	300	200
Commerce, Department of			
CEDC Commission*	8,100	500	200
Oil Overcharge Administration*	4,600	300	200
Bond Fund Operating	3,500	200	100
CEDC Fund Operating	2,300	100	200
Border Infrastructure*	0	0	
Indian Economic Development*	2,300	100	100
Minority/Women-owned Business*	4,600	300	100
Senior Living Office*	2,300	200	200
Small Business Advocate*	4,600	300	200
Housing Trust Fund	9,300	600	300
Total - Dept of Commerce	\$41,600	\$2,600	\$1,600
Contractors, Registrar of	314,900	21,000	7,000
Corporation Commission			
Administration/Hearings	13,300	800	0
Corporations			
Public Access Fund	31,800	1,900	800
Arizona Arts Trust Fund*	2,700	200	0
Securities			
Investment Management Account*	37,800	2,300	800
Securities Revolving Fund*	78,300	4,700	2,500
Utilities	236,300	14,100	6,000
Legal	44,600	2,700	1,500
Total - Corporation Commission	\$444,800	\$26,700	\$11,600
Cosmetology, Board of	47,200	2,400	800
Criminal Justice Commission, Arizona	15,300	700	500
Deaf and the Blind, AZ State Schools for the Phoenix Day School	193,400	10,500	0

	Health Insurance 1/		Retiree Sick Leave 2/
	Medical Insurance	Dental Insurance	Employee Related Expenditures
Tucson Campus	231,700	12,600	200
Administration/Statewide Programs	8,200	400	0
Total - Schools for the Deaf and the Blind	\$433,300	\$23,500	\$200
Dental Examiners, State Board of	21,900	2,400	500
Drug & Gang Prevention Resource Center, Arizona	0	0	100
Environmental Quality, Department of			
Hazardous Waste Program*	22,500	1,200	500
Air Permit Administration Program*	162,000	8,800	4,000
Solid Waste Program*	42,400	2,300	1,000
Water Quality Program*	79,400	4,300	1,900
Emissions Control Program*	139,400	7,600	2,700
WQARF Priority Site Remediation*	181,800	9,900	0
Total - Dept of Environmental Quality	\$627,500	\$34,100	\$10,100
Exposition & State Fair Board, AZ	128,100	8,600	0
Funeral Directors and Embalmers, Board of	8,200	800	200
Game and Fish Department, AZ			
Administrative and Field Services	709,500	41,600	14,000
Watercraft	73,400	4,300	1,000
Nongame Wildlife	12,000	700	200
Total - AZ Game and Fish Department	\$794,900	\$46,600	\$15,200
Gaming, Department of	202,200	12,000	4,400
Govt. Information Technology Agency	47,300	2,700	2,300
Hearing Impaired, AZ Council for the	11,500	600	200
Homeopathic Medical Examiners, Board of	1,900	100	100
Industrial Commission of AZ			
Administration	114,200	6,100	2,500
Claims	213,100	11,400	3,300
Administrative Law Judge	139,500	7,500	4,100
Labor	38,100	2,000	600
Special Fund	45,700	2,400	900
Occupational Safety/Health	96,400	5,200	2,300
Legal Counsel	58,400	3,100	1,400
Total - Industrial Commission of AZ	\$705,400	\$37,700	\$15,100
Land Department, State	5,600	400	100
Lottery Commission, AZ State	284,800	17,000	7,600
Medical Examiners, Board of	130,200	9,700	2,600
Attorney General - Legal Fees*	0	0	300
Total - Board of Medical Examiners	\$130,200	\$9,700	\$2,900
Naturopathic Physician Examiners Board	3,900	200	100
Nursing, State Board of	62,200	3,500	1,900
Nursing Care Institution Administrators Board	7,000	700	100
Occupational Therapy Examiners, Board of	6,100	200	100
Opticians, State Board of Dispensing	1,700	100	100
Optometry, State Board of	1,900	300	100
Osteopathic Examiners, AZ Board of	11,400	700	400
Parks Board, Arizona State	125,600	5,300	1,900
Kartchner Caverns Operating*	12,200	500	
Total - Arizona State Parks Board	\$137,800	\$5,800	\$1,900
Pharmacy, AZ State Board of	40,500	3,800	900
Physical Therapy Examiners, Board of	3,900	300	100
Pioneers' Home, AZ	134,200	9,600	
Podiatry Examiners, State Board of	1,900	100	100
Postsecondary Education, Commission for	3,800	400	200
Private Postsecondary Education, Board for	10,200	900	200
Psychologist Examiners, State Board of	8,000	400	200
Racing, Arizona Department of			
County Fair	15,300	800	300
Total - AZ Department of Racing	15,300	800	300
Radiation Regulatory Agency			
Medical Radiologic Technology Board of Examiners	5,700	300	100
Residential Utility Consumer Office	29,900	1,700	1,000
Respiratory Care Examiners, Board of	4,100	900	200
Retirement System, Arizona State	353,400	19,200	7,900
Revenue, Department of			
Administrative Services - Tobacco Tax	2,600	100	0
Administrative Services - Estate and Unclaimed	20,600	1,100	300
Compliance - Tobacco Tax	2,600	100	0

	Health Insurance 1/		Retiree Sick Leave 2/
	Medical Insurance	Dental Insurance	Employee Related Expenditures
Compliance - Estate and Unclaimed	7,700	400	200
Special Support - Tobacco Tax	12,900	700	300
Total - Dept of Revenue	<u>\$46,400</u>	<u>\$2,400</u>	<u>\$800</u>
School Capital Facilities, State Board for	16,700	1,000	
State Boards' Office	0	0	0
Structural Pest Control Commission	92,700	4,000	1,600
Technical Registration, State Board of	40,600	1,300	800
Veterans' Service Commission, AZ			
Veterans' Services and Administration	37,100	2,200	700
Veterans' Home	470,000	27,500	8,800
Total - AZ Veterans' Service Commission	<u>\$507,100</u>	<u>\$29,700</u>	<u>\$9,500</u>
Veterinary Medical Examining Board	12,500	600	200
Weights and Measures, Department of			
Oxygenated Fuel	16,400	800	400
TOTAL - BIENNIAL BUDGET UNITS	<u>\$6,878,700</u>	<u>\$404,200</u>	<u>\$135,500</u>
UNALLOCATED AMOUNTS	\$0	\$0	\$15,000
TOTAL ADJUSTMENTS	<u>\$22,064,100</u>	<u>\$1,458,800</u>	<u>\$400,000</u>

\* Denotes Special Line Item.

1/ Medical and dental insurance amounts are appropriated in the individual agency sections of the FY 1998 General Appropriation Act (Laws 1997, Chapter 1, 1st Special Session, as modified by Laws 1998 Chapter 1, 4th Special Session) and the FY 1999 General Appropriation Act (Laws 1998 Chapter 2, 4th Special Session). Pursuant to A.R.S. 38-654, the Joint Legislative Budget Committee (JLBC) Staff annually identifies amounts in state agency appropriations for the payment of employee medical and dental insurance. These amounts are transferred from agency appropriations to the Special Employee Health Insurance Trust Fund. Amounts from capital appropriations and non-appropriated funds are transferred based on actual usage.

2/ Section 16 of the General Appropriation Act appropriates \$2,400,000 in FY 1999, of which not more than \$2,000,000 shall be from the General Fund, for Employee Related Expenditures. In accordance with Section 16, the JLBC Staff has determined amounts projected to equal a total of 0.19% of each agency's eligible Personal Services appropriation. These amounts will be allocated to agencies by the Arizona Department of Administration for payment into the Retiree Accumulated Sick Leave Fund. This list excludes amounts appropriated in individual agency sections of the bill.

### State of Arizona Elected Officials' Salaries

	Jan. 1, 1996	Jan. 1, 1997	Jan. 1, 1998	Jan. 1, 1999	Jan. 1, 2000
Governor	\$75,000	\$75,000	\$75,000	\$95,000	\$95,000
Secretary of State	\$54,600	\$54,600	\$54,600	\$70,000	\$70,000
Treasurer	\$54,600	\$54,600	\$54,600	\$70,000	\$70,000
Attorney General	\$76,400	\$76,400	\$76,400	\$90,000	\$90,000
Superintendent of Public Instruction	\$54,600	\$54,600	\$54,600	\$85,000	\$85,000
Corporation Commissioners	\$54,600	\$65,000	\$65,000	\$73,000	\$73,000
Mine Inspector	\$38,200	\$38,200	\$38,200	\$50,000	\$50,000
Supreme Court Chief Justice	\$103,500	\$111,400	\$117,000	\$120,500	\$123,000
Other Supreme Court Justices	\$101,100	\$108,800	\$114,300	\$118,000	\$120,500
Appellate Judges	\$98,700	\$106,200	\$111,500	\$115,500	\$118,000
Superior Court Judges	\$96,300	\$103,600	\$108,800	\$113,000	\$115,500
Legislators	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000



**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
<b>ANNUAL BUDGET UNITS</b>								
Administration, AZ Department of								
16th Ave Parking Garage	\$382,800			\$382,800	\$383,600			\$383,600
Capital Center	193,600	494,500 2/		688,100	223,300	452,000 2/	23,600	698,900
ENSCO	4,585,600			4,585,600	4,586,500			4,586,500
1616 West Adams	32,800	185,700		218,500		226,300		226,300
Tucson Office	103,600	46,500		150,100	108,200	46,300		154,500
Sun States Building	2,400			2,400	2,400			2,400
DES-West	28,600			28,600	28,600			28,600
Unused COP Principal			25,800 3/	25,800			25,100 3/	25,100
Doubletree Building			44,400 4/	44,400			48,600 4/	48,600
Unoccupied Space		55,900		55,900	7,700 4/	35,100 5/		42,800
Subtotal - AZ Dept of Administration	\$5,329,400	\$782,600	\$70,200	\$6,182,200	\$5,340,300	\$759,700	\$97,300	\$ 6,197,300
AHCCCS								
Kingman State Office	13,400		13,300	26,700	13,400		13,300	26,700
East Jefferson Buildings	1,665,700		8,300	1,674,000	1,656,100		16,900	1,673,000
Subtotal - AHCCCS	\$1,679,100	\$0	\$21,600	\$1,700,700	\$1,669,500	\$0	\$30,200	\$1,699,700
Corrections, Department of								
DOC Series 1993A		12,014,200		12,014,200				0
DOC Series 1994		12,420,100		12,420,100		12,414,000		12,414,000
Tucson Office	4,400			4,400				0
Subtotal - Department of Corrections	\$4,400	\$24,434,300	\$0	\$24,438,700	\$0	\$12,414,000	\$0	\$12,414,000
Economic Security, Department of								
DES Group Homes	177,700		93,500	271,200	178,500		93,900	272,400
DES-West	1,701,600		1,284,000	2,985,600	1,701,100	508,100	775,400	2,984,600
Kingman State Office	96,000		26,200	122,200	93,100	13,300	12,200	118,600
Tucson Office	364,000		255,000	619,000	362,700	108,300	145,800	616,800
Capital Center	358,300 6/			358,300	358,600 6/			358,600
Subtotal - Dept of Economic Security	\$2,697,600	\$0	\$1,658,700	\$4,356,300	\$2,694,000	\$629,700	\$1,027,300	\$4,351,000
Education, Department of								
Courts Building				0	30,500		94,400	124,900
Tucson Office	36,500		8,800	45,300	31,400		13,900	45,300
Subtotal - Department of Education	\$36,500	\$0	\$8,800	\$45,300	\$61,900	\$0	\$108,300	\$170,200
Health Services, Department of								
Black Canyon Building	61,800		119,200	181,000	78,200		100,900	179,100
Centre Pointe Building	156,600	76,800	115,800	349,200	164,600	80,200	105,500	350,300
Tucson Office	56,500	30,400	46,600	133,500	62,100	27,600	43,400	133,100
Subtotal - Dept of Health Services	\$274,900	\$107,200	\$281,600	\$663,700	\$304,900	\$107,800	\$249,800	\$662,500
Judiciary - Court of Appeals								
Tucson Office	484,500			484,500	482,800			482,800
Supreme Court								
Courts Building	3,013,200			3,013,200	2,738,200			2,738,200
Tucson Office	107,700			107,700	107,300			107,300
Subtotal - Judiciary	\$3,605,400	\$0	\$0	\$3,605,400	\$3,328,300	\$0	\$0	\$3,328,300
TOTAL - ANNUAL BUDGET UNITS	\$13,627,300	\$25,324,100	\$2,040,900	\$40,992,300	\$13,398,900	\$13,911,200	\$1,512,900	\$28,823,000
<b>BIENNIAL BUDGET UNITS</b>								
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				
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			114,600	114,600			114,500	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		82,000		82,000
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	532,200			532,200
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	\$1,059,500	\$0	\$0	\$1,059,500
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		49,400		49,400
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	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	\$8,142,700	\$580,400	\$782,000	\$9,505,100	\$8,186,000	\$479,700	\$743,500	\$9,405,300
GRAND TOTAL	\$21,770,000	\$25,904,500	\$2,822,900	\$50,497,400	\$21,584,900	\$14,390,900	\$2,256,400	\$38,228,300

- 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/ Of this amount, \$340,800 represents payment for space occupied by the Attorney General which provides legal services to the Risk Management Division.
- 3/ The amount shall be generated from the un-used portion of the related lease-purchase issuance.
- 4/ The amount shall come from a third-party lease.
- 5/ Of this amount, \$27,200 is for 1616-West Adams, \$4,300 is for the Tucson State Office Building, \$3,600 is for the Kingman State Office Building, \$6,800 is for the Department of Weights and Measure's space in the Doubletree building, and \$900 is for the Structural Pest Commission's space in the Doubletree building.
- 6/ 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			
	GF	OF	Non-Approp	Total	GF	OF	Non-Approp	Total
<b>ANNUAL BUDGET UNITS</b>								
Administration, AZ Department of								
Sun States Building	1,500			1,500	1,500			1,500
AHCCCS								
Kingman State Office	8,400		8,500	16,900	8,400		8,500	16,900
Economic Security, Department of								
Kingman State Office	44,700		34,300	79,000	33,500	10,000	35,500	79,000
Health Services, Department of								
Black Canyon Building	65,400		67,700	133,100	58,100		75,000	133,100
Centre Pointe/Morton Building	115,200	45,600	85,500	246,300	115,700	56,400	74,200	246,300
Subtotal - Dept of Health Services	<u>\$180,600</u>	<u>\$45,600</u>	<u>\$153,200</u>	<u>\$379,400</u>	<u>\$173,800</u>	<u>\$56,400</u>	<u>\$149,200</u>	<u>\$379,400</u>
<b>TOTAL - ANNUAL BUDGET UNITS 2/</b>	<u>\$235,200</u>	<u>\$45,600</u>	<u>\$196,000</u>	<u>\$476,800</u>	<u>\$217,200</u>	<u>\$66,400</u>	<u>\$193,200</u>	<u>\$476,800</u>
<b>BIENNIAL BUDGET UNITS</b>								
Agriculture, Department of								
Laboratory	106,400			106,400	106,400			106,400
Arts, Arizona Commission on the								
Corpstein Building	20,000			20,000	20,000			20,000
Banking Department, State								
Sun States Building	71,200		7,800	79,000	71,200		7,800	79,000
Contractors, Registrar of								
Kingman State Office		4,000		4,000		4,000		4,000
Insurance, Department of								
Sun States Building	129,800		44,700	174,500	129,800		44,700	174,500
Legislature - Auditor General								
Sun States Building	130,600			130,600	130,600			130,600
Medical Examiners, Board of								
Centre Pointe Building		61,200		61,200		61,200		61,200
Nursing, State Board of								
Centre Pointe Building		34,700		34,700		34,700		34,700
Osteopathic Examiners, Arizona Board of								
Doubletree Building		11,100		11,100		11,100		11,100
Public Safety, Department of								
DPS District 19 Building	20,000			20,000	20,000			20,000
Real Estate Department, State								
Sun States Building	95,800			95,800	95,800			95,800
Structural Pest Control Commission								
Doubletree Building		46,900		46,900		46,900		46,900
Weights and Measures, Department of								
Doubletree Building	40,400	7,100		47,500	40,400	7,100		47,500
<b>TOTAL - BIENNIAL BUDGET UNITS</b>	<u>\$614,200</u>	<u>\$165,000</u>	<u>\$52,500</u>	<u>\$831,700</u>	<u>\$614,200</u>	<u>\$165,000</u>	<u>\$52,500</u>	<u>\$831,700</u>
<b>GRAND TOTAL</b>	<u>\$849,400</u>	<u>\$210,600</u>	<u>\$248,500</u>	<u>\$1,308,500</u>	<u>\$831,400</u>	<u>\$231,400</u>	<u>\$245,700</u>	<u>\$1,308,500</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 \$4.75 per gross square foot. FY 1998 charges are reflected for comparison purposes only.

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

	Fiscal Year 1998				Fiscal Year 1999			
	GF	OF	Non-Approp	Total	GF	OF	Non-Approp	Total
<b>ANNUAL BUDGET UNITS</b>								
Administration, AZ Department of								
1300 W Washington	\$4,500			\$4,500	\$4,500	\$0	\$0	\$4,500
1400 W Washington	42,900		57,400	100,300	44,700		61,800	\$106,500
1510 W Adams		254,500		254,500		264,500		\$264,500
1522 W Jackson			10,000	10,000		10,400		\$10,400
1537 W Jackson			57,800	57,800			57,800	\$57,800
1624 W Adams			91,300	91,300			94,900	\$94,900
1700 W Washington	627,500	48,900	33,800	710,200	658,700	76,200	35,100	\$770,000
1802 W Jackson			58,300	58,300			59,500	\$59,500
1805 W Madison	16,400		6,400	22,800	18,900		4,800	\$23,700
1818 W Adams		183,400		183,400		190,700		\$190,700
1831 W Jefferson		249,500		249,500		259,400		\$259,400
1840 W Madison	22,500			22,500	22,500			\$22,500
1937 W Jefferson/CDC		94,300		94,300		98,000		\$98,000
1937 W Jefferson/Wayland	38,100		12,000	50,100	39,600		12,500	\$52,100
402 W Congress, Tucson	18,300	18,400		36,700	16,100	23,200		\$39,300
Subtotal - AZ Dept of Administration	\$770,200	\$849,000	\$327,000	\$1,946,200	\$805,000	\$922,400	\$326,400	\$2,053,800
Corrections, State Department of								
1601 W Jefferson	626,300			626,300	651,300			651,300
1645 W Jefferson	405,000			405,000	421,200			421,200
Subtotal - Dept of Corrections	\$1,031,300	\$0	\$0	\$1,031,300	\$1,072,500	\$0	\$0	\$1,072,500
Economic Security, Department of 2/								
1400 W Washington	35,700		31,000	66,700	37,100	11,100	21,100	69,300
Education, Department of 3/								
1535 W Jefferson	473,600		300,500	774,100	476,200		303,700	779,900
Health Services, Department of								
1400 W Washington	95,900		78,800	174,700	110,600		68,800	179,400
1520 W Adams	170,600		118,900	289,500	176,200		124,300	300,500
1624 W Adams - DCRC			7,500	7,500			13,500	13,500
1740 W Adams	613,300		294,000	907,300	634,300		309,200	943,500
416 W Congress, Tucson	14,700		4,900	19,600	15,300		5,100	20,400
Subtotal - Department of Health Services	\$894,500	\$0	\$504,100	\$1,398,600	\$936,400	\$0	\$520,900	\$1,457,300
Juvenile Corrections, Department of								
1624 W Adams	279,100			279,100	290,000			290,000
Transportation, Department of								
1275 W Washington 4/		84,000		84,000		87,100		87,100
<b>TOTAL - ANNUAL BUDGET UNITS</b>	<b>\$3,484,400</b>	<b>\$933,000</b>	<b>\$1,162,600</b>	<b>\$5,580,000</b>	<b>\$3,617,200</b>	<b>\$1,020,600</b>	<b>\$1,172,100</b>	<b>\$5,809,900</b>
<b>BIENNIAL BUDGET UNITS</b>								
Administrative Hearings, Office of								
1700 W Washington	29,000	35,400		64,400	30,200	36,800		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		17,500		17,500
Attorney General - Department of Law								
1275 W Washington	757,000	243,400		1,000,400	787,300	253,000		1,040,300
402 W Congress, Tucson	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		9,500		9,500
Behavioral Health Examiners, Board of								
1400 W Washington		18,700		18,700		19,400		19,400
Boxing Commission, AZ State								
1400 W Washington	4,500			4,500	4,700			4,700
Corporation Commission								
1200 W Washington	100,200	331,300		431,500	104,200	344,500		448,700
1300 W Washington	177,600	103,800		281,400	184,600	107,900		292,500
1400 W Washington		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	21,100			21,100
Equalization, State Board of								
1645 W Jefferson	500			500	500			500
Executive Clemency, Board of								
1645 W Jefferson	121,600			121,600	126,500			126,500
Geological Survey, AZ								
402 W Congress, Tucson	4,500			4,500	4,500			4,500
416 W Congress, Tucson	134,300			134,300	139,300			139,300
Subtotal - AZ Geological Survey	\$138,800	\$0	\$0	\$138,800	\$143,800	\$0	\$0	\$143,800



	Fiscal Year 1998				Fiscal Year 1999			
	GF	OF	Non-Approp	Total	GF	OF	Non-Approp	Total
Governor, Office of the 5/ 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
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	\$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	\$7,261,300	\$2,069,100	\$1,346,600	\$10,677,000

- 1/ Pursuant to A.R.S. 41-792.01, the Joint Legislative Budget Committee Staff reports the amounts appropriated to state agencies for rent of space in state-owned buildings. Agencies pay the greater of the appropriated amount or calculated rent based on actual occupancy of space. Collections are deposited to the Capital Outlay Stabilization Fund for appropriation for the operations and maintenance of the buildings. Rates for FY 1999 are \$13.00 per square foot for office space and \$4.50 per square foot for storage space.
- 2/ Federal share calculated at State-Wide Cost Allocation Plan rent amount of \$9.62 per square foot of office space.
- 3/ Federal share calculated at State-Wide Cost Allocation Plan rent amount of \$8.58 per square foot of office space and \$1.23 per square foot of storage space.
- 4/ Represents funding for space occupied by the Attorney General - Department of Law for provision of legal services to the Department of Transportation.
- 5/ 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 1999			Total
	General Fund	Other Appropriated Funds	Non-Appropriated Funds	
<b>ANNUAL BUDGET UNITS</b>				
Administration, Arizona Department of	\$460,500	\$1,308,100	\$56,300	\$1,824,900
Arizona Health Care Cost Containment System	170,800	0	236,100	406,900
Community Colleges, State Bd of Directors for	1,800	1,200	1,200	4,200
Corrections, State Department of	7,799,000	0	0	7,799,000
Economic Security, Department of	2,174,500	655,100	1,257,400	4,087,000
Education, Department of	60,400	0	51,400	111,800
Health Services, Department of	1,697,500	26,900	350,300	2,074,700
Health Services, Disease Control	0	0	1,000	1,000
Judiciary				
Court of Appeals, Division I	29,200	0	0	29,200
Court of Appeals, Division II	9,700	0	0	9,700
Superior Court	1,296,200	0	0	1,296,200
Supreme Court 1/	85,800	0	0	85,800
SUBTOTAL - Judiciary	\$1,420,900	\$0	\$0	\$1,420,900
Juvenile Corrections, Department of	383,600	0	0	383,600
Transportation, Department of	400	9,901,800	21,600	9,923,800
Universities				
Regents, Arizona Board of	9,500	0	0	9,500
Arizona State University	2,906,000	0	1,015,900	3,921,900
Northern Arizona University	1,110,400	0	348,800	1,459,200
University of Arizona	6,653,400	0	2,763,700	9,417,100
SUBTOTAL - Universities	\$10,679,300	\$0	\$4,128,400	\$14,807,700
<b>TOTAL - ANNUAL BUDGET UNITS</b>	<b>\$24,848,700</b>	<b>\$11,893,100</b>	<b>\$6,103,700</b>	<b>\$42,845,500</b>
<b>BIENNIAL BUDGET UNITS</b>				
Accountancy, State Board of	0	2,600	0	2,600
Administrative Hearings, Office of	500	500	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, Arizona 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
Charter Schools, State Board for	0	0	0	0
Chiropractic Examiners, State Board of	0	2,000	0	2,000
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 and Military Affairs, Dept of	238,900	0	105,300	344,200
Exposition & State Fair Board, AZ	0	162,800	0	162,800
Environmental Quality, Department of	0	0	305,800	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, Arizona	0	401,500	126,900	528,400
Gaming, Department of	0	16,900	0	16,900
Geological Survey, Arizona	7,700	0	0	7,700
Gov's Office of Strategic Planning & Budgeting	5,100	0	0	5,100
Gov't Information Technology Agency	0	1,000	0	1,000
Governor, Office of the	21,700	0	0	21,700
Hearing Impaired, Arizona Council for the	1,100	900	0	2,000
Historical Society of Arizona, Prescott	12,700	0	0	12,700
Historical Society, Arizona	78,900	0	0	78,900

	Fiscal Year 1999			Total
	General Fund	Other Appropriated Funds	Non-Appropriated Funds	
Homeopathic Medical Examiners, Board of	0	1,000	0	1,000
Indian Affairs, Arizona Commission of	1,200	0	0	1,200
Industrial Commission of Arizona	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, Arizona 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, AZ	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, Arizona 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, Arizona State Board of	0	2,900	0	2,900
Physical Therapy Examiners, Board of	0	900	0	900
Pioneers' Home, Arizona	185,500	0	0	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, State Bd 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 Facilities Board	1,000	0	0	1,000
Secretary of State-Department of State	9,900	0	0	9,900
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, Arizona	8,800	320,200	0	329,000
Veterinary Medical Examining Bd, AZ State	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 & Measures, Department of	22,800	3,500	0	26,300
<b>TOTAL - BIENNIAL BUDGET UNITS</b>	<b>\$5,823,300</b>	<b>\$2,550,600</b>	<b>\$888,900</b>	<b>\$9,262,800</b>
<b>GRAND TOTAL</b>	<b>\$30,672,000</b>	<b>\$14,443,700</b>	<b>\$6,992,600</b>	<b>\$52,108,300</b>

1/ The FY 1999 Supreme Court amount includes \$1,000 originally charged to the Commission on Judicial Conduct.

**GENERAL LEGISLATION**  
**FY 1999 OMNIBUS RECONCILIATION BILLS (ORBs)**<sup>1/</sup>

**Bill Section**

**Education ORB - Chapter 8**

**Department of Education**

- Set the charter school transportation support level at \$174 per pupil on a session law basis. The Students FIRST bill will render this provision unnecessary starting in FY 2000. The Section 1 repeal of A.R.S. § 15-186 regarding charter school transportation would remain in the bill as a conforming change to the Students FIRST legislation, and does not conflict with the above session law language. 1, 12
- Set the statutory Base Level amount at \$2,532.60 to provide \$34 million in additional Base Support Level funding. 2
- Base school district transportation support levels upon prior year route mileage rather the highest route mileage from the prior 3 years. Converts existing session law to permanent law. 3, 6
- Eliminate Rapid Decline funding for student count changes that are attributable to a district-sponsored charter school switching sponsors or ceasing to operate. Converts existing session law to permanent law. 4
- As permanent law, increase all special education Group B weights that currently exceed 3.0 to match the December 1997 special education cost study levels for those weights. 5
- Establish administrative parameters for the State Block Grant for Early Childhood Education program: (1) base allocations on "free lunch" student counts for Grades K-3; (2) disallow allocations for large districts (at least 600 pupils in grades K-3) that do not participate in the federal "free lunch" program (allocations for small districts that do not participate in "free lunch" are based on the statewide "free lunch" eligibility average); (3) allow at least 50% of children participating in preschool programs to receive services from a private or federally-funded child care provider of their parent or guardian's choice; (4) require preschool providers to be licensed by the Department of Health Services; (5) require school districts and charter schools that use program funding for preschool services to provide all eligible preschool providers within their boundaries (or within 10 miles of the charter school) with information needed to participate in the program, and (6) require the Auditor General to evaluate the program every 3 years. Mostly converts existing session law to permanent law. 7, 8
- Eliminate the provision in the Students FIRST legislation that requires the school facilities board to pay a portion of the local match for lease-purchase projects approved by the state board for school capital facilities if the local match for that project exceeds two-thirds of the district's CORL funds for the year. 9
- Eliminate the Group B weight for Vocational Education, since monies generated by the weight have been transferred to the State Block Grant for Vocational Education program. Converts existing session law to permanent law. 1, 2, 5
- As session law, set administrative parameters for the State Block Grant for Vocational Education program for FY 1999. Require that 90% of funding be allocated based on the number of 11<sup>th</sup> and 12<sup>th</sup> grade vocational education students in each school district or charter school. Require that 10% of funding be allocated based on the successful placement of students in civilian or military jobs or post-secondary education programs that are directly related to the vocational education program completed. 10
- As session law, require norm-referenced testing of pupils in grades 2-11 rather than 3-12 (the grade levels being tested in FY 1998). 11
- As session law, notwithstanding the CORL transfer "buydown" required under A.R.S. § 15-905, subsection R in FY 1999. 13
- As session law, establish an accountability measures program involving norm-referenced testing of a random statewide sample of students twice per year, and the surveying of a random statewide sample of parents twice per year to determine school quality ratings. Establish a technical advisory committee to oversee the accountability measures program. 14, 15

<sup>1/</sup> Chapter References are to the 4<sup>th</sup> Special Session.



**Health ORB - Chapter 5**

**AHCCCS**

- As session law, authorize AHCCCS in FY 1999 to use \$28.8 million of the Medically Needy Account of the Tobacco Tax Fund to continue the phase-out of the quick pay discount, fund the elimination of \$10 million private hospital discount, replace reduced Federal Funds, fund expanded maternity coverage and HIV/AIDS medications. 6
- Set the FY 1999 county acute care contribution at \$66.7 million, the same level as FY 1998. 5
- 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 1998 repayment requirement. Also continue the provision of extending county expenditure limit adjustments associated with DSH payments an additional year. 2, 3, 8, 9
- As session law, continue the FY 1998 ORB provision to enable AHCCCS to adjust maternity and nursery tiered per diem rates to reflect federal mandates extending maternity length of stay. 10

**Department of Health Services**

- Repeal the FY 1998 transfer of \$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. 4
- As permanent law, require any disproportionate share monies remaining in the Arizona State Hospital Fund at the end of a fiscal year to revert to the General Fund. 1
- As session law, authorize AHCCCS in FY 1999 to transfer to DHS \$1.7 million from the Medically Needy Account of the Tobacco Tax and Health Care Fund for AIDS medications. 6
- As session law, require the Department of Health Services in FY 1999 to use at least \$550,000 from the Health Education Account of the Tobacco Tax and Health Care Fund to implement a pilot program for anti-smoking advertising on school buses. 7

**Public Finances ORB - Chapter 6**

**Department of Administration**

- As session law, require the department to report its expenditure plan to the Joint Legislative Budget Committee prior to expending monies from the Emergency Telecommunication Services Revolving Fund to comply with federal requirements on the location and relay of 911 calls from cellular phones. 5

**Department of Corrections**

- Allow DOC to support the operation of 200 Rincon Units beds transferred to the Department of Juvenile Corrections, retroactive to May 1, 1998. 6, 8

**Governor's Office of Strategic Planning and Budgeting**

- As session law, amend the annual budget report requirements of A.R.S. § 35-115 to allow the Executive to exclude biennial budget units from the report produced for the 43<sup>rd</sup> Legislature, 2<sup>nd</sup> Regular Session. 3

**Arizona State Parks Board**

- Delay from July 1, 1998 to July 1, 2000, the effective date of the cap which sets the maximum expenditures for state parks from the State Parks Enhancement Fund and diverts revenue above the cap to payoff the Tonto State Park lease-purchase contract. 2

**Capital Outlay**

- As session law, allow Building Renewal monies in FY 1999 to be used for building modifications to comply with the Americans with Disabilities Act. 4

**Budget Stabilization Fund**

- As permanent law, change the Budget Stabilization Fund (BSF) formula so that deposits to the General Fund from the BSF will be made only in years when the absolute real growth rate in personal income is less than 2%. 1
- As session law, allow the BSF balance to exceed 6.333% of General Fund revenue in FY 1999. 7

## ELIMINATION OF FUNDS CHAPTER 242

A.R.S. § 41-1273 requires that the JLBC Staff annually recommend to the Joint Legislative Budget Committee by November 1 the elimination or consolidation of a minimum of 5% of the total number of funds in existence that fiscal year. These recommendations were the starting point for Laws 1998, Chapter 242 which eliminates or consolidates the 23 following funds on June 30, 1999. There were approximately 502 different funds at the beginning of FY 1998. The 23 funds represent 5% of the total number of funds. Chapter 241 changes the target percentages that the JLBC Staff must annually recommend for consolidation or elimination and transfer to appropriated status from 5% to not more than 7%.

The following list reflects the changes made by Chapter 242.

<u>ANNUAL BUDGET UNITS</u> <sup>1/</sup>	<u>REASON</u>	<u>SECTION</u>
<u>Administration, Department of</u>		
• Information Technology Fund (ADA2152) <sup>2/</sup>	Inactive	45
• Loss Control Projects Fund (ADA2303)	Inactive	45
• Workers' Compensation Fund (ADA4218)	Consolidate with Risk Management Fund	26,27
<u>Economic Security, Department of</u>		
• Summer Youth Program Fund (DEA1011)	Eliminate fund to simplify accounting	30
• Project Intervention Fund (DEA1012)	Eliminate fund to simplify accounting	31
• Full Employment Demonstration Project Fund (DEA1023)	Eliminate fund to simplify accounting	44
<u>Education, Department of</u>		
• Permanent Special Education Institutional Voucher Fund (EDA1005)	Consolidate into new "Special Education Fund"	4,5
• Special Education Placement and Residential Education Voucher Fund (EDA1009) <sup>2/</sup>	Consolidate into new "Special Education Fund"	2,3
<u>Health Services, Department of</u>		
• Alcohol and Drug Abuse Services Fund (HSA2318)	Consolidate into new "Substance Abuse Services Fund"	21
• Alcohol and Other Drug Screening, Education, or Treatment Fund (HSA2227) <sup>2/</sup>	Consolidate into new "Substance Abuse Services Fund"	19,20,21
<u>Judiciary</u>		
• State Funds (COA2086)	Inactive	45
• State Funds (CTA2072)	Inactive	45
<u>Regents, Arizona Board of</u>		
• Regents Postsecondary Local (BRA2139)	Inactive	45
<u>Transportation, Department of</u>		
• ADOT Bond Proceeds M/RARF (Series 1993) (DTA3806)	Inactive	45
<b><u>BIENNIAL BUDGET UNITS</u></b>		
<u>Corporation Commission</u>		
• Security Clearing Fund (CCA3726)	Inactive, statutory authority already repealed	45
<u>Criminal Justice Commission, Arizona</u>		
• Crime Victim Assistance Fund (JCA2199)	Consolidate into new "Crime Victims Assistance and Compensation Fund"	13,14,15,32 33,34,36
• Crime Victim Compensation Fund (JCA2198) <sup>2/</sup>	Consolidate into new "Crime Victims Assistance and Compensation Fund"	1,24,29,35

**BIENNIAL BUDGET UNITS****REASON****SECTION**Deaf and Blind, Arizona School for the

• Endowment Earnings and Non-Resident Tuition (SDA3139)	Consolidate into new "Arizona School for the Deaf and Blind Fund"	6,7,45
• Deaf and Blind Special Education (SDA2142) <sup>2/</sup>	Consolidate into new "Arizona School for the Deaf and Blind Fund"	6,45

Game and Fish Department

• Game and Fish Federal Reclamation Trust Fund (N/A)	Inactive	8
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Industrial Commission

• Administrative Fund (ICA 2002) <sup>2/</sup>	Technical Corrections for Last Year's Bill	9,10
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Library, Archives and Public Records, Department of

• Donations (LAA3149)	Consolidate into new "Department of Library, Archives and Public Records Fund"	28
• Miscellaneous Collections Fund (LAA2115) <sup>2/</sup>	Consolidate into new "Department of Library, Archives and Public Records Fund"	28

Mines and Mineral Resources, Department of

• Print Revolving Fund (MNA4004)	Consolidate into Mines and Mineral Resources Fund	11,12
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Parks Board, Arizona State

• Intergovernmental Agreement Revolving Fund (PRA1024)	Consolidate into new "Partnership Fund"	25,45
• Land and Water Conservation Surcharge Fund (PRA2123) <sup>2/</sup>	Consolidate into new "Partnership Fund"	25

State Land Department

• Zoning Application Fees (LDA2220)	Consolidate into new "Land Department Revolving Fund"	22
• Legal Advertising Revolving (LDA2248) <sup>2/</sup>	Consolidate into new "Land Department Revolving Fund"	22
• Cooperative Forestry (LDA2232)	Inactive	23

Structural Pest Control Commission

• Structural Pest Control Commission Inspection Support Fund (SBA2039)	Consolidate with Structural Pest Control Commission Fund	16,17,18
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Waters Resources, Department of

• Flood Control Loan (WCA3319)	Inactive	42,43
• Emergency Dam Repair Fund (WCA2218)	Consolidate into new "Dam Repair Fund"	37,38
• Non-emergency Dam Repair Fund (WCA2219) <sup>2/</sup>	Consolidate into new "Dam Repair Fund"	37,39,40,41

<sup>1/</sup> 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.

<sup>2/</sup> These funds do not count toward the 5% target.

## CHANGES IN THE STATUS OF FUNDS CHAPTER 241

A.R.S. § 41-1273 requires that the JLBC Staff annually recommend to the Joint Legislative Budget Committee by November 1 of each odd-numbered year *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 1998, Chapter 241, which converted \$33,564,100 from non-appropriated status to appropriated status. In addition, Chapter 241 changes the target percentages that the JLBC Staff must annually recommend for consolidation or elimination and transfer to appropriated status from 5% to not more than 7% (sections 17 and 18).

The following list reflects the funds transferred to appropriated status by Chapter 241. The list also includes funds that were transferred to appropriated status by other legislation and funds that have been transferred from appropriated status to non-appropriated status. The changes in appropriated status for all funds listed below are effective at the beginning of FY 2000.

### ANNUAL BUDGET UNITS <sup>1/</sup>

#### Administration, Department of

- Surplus Property (ADA4214, ADA4215)
- Special Services Revolving (ADA4208)

### New Status

Appropriated  
Appropriated

### Legislation

Laws 1998, Ch. 241 (Section 22)  
Laws 1997, Ch. 210

#### Corrections, Department of

- State Education Fund for Correctional Education (DCA2107)
- Alcohol Abuse Treatment Fund (DCA2204)

Appropriated

Laws 1998, Ch. 241 (Section 8)

Appropriated

Laws 1998, Ch. 241 (Section 12)

#### Economic Security, Department of

- Spinal and Head Injuries Trust Fund (DEA2335)

Appropriated

Laws 1998, Ch. 241 (Section 23)

#### Education, Department of

- Endowment Fund (EDA3138)

Non-Appropriated

Laws 1998, 3<sup>rd</sup> Special Session,  
Ch. 1

#### Health Services, Department of

- Indirect Cost Recovery (HSA9000)
- Environmental Lab Licensing Revolving Fund (HSA3017)
- ASH Endowment Fund (HSA3128)

Appropriated  
Appropriated

Laws 1998, Ch. 241 (Section 13)  
Laws 1998, Ch. 241 (Section 15)

Appropriated

Laws 1998, Ch. 241 (Section 14)

#### Transportation, Department of

- Motor Vehicle Liability Insurance Enforcement (DTA2285)
- Vehicle Inspection & Title Enforcement (DTA2272)

Appropriated

Laws 1998, Ch. 241 (Section 11)

Appropriated

Laws 1998, Ch. 241 (Section 10)

### BIENNIAL BUDGET UNITS

#### Agriculture, Department of

- Livestock Custody Fund (AHA2065)

Appropriated

Laws 1998, Ch. 241 (Section 7)

#### Attorney General

- Consumer Fraud (AGA2014) <sup>3/</sup>

Appropriated

Laws 1997, Ch. 221

#### Banking, Department of

- Banking Department Revolving Fund (BDA2126)

Appropriated

Laws 1997, Ch. 221

#### Commerce, Department of <sup>1/</sup>

- Oil Overcharge Fund (EPA3171)

Appropriated

Laws 1998, Ch. 241 (Section 20)



**ANNUAL BUDGET UNITS <sup>1/</sup>****New Status****Legislation**Drug and Gang Prevention Resource Center

- Grants and Contracts (n/a)

Appropriated

Laws 1997, Ch. 210

Environmental Quality, Department of

- Air Quality Fund (EVA2226)
- Indirect Cost Fund (EVA7000)
- Used Oil Fund (EVA3500)

Appropriated

Laws 1997, Ch. 210

Appropriated

Laws 1998, Ch. 241 (Section 26)

Appropriated

Laws 1997, Ch. 210

Exposition and State Fair Board, AZ

- Arizona Coliseum and exposition Center (CLA4001)  
Includes Capital Outlay (CLA4006)

Appropriated

Laws 1997, Ch. 210

Racing, Department of

- Administration of County Fairs Racing Betterment & Breeders Award (RCA2018)

Appropriated

Laws 1997, Ch. 210

Revenue, Department of

- Liability Setoff Revolving (RVA2179)

Appropriated

Laws 1997, Ch. 210

Tourism, Office of

- Tourism Workshop Fund (TOA3163)

Appropriated

Laws 1998, Ch. 241 (Section 20)

**OTHER PROVISIONS OF LAWS 1998, CHAPTER 241**

- Sections 1-6 establish a non-appropriated Agriculture Administrative Support Fund within the Department of Agriculture consisting of monies collected pursuant to interagency agreements.
- Section 9 adds a reporting requirement for the Camp Navajo Fund in the Department of Emergency and Military Affairs. The fund will remain non-appropriated.
- Section 16 requires all Arizona Historical Society funds to be placed on the state accounting system. All funds that are currently non-appropriated will remain non-appropriated.
- Sections 24 and 25 clarify that handling fees collected by the Child Support Payment Clearinghouse within the Department of Economic Security shall be deposited in the Child Support Enforcement Administration Fund.

<sup>1/</sup> Chapter 241, Section 19 erroneously appropriates Federal Housing funds. This section will be proposed for repeal in 1999.

## 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 1998, the self-assessments were due by April 1, 1997.
- The Directors of the JLBC and OSPB shall jointly evaluate the agency self-assessment and jointly produce a report of their findings. This is due by October 1 of the year following a PAR self-assessment. In addition to the individual reports, the two offices prepared a composite PAR document, the Program Authorization Review Executive Summary, which provides a summary of the joint JLBC Staff and OSPB findings on each program. This composite document was distributed to each legislator, the Governor, and the affected agencies.
- 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.
- New this year, the PAR reports and staff recommendations were reviewed by legislative PAR Committees. The PAR Committees included legislators and private citizens

(appointed by the Legislature and Governor), and were divided by the following subject areas: Economic Development, Criminal Justice and Transportation, Education and Natural Resources, and Health and Welfare.

- Each committee shall hold at least one public hearing and is responsible for preparing and introducing any proposed legislation to implement its recommendations. Each committee makes recommendations to the Governor, President of the Senate, and Speaker of the House of Representatives by December 15 of the year following a PAR self-assessment.

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 for a listing of the outcomes of the 1998 reviews.*)

Laws 1997, Chapter 210 further modified the PAR process. Laws 1995, Chapter 283 had originally envisioned 20 PARs being conducted in 1999. Under Laws 1997, Chapter 210 those PARs were eliminated and replaced by an undetermined number of PARs in 2000 and every succeeding even-numbered year. However, during the 1998 legislative session, the Legislature did not adopt a list of programs to undergo the PAR process in 2000.

### Outcomes of 1998 Reviews (36 Programs and Subprograms)

#### Agency – Program

#### Legislative Outcomes

Administration –  
Fleet Management

Modified by statutorily 1) delaying the requirement outside of Maricopa County for 40% of the state fleet to use alternative fuels, 2) allowing "Property of" stickers to be placed on windows instead of doors, 3) directing ADOA to study and report on consolidating the state fleet, and 4) requiring agencies to provide ADOA with information on vehicle ownership and use.

Administration –  
Surplus Property Management

Modified by adding one-time reporting requirements and appropriating the State Surplus Property Fund and Federal Surplus Property Fund, starting in FY 2000.

Agriculture -  
Department Administration Program

Modified by eliminating assessments on special revenue funds for administrative positions and, instead, funding them with \$150,000 from the General Fund. Also, modified by adding \$31,300 from the General Fund to replace lost federal funding for the Consultation and Training subprogram.

Overall PAR on Victim Services

Retained. Also required the Governor's Office for Domestic Violence to submit 1) an annual report on all state government domestic violence expenditures, including victim assistance and victim compensation programs and 2) a one-time report on simplifying the procurement process for local government and non-profit agencies providing victim services.

Arizona Criminal Justice Commission - Crimes Victims Programs	Retained. Also required ACJC to submit a one-time report on reducing administration costs per applicant in the Victim Compensation subprogram and two one-time reports for the Victim Assistance subprogram on effective compliance audits and how grants can be distributed to correlate more closely with changes in the uniform crime index.
Attorney General - Victim Rights and Witness Assistance	Modified by eliminating the distinction between adult and juvenile Victims' Rights Fund monies in the budget.
Commerce – Financial Services	Eliminated the Border Infrastructure Finance Office, along with \$103,200 and 1 FTE Position from the Commerce Economic Development Commission (CEDC) Fund. Also, modified by statutorily increasing the Workforce Recruitment and Job Training and the CEDC set-asides designated for businesses that are small, rural, or located in economically disadvantaged areas of the state.
Commerce – Business Assistance Center	Retained with a one-time reporting requirement on performance measures.
Commerce – Sports Development	Modified by eliminating \$31,700 and 1 FTE Position.
Corrections – Medical Services and Dental Services	Retained with a one-time reporting requirement on potential cost sharing and savings with the Department of Juvenile Corrections.
Economic Security – Adoption Services	Retained with a one-time reporting requirement on including additional children when drawing down federal funds.
Economic Security - Vocational Rehabilitation Services	Retained.
Economic Security – Domestic Violence	Retained with one-time reporting requirements on state domestic violence expenditures and an action plan to simplify the private and local government process for acquiring funding from state agencies.
Education - School To Work Program	Retained.
Education - Chemical Abuse Prevention	Retained.
Health Services - Oral Health	Retained.
Health Services – Title XIX and non-Title XIX Substance Abuse Services Programs	Retained.
Judiciary – Domestic Violence	Retained.
Judiciary – Adult Intensive Probation	Retained.
Juvenile Corrections – Health Services	Retained. Also required an action plan to improve screening procedures and one-time reports on potential cost sharing proposals.
Public Safety – Special Services	Retained. Also required an on-going report from the Arizona Department of Transportation on Motor Carrier Safety Enforcement inspections.
Treasurer – Justice of the Peace Salaries	Retained.
Tourism – Business Administration; Welcome Center Operations	Retained.
Arizona State University - College of Extended Education	Retained with one-time reporting requirements on performance measure improvements and the Arizona Board of Regent's responsibility to clarify course offerings and fiscal control for the program.
University of Arizona - Extended University	Same as ASU.
Northern Arizona University – Statewide Academic Programs	Retained as Personal and Professional Development Programs and Office of Management Development.
Water Resources - Statewide Planning	Retained.

**ANNUAL BUDGET UNITS**



**ARIZONA DEPARTMENT OF ADMINISTRATION - SUMMARY**

A.R.S. § 41-701

Elliott Hibbs, Director

JLBC Analyst: Lynne Smith/Phil Case

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
<u>Program Summary</u>			
Central Operations	19,737,700	22,247,100	20,314,200
General Services	21,305,000	23,466,800	26,575,900
Information Services	22,617,800	25,259,700	24,330,100
Risk Management	55,730,700	68,786,800	77,731,300
Human Resources	7,323,100	7,555,600	10,919,300
<b>Total Appropriations</b>	<b>126,714,300</b>	<b>147,316,000</b>	<b>159,870,800</b>
<u>Expenditure Detail</u>			
FTE Positions	1,014.0	981.0	924.0 <sup>1/</sup>
Personal Services	21,423,700	23,995,300	25,050,800
Employee Related Expenditures	4,904,100	5,439,600	5,635,400
Professional and Outside Services	1,804,600	1,355,800	1,638,700
Travel - In State	216,400	173,500	189,700
Travel - Out of State	58,300	51,500	70,300
Other Operating Expenditures	14,564,700	13,172,000	11,963,600
Equipment	295,500	245,800	234,900
<b>Operating Subtotal</b>	<b>43,267,300</b>	<b>44,433,500</b>	<b>44,783,400</b>
Special Line Items	83,447,000	101,405,200	114,987,400
Additional Appropriations	0	1,477,300	100,000
<b>Total Appropriations</b>	<b>126,714,300</b>	<b>147,316,000</b>	<b>159,870,800</b> <sup>2/</sup>
<u>Fund Summary</u>			
General Fund	27,413,700	27,920,100	26,381,400
Air Quality Fund	0	426,000	455,000
Capital Outlay Stabilization Fund	7,472,800	7,754,600	7,884,000
Corrections Fund	443,300	549,800	557,800
Lease-Purchase Bldg. Operating & Maintenance Fund	0	0	1,371,200
Motor Pool Fund	7,154,600	9,063,400	10,140,700
Technology and Telecommunications Fund	21,683,600	25,259,700	24,330,100
Risk Management Fund	39,598,900	49,629,300	56,676,100
Workers' Compensation Fund	16,131,800	19,157,500	21,055,200
Personnel Fund	6,815,600	7,555,600	8,440,600
Health Insurance Trust Fund	0	0	2,478,700
Retiree Accumulated Sick Leave Fund	0	0	100,000
<b>Total Appropriations</b>	<b>126,714,300</b>	<b>147,316,000</b>	<b>159,870,800</b>

**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.*

<sup>1/</sup> Includes 134.5 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Fund with Special Line Items for the Agency.

**ARIZONA DEPARTMENT OF ADMINISTRATION - SUMMARY (Cont'd)**

**FY 1999 Capital Outlay:** Chapter 7, 4<sup>th</sup> Special Session — Appropriates a total of \$11,372,100 from the General Fund and \$16,714,800 from Other Funds to the Arizona Department of Administration (ADOA) for the following capital projects in the following amounts:

General Fund

- **Building Renewal** **\$10,128,000**  
The approved amount is for major maintenance and repair of state buildings. The department shall allocate the monies to state agencies within the ADOA Building System. The appropriated amount, in conjunction with Other Funds appropriated to the department, represents 100% funding of the building renewal formula. Of the 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.
  - **Construct Capitol Mall** **1,244,100**  
Maintenance Compound  
In conjunction with \$183,600 authorized by the Joint Committee on Capital Review (JCCR) from a FY 1996 appropriation for Capitol Mall Enhancements, the approved amount will fund the design and construction of a new maintenance facility for the Phoenix Capitol Mall.
- Subtotal - General Fund** **\$11,372,100**

Other Funds

- **Building Renewal** **\$3,500,000**  
The approved amount from the Capital Outlay Stabilization Fund is appropriated to the department for building renewal. *(See the discussion of building renewal under General Fund for more information.)* 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 appropriations, up to 25% may be used for infrastructure replacement and repair, or for building modifications to comply with the federal Americans with Disabilities Act.
- **Build-out New Department of Juvenile** **1,558,000**  
Corrections Secure Care Complex  
In conjunction with a FY 1998 supplemental appropriation of \$7,042,000 from the General Fund *(see the FY 1998 Capital Outlay description)*, the approved amount from the Corrections Fund provides a total of \$8,600,000 to construct an additional 200 beds and all related support facilities at the new complex located near the town of Buckeye.
- **Construct Public Alternative Fuels** **1,671,100**  
Refueling Station, Motor Pool Facility and Accompanying Structure

The approved amount from the Motor Pool Fund shall be used to construct a new motor pool facility and publicly accessible alternative fueling station on the Capitol Mall.

- **Construct Arizona State Prison** **2,505,700**  
Complex - Lewis  
The approved amount from the Corrections Fund shall complete the funding for the project, which will have received a total of \$145,605,700 in state appropriations from FY 1996 through FY 1999. The project entails the construction of 4,150 prison beds and all related support facilities at the new complex located near the town of Buckeye. The appropriation shall be considered as state matching monies to any federal monies allocated to the project. A total of \$16,000,000 in federal grant monies is expected to be utilized for the project.
  - **Construct Arizona State Prison** **190,000**  
Complex at Yuma  
The approved amount from the Corrections Fund shall complete the funding for the project, which will have received a total of \$33,590,000 in state appropriations from FY 1996 through FY 1999. The project entails the construction of a prison unit with 800 beds and related support facilities at the Yuma prison complex. The appropriation shall be considered as state matching monies to any federal monies allocated to the project. A total of \$1,700,000 in federal grant monies is expected to be utilized for the project.
  - **Prison Planning and Siting** **2,000,000**  
The approved amount from the Corrections Fund shall be used for master planning, studies, site acquisition costs, and site development costs for new prison facilities. The department shall work with the Joint Select Committee on Corrections in planning and siting the facilities. The expenditure of these monies is limited to non-site specific purposes until any new facilities have been sited by the Legislature.
  - **ASPC-Douglas Wastewater** **5,290,000**  
Treatment Project  
The approved amount from the Corrections Fund shall be used to construct a system for wastewater treatment at the Arizona State Prison Complex at Douglas. Prior to the expenditure of monies for construction, the department shall present its preliminary plan for the system to the JCCR for its review.
- Subtotal - Other Funds** **\$16,714,800**
- Total** **\$28,086,900**

**FY 1998 Capital Outlay:** Chapter 1, 4<sup>th</sup> Special Session — Appropriates a total of \$9,249,600 to ADOA from the General Fund and eliminates a prior appropriation of \$14,800,000 from Other Funds for the following capital projects in the following amounts:

## ARIZONA DEPARTMENT OF ADMINISTRATION - SUMMARY (Cont'd)

### General Fund

- Build-out New Department of Juvenile Corrections Secure Care Complex **\$7,042,000**  
The approved amount shall fund the continued construction of the Department of Juvenile Corrections new secure care facility near the town of Buckeye. In conjunction with a FY 1999 appropriation of \$1,558,000 from the Corrections Fund (*see FY 1999 Capital Outlay description*), the amount provides a total of \$8,600,000 to construct an additional 200 beds and all related support facilities. Of the amount, up to \$100,000 and 2 FTE Positions may be allocated in each fiscal year to oversee the project until its completion.
- Security Improvements at ASPC-Tucson **2,207,600**  
The approved amount is re-appropriated from the Department of Corrections FY 1998 operating budget to ADOA for safety improvements, including lock replacement at the prison.

**Subtotal - General Fund** **\$9,249,600**

### Other Funds

- Eliminate State Health Laboratory Funding **\$(14,800,000)**  
The bill eliminates the FY 1998 appropriation from the Tobacco Tax and Health Care Fund for the construction of a new state health laboratory.

**Subtotal - Other Funds** **\$(14,800,000)**

**Total** **\$(5,550,400)**

Capitol Land Exchange (Chapter 128) — This bill appropriates \$250,000 from the General Fund in FY 1999. The monies may be used by ADOA, in addition to the sale of state-owned land on the governmental mall, toward the purchase of private property on the governmental mall. Any exchange and purchase shall be reviewed by the Joint Committee on Capital Review. The appropriation is exempt from lapsing until January 1, 2001, when any unexpended and unencumbered amounts will revert to the General Fund. The bill also authorizes land exchanges between the state and the City of Phoenix.

Additional Legislation: Arizona Department of Administration Omnibus (Chapter 292) — This bill appropriates \$100,000 in FY 1999 from the Retiree Accumulated Sick Leave Fund (RASL) to the Special Merit Award Fund for merit awards and recognition materials. The bill has numerous other provisions affecting the department, including the following items with a fiscal impact: 1) makes various changes to the RASL program (*for further information, refer to the Retiree Accumulated Sick Leave description in the ADOA Central Operations section*); 2) changes the encumbrance of appropriations; 3) requires ADOA, rather than the Department of Revenue, to set state agency travel

rates, subject to Joint Legislative Budget Committee approval; 4) changes the Lease Cost Review Board's recommendations on state agency rental rates to occur before July 1 of each odd-numbered year, rather than annually; 5) allows building renewal monies to be spent to comply with the federal Americans with Disabilities Act; 6) extends the Personnel Rules Review Committee and provides that payroll deductions occurring as of January 1, 1997 may continue until this committee and the Joint Legislative Study Committee on State Employee Compensation (JLSCSEC) report on payroll deductions; 7) extends the JLSCSEC, adds 2 members, and revises its duties; 8) provides that until June 30, 2002, monies in the Emergency Telecommunication Services Revolving Fund shall be used to comply with Federal Communications Commission mandates on 911 calls from cellular phones, shall not be used to reduce the tax levy under A.R.S. § 42-1472, and that this section shall not be construed to change the authority of the Joint Legislative Tax Committee to fix the tax to be levied and collected; 9) requires that by November 1, 1999, the ADOA Director make recommendations concerning the title transfer of all state owned vehicles to ADOA; 10) requires that ADOA study the feasibility of removing the Department of Economic Security from the list of agencies exempt from the ADOA motor vehicle fleet, study and by December 1, 1998 report on related fund source, repair, federal restrictions and future funding issues; and 11) states that the Legislature intends that this act provide a foundation for establishing competitive compensation for state employees, employee compensation be considered competitive if it is within 5% of market compensation (including salary and benefits), and that competitive compensation be established by the end of FY 2003. The bill was enacted with an emergency clause.

**ARIZONA DEPARTMENT OF ADMINISTRATION - CENTRAL OPERATIONS**

A.R.S. § 41-701, 41-722,  
41-794, and 41-2511  
FY 1999  
Approved

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	204.2	210.7	215.7 <sup>1/</sup>
Personal Services	4,315,000	5,255,600	5,434,000
Employee Related Expenditures	974,200	1,142,900	1,170,300
Professional and Outside Services	264,100	540,000	410,300
Travel - In State	4,900	10,300	10,300
Travel - Out of State	7,500	13,200	13,200
Other Operating Expenditures	1,189,300	1,165,700	1,178,700
Equipment	5,700	122,800	90,400
<b>Operating Subtotal</b>	<b>6,760,700</b>	<b>8,250,500</b>	<b>8,307,200</b>
Capitol Police	1,789,700	1,815,900	2,003,600
ENSCO COP	4,585,000	4,585,600	4,586,600
State-Owned Space Rent	900,800	770,200	805,000
Lease-Purchase Rent	619,700	745,300	720,200
AFIS II	2,074,200	2,475,800	2,532,900 <sup>2/</sup>
Veterans' Home	2,000,000	1,000,000	0
Arizona Works	0	50,000	0
Unoccupied Lease-Purchase	0	55,900	0
Performance Based Incentives	0	200,000	200,000
Hearing Office	5,600	10,000	10,000
Employee Bus Subsidy	360,000	426,000	455,000 <sup>3/</sup>
Governor's Regulatory Review Council	329,400	384,600	393,700
Retiree Accumulated Sick Leave	0	0	200,000 <sup>4/</sup>
Relief of Named Claimants	312,600	0	0
<b>Total</b>	<b>19,737,700</b>	<b>20,769,800</b>	<b>20,214,200 <sup>5/6/</sup></b>
<b>Additional Appropriations -</b>			
Relief of Named Claimants, Ch. 158	0	1,477,300	0
ADOA Omnibus, Ch. 292	0	0	100,000
<b>Total Appropriations</b>	<b>19,737,700</b>	<b>22,247,100</b>	<b>20,314,200</b>
<b>Fund Summary</b>			
General Fund	19,593,900	21,591,400	19,580,400
Air Quality Fund	0	426,000	455,000
Capital Outlay Stabilization Fund	77,600	142,600	89,300
Corrections Fund	66,200	87,100	89,500
Retiree Accumulated Sick Leave Fund	0	0	100,000
<b>Total Appropriations</b>	<b>19,737,700</b>	<b>22,247,100</b>	<b>20,314,200</b>

<sup>1/</sup> Includes 61 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> 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 \$3,295,500 shall be proportionately distributed among all contributing funding sources, including the state General Fund. (General Appropriation Act footnote)

<sup>3/</sup> The \$455,000 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)

<sup>4/</sup> Appropriated by Laws 1997, Chapter 291.

<sup>5/</sup> 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)

<sup>6/</sup> 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)

**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*

**Technical Issues** — The approved amount includes a total of \$90,400 for replacement computers, printers, and fax machines.

**Fixed Assets** — The approved amount eliminates \$600 in one-time expenditures and makes permanent 1 FTE Position to operate and update the state's automated Fixed Asset system. This was previously a limited position.

**Capitol Police** — The approved amount includes a total of 54 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 includes funding of \$199,500 for security systems. The Legislature appropriated \$610,000 between FY 1996 and FY 1998 for a project to repair, upgrade, and expand the Capitol Mall and Tucson Office Complex security systems. To date, 23 additional buildings have been placed on a common security system, which provides fire, access, and video monitoring. The approved amount will allow the Department of Revenue building to be brought onto the system. The funding represents the fourth year of a 7-year program to include all Capitol Mall buildings on the security system. An estimated \$353,000 would be required to complete the project.

The approved funding also includes \$130,500 and 5 FTE Positions to enhance security for the Executive Tower. The additional positions will staff a security desk in the building's lobby and assist in monitoring the automated Capitol Mall security system. The approved funding also includes an additional \$4,800 for the department's uniform allowance and an additional \$7,700 for annual dues to the Commission on Accreditation of Law Enforcement Agencies.

**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 \$26,585,600 for annual principal and interest payments; an additional \$66,914,400 will be required through the year 2011.

**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.

**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 \$2,532,900 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 General Appropriation Act footnote. The appropriated amount increases funding for the Data Center charge paid by the Finance Division by \$57,100 to reflect classification salary adjustments and statewide salary adjustments appropriated for computer programmers in the Data Center. The approved amount also includes a decrease of \$129,700 in Professional and Outside Services to reduce the total Data Center charge to the level required by the department.

**Veterans' Home** — This Special Line Item includes monies appropriated to the Arizona Department of Administration (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. The approved amount eliminates the ADOA appropriation for the Veterans' Home in FY 1999. The Veterans' Home is expected to collect sufficient revenues to be self-supporting.

**Arizona Works** — This Special Line Item includes \$50,000 appropriated from the General Fund in FY 1998 by Laws 1997, Chapter 300 for operational costs (such as accounting services and AFIS II reprogramming) required to implement and operate an electronic benefits transfer system for welfare benefits. The FY 1999 appropriation includes a reduction of \$50,000 to eliminate this one-time appropriation.

**Unoccupied Lease-Purchase** — Funding for payments on vacant state lease space has been moved to the General Services cost center starting in FY 1999.

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

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**Performance Based Incentives** — The approved amount in this Special Line Item includes a \$200,000 FY 1998 non-lapsing appropriation and a \$200,000 FY 1999 appropriation from the General Fund to be matched by the department and used to implement performance based incentive programs.

**Hearing Office** — This Special Line Item funds costs associated with appeals of decisions made by the Department of Environmental Quality.

**Employee Bus Subsidy** — This Special Line Item funds a bus fare subsidy for non-university state employees in Maricopa County. The 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 approved amount includes an increase of \$29,000 to fund increased bus usage. This provides a total of \$455,000 from the Air Quality Fund to pay for one-half of the cost of bus rides to work by non-university state employees in Maricopa County. The increase reflects a historic growth rate of 16% per year, based on months when a 50% subsidy was in effect. The statute authorizing bus subsidies does not specify the state share. Since FY 1995, the Legislature has funded the subsidy at 50%. During FY 1997, the department used grants from other sources to increase the state portion of the bus fares to 100%, but has since returned to the 50% subsidy funded by the appropriation. The appropriation also continues a bus subsidy footnote, which clarifies the purpose of the appropriation.

**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.

**Retiree Accumulated Sick Leave** — Laws 1997, Chapter 291 appropriates \$200,000 from the General Fund to the department's newly established Retiree Accumulated Sick Leave (RASL) Fund for FY 1999. The monies are appropriated to cover costs at the beginning of the fiscal year (until monies accumulate in the fund) and are transferred back to the General Fund at the end of the fiscal year. The bill also makes numerous changes to the RASL program, including the following changes that have a fiscal impact: 1) changes payment to retiring state employees for RASL to a 3-year payout with a cap of \$30,000 per person; 2) increases the pro rata charge paid by state agencies into the RASL Fund to an amount established by the ADOA Director, subject to review by Joint Legislative Budget Committee, and not to exceed 0.19% of the total benefit eligible payroll in FY 1999, 0.40% in FY 2000 and 0.55% in FY 2001 and thereafter; 3) allows ADOA to use for RASL administration up to 4%

of the total amount deposited in the fund in FY 1999, up to 2% in FY 2000, and up to 1.5% in FY 2001 and thereafter; and 4) provides that monies in the RASL Fund do not revert to the General Fund. *Refer to the Additional Legislation section of the ADOA Summary for additional information on this bill.*

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

**Additional Appropriations: Relief of Named Claimants (Chapter 158)** — This bill appropriates \$1,477,281.72 from the General Fund in FY 1998 for various individuals and groups to settle claims against the state. The bill also transfers \$5,781.93 from Other Funds to the General Fund, to reimburse the General Fund for these claims, where appropriate.

**Arizona Department of Administration Omnibus (Chapter 292)** — This bill appropriates \$100,000 in FY 1999 from the Retiree Accumulated Sick Leave Fund to the Special Merit Award Fund established by A.R.S. § 38-613 for the purpose of making merit awards or purchasing recognition materials. Monies in this fund may be used statewide for awards of up to \$1,000 to employees for ideas which result in cost savings or improved operations in the public interest and for special acts in the public interest. The bill also makes numerous changes affecting the department. *(For further information, refer to the Retiree Accumulated Sick Leave description on this page and the Additional Legislation section of the ADOA Summary).*

**ARIZONA DEPARTMENT OF ADMINISTRATION - GENERAL SERVICES**
**A.R.S. § 41-791**

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	251.0	251.0	268.5 <sup>1/</sup>
Personal Services	4,998,800	5,386,100	5,697,300
Employee Related Expenditures	1,319,700	1,384,800	1,444,300
Professional and Outside Services	77,700	92,900	94,400
Travel - In State	153,700	112,800	112,800
Travel - Out of State	100	2,000	2,000
Other Operating Expenditures	1,442,800	1,266,800	1,470,500
Equipment	73,600	113,000	95,000
<b>Operating Subtotal</b>	<b>8,066,400</b>	<b>8,358,400</b>	<b>8,916,300</b>
Motor Pool	7,154,600	8,369,600	10,140,700
Federal Reimbursement	0	693,800	0
Relocation	149,500	60,000	60,000
Utilities	5,934,500	5,985,000	6,044,900
Unoccupied Lease-Purchase	0	0	42,800
Operations and Maintenance	0	0	1,371,200
<b>Total Appropriations</b>	<b>21,305,000</b>	<b>23,466,800</b>	<b>26,575,900</b> <sup>2/</sup>
<b>Fund Summary</b>			
General Fund	6,378,100	6,328,700	6,801,000
Capital Outlay Stabilization Fund	7,395,200	7,612,000	7,794,700
Corrections Fund	377,100	462,700	468,300 <sup>3/</sup>
Motor Pool Fund	7,154,600	9,063,400	10,140,700
Lease-Purchase Bldg. Operating & Maintenance Fund	0	0	1,371,200
<b>Total Appropriations</b>	<b>21,305,000</b>	<b>23,466,800</b>	<b>26,575,900</b>

**Program Description** — *General Services is comprised of Tenant Services, Building and Planning Services, and Construction Services. Tenant Services manages Arizona Department of Administration (ADOA) owned buildings in the Capitol Mall, provides maintenance and janitorial services, and operates the state Motor Pool, surplus property yard, print shop, and interagency mail 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 4 years, and develop a biennial Capital Improvement Plan.*

**Technical Issues** — The appropriation includes a total of \$62,100 from the General Fund for the purchase of 3 floor buffers, 5 wet vacuums, 1 electric cart, 12 hand-held radios, 1 "scissors" lift, and 2 gas-powered carts. The appropriation also includes \$25,900 from the Capital Outlay Stabilization Fund (COSF) for the purchase of 2 computers, 1 high-performance computer for computer-aided design, and 1 document scanner. Lastly, the appropriation includes \$7,000 from the Corrections Fund for the purchase of 2 computers and 1 printer.

**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 increased by 6 FTE Positions over FY 1998. Of the increase, 5 FTE Positions represent a transfer from the Tenant Services section for tenant improvement activities and 1 FTE Position represents the addition of an

<sup>1/</sup> Includes 34 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum by Fund with Special Line Items for Utilities and Relocation.

<sup>3/</sup> 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)**

**Building and Planning Services and Construction Services FTE Positions**

<u>FY 1999 FTE Positions</u>	<u>Core Staff</u>	<u>Limited Staff</u>	<u>Project-Specific</u>	<u>Total</u>
General Fund	0.00	0.00	4.00	4.00
Capital Outlay Stabilization Fund (COSF)	22.25	6.50	0.00	28.75
Corrections Fund	<u>5.75</u>	<u>1.50</u>	<u>20.00</u>	<u>27.25</u>
<b>TOTAL</b>	<b>28.00</b>	<b>8.00</b>	<b>24.00<sup>1/</sup></b>	<b>60.00</b>

<sup>1/</sup> Includes an estimated 18 FTE Positions previously authorized by Laws 1996, Chapter 2, 5<sup>th</sup> Special Session, as amended by Laws 1996, Chapter 337 and an estimated 4 FTE Positions previously authorized by Laws 1995, Chapter 2, 1<sup>st</sup> Special Session.

engineer position. (See the Engineer Position description below for more information.)

The positions listed in the above 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 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 268.5 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 198.5 FTE Positions to operate the Tenant Services section of the General Services Division. These positions are funded from the General Fund.

**HVAC Maintenance** — The approved amount includes an additional \$110,000 and 4 FTE Positions to maintain and clean the heating, ventilation, and air conditioning (HVAC) systems in ADOA-managed buildings. The approved amount also includes an additional \$209,000 for an increase in contract costs to maintain the larger, more complicated HVAC systems in the Capitol Mall and Tucson Office Complex.

**Engineer Position** — The approved amount includes an additional \$51,100 from COSF and 1 FTE Position for an Engineer Position in the Building and Planning Services section to assist the existing engineer in the review of construction documents.

**Motor Pool** — This Special Line Item funds the operation of the state Motor Pool, which provides vehicles and related services to state agencies. The approved amount reflects decreases of 2.5 FTE Positions and \$90,800 for administrative reductions; an increase of \$66,500 for fuel costs; an increase of \$52,000 for the department's vehicle maintenance contract; and an increase of \$1,688,600 for vehicle price increases, based on the most recent state bid responses. The Special Line Item is funded from the Motor Pool Fund and includes 19 FTE Positions.

**Federal Reimbursement** — This Special Line Item reflects a FY 1998 supplemental appropriation of \$693,800 from the Motor Pool Fund to reimburse the federal government for FY 1996 payments in excess of the allowable amount.

**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 Tucson Office Complex. The approved amount from the Capital Outlay Stabilization Fund represents a \$59,900, or 1%, increase over FY 1998.

**Unoccupied Lease-Purchase** — The approved amount from COSF funds the payments on vacant "state-owned" lease space. The amount consists of \$27,200 for the 1616 W. Adams building, \$4,300 for the Tucson State Office Building, \$3,600 for the Kingman State Office Building, and \$7,700 for the Doubletree Building.

**Operations and Maintenance** — Laws 1997, Chapter 210 appropriated the Lease-Purchase Building Operating and Maintenance Fund for the first time in FY 1999. The approved amount includes 15 FTE Positions to perform required services on 8 buildings that were acquired through lease-purchase financing. The buildings are located away from the Capitol Mall but are operated and maintained by ADOA. For FY 1999, agencies which occupy these buildings are budgeted \$4.75 per gross square foot for these services, which include custodial, landscaping, repairs and utilities. Monies are appropriated in individual agency budgets and transferred to the fund for appropriation to ADOA.

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



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

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ADOA for Building Renewal. The following table estimates the fund's activity:

<b>Capital Outlay Stabilization Fund</b>		
	<u>FY 1998</u>	<u>FY 1999</u>
Cash Balance Beginning of Fiscal Year	\$ 3,578,100	\$ 3,688,500
Revenue:		
Rent Collections	<u>10,261,100</u>	<u>10,663,500</u>
Total Funds Available	<u>\$13,839,200</u>	<u>\$14,352,000</u>
Expenditures:		
Utilities	\$ 5,985,000	\$6,044,900
Building Renewal/Capital	2,000,000	3,500,000
ADOA Operating Budget	1,769,600	1,839,100
Non-Lapsing Prior Year Appropriations	<u>396,100</u>	<u>0</u>
Total Expenditures	<u>\$10,150,700</u>	<u>\$11,384,000</u>
Cash Balance End of Fiscal Year	\$3,688,500	\$ 2,968,000

**ARIZONA DEPARTMENT OF ADMINISTRATION - INFORMATION SERVICES**

A.R.S. § 41-711

General Fund and Technology and Telecommunications Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	266.3	211.3	211.3
Personal Services	6,977,000	7,421,400	7,696,500
Employee Related Expenditures	1,501,600	1,580,500	1,643,500
Professional and Outside Services	1,041,200	311,900	697,000
Travel - In State	21,500	18,400	23,700
Travel - Out of State	43,500	19,300	38,100
Other Operating Expenditures	10,375,000	9,086,300	7,613,700
<b>Operating Subtotal</b>	<b>19,959,800</b>	<b>18,437,800</b>	<b>17,712,500</b>
Automation Equipment	507,000	3,553,800	3,553,800
Software and Licenses	1,387,800	1,772,600	2,030,500
Maintenance and Repair	763,200	1,147,100	1,033,300
Federal Reimbursement	0	348,400	0
<b>Total Appropriations</b>	<b>22,617,800</b>	<b>25,259,700</b>	<b>24,330,100<sup>1/</sup></b>
<b>Fund Summary</b>			
General Fund	934,200	0	0
Technology and Telecommunications Fund	21,683,600	25,259,700	24,330,100
<b>Total Appropriations</b>	<b>22,617,800</b>	<b>25,259,700</b>	<b>24,330,100</b>

**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.*

**Technical Issues** — The approved amount includes an increase of \$80,000 for rent. The appropriated amount also includes an increase of \$24,100 for computer training conferences to reflect the department’s actual expenditures for training.

**Overtime Pay** — The approved amount includes an increase of \$20,400 for overtime. The division previously has not been funded for overtime, but must periodically accommodate rush computer needs of other agencies.

**Project EAGLE/Consulting** — The appropriated amount includes an increase of \$300,000 for Professional and Outside Services to continue Project EAGLE, which seeks to expand access and consolidate state telecommunications lines through a public-private partnership in the network across Arizona. The appropriation also includes \$85,100 for disaster recovery and security services.

**Automation Equipment** — This Special Line Item contains funding for the purchase and lease-purchase of automation equipment and improvements. The appropriated amount includes a decrease of \$1,559,400 from Other Operating

Expenditures to reflect the end of a mainframe computer lease. This provides a total of \$3,553,800 for Data Center and state telecommunications equipment, including lease costs and replacement equipment.

**Software and Licenses** — This Special Line Item contains funding for computer software licensing and vendor support costs. The approved amount includes an increase of \$257,900 to reflect increased costs for software and licenses associated with expanded capacity on the Data Center’s new mainframe computer.

**Maintenance and Repair** — This Special Line Item contains funding for computer maintenance and repair costs, which consist primarily of outside maintenance contracts. The approved amount includes a decrease of \$113,800 for projected maintenance costs for FY 1999.

**Federal Reimbursement** — This Special Line Item reflects a FY 1998 supplemental appropriation of \$348,400 to reimburse the federal government for FY 1996 payments in excess of the allowable amount.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Fund.

**ARIZONA DEPARTMENT OF ADMINISTRATION - RISK MANAGEMENT**

A.R.S. § 41-622

Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	173.0	185.0	83.0 <sup>1/</sup>
Personal Services	1,743,200	1,986,700	2,109,300
Employee Related Expenditures	395,000	450,000	468,300
Professional and Outside Services	214,100	118,000	134,000
Travel - In State	23,900	20,000	30,900
Travel - Out of State	4,300	9,400	9,400
Other Operating Expenditures	558,500	518,300	545,900
Equipment	69,400	10,000	44,100
<b>Operating Subtotal</b>	<b>3,008,400</b>	<b>3,112,400</b>	<b>3,341,900</b>
Losses and Related Expenditures - RM	27,302,200	35,020,900	36,953,900
Attorney General Defense - RM	4,770,200	5,852,800	5,941,800
Insurance Premiums - RM	4,280,900	5,176,600	5,821,900
Loss Control Grants - RM	237,200	350,000	500,000
Year 2000 Loss Control Grants	0	0	4,000,000 <sup>2/</sup>
Risk Management Information System	31,100	233,200	233,200
Workers' Compensation	757,100	871,000	923,000
Losses and Related Expenditures - WC	14,452,400	16,876,800	18,716,000
Attorney General Defense - WC	114,400	246,400	252,900
Insurance Premiums - WC	216,700	293,000	293,000
Loss Control Grants - WC	150,000	150,000	150,000
Premium Tax	316,200	444,200	444,200
University Health Work Program	93,900	159,500	159,500
<b>Total Appropriations</b>	<b>55,730,700</b>	<b>68,786,800</b>	<b>77,731,300 <sup>3/</sup></b>
<b>Fund Summary</b>			
Risk Management Fund	39,598,900	49,629,300	56,676,100
Workers' Compensation Fund	16,131,800	19,157,500	21,055,200
<b>Total Appropriations</b>	<b>55,730,700</b>	<b>68,786,800</b>	<b>77,731,300</b>

**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 \$9,500 from the Workers' Compensation Fund for replacement computers and a printer, and a total of \$44,100 from the Risk Management Fund for replacement

computers and 2 printers. The approved amount also includes an increase of \$16,000 for the cost of contracted actuarial services.

<sup>1/</sup> Includes 18 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> The \$4,000,000 appropriation for Year 2000 Loss Control Grants shall be used to reduce or eliminate state liability for service failures resulting from Year 2000 information technology problems. The \$4,000,000 shall be allocated by the Department of Administration to the Government Information Technology Agency for distribution to state agencies or departments to pay for Year 2000 information technology projects. Prior to expenditure of the \$4,000,000, the Government Information Technology Agency shall report to the Joint Legislative Budget Committee on its plan for expending the monies, including any expected annualization or continuing costs for FY 2000 and the anticipated reduction in state liability for service failures. (General Appropriation Act footnote)

<sup>3/</sup> 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)

**Investigators** — The appropriation includes an increase of 2 FTE Positions and \$97,100 for the department to hire in-house investigators, rather than contract investigators, for specific cases where added continuity and knowledge of the state system would aid an investigation. The approved amount also includes a reduction of \$167,100 for a corresponding reduction to the contract investigator funding in the Risk Management Losses and Related Expenditures Special Line Item.

**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 approved amount includes an increase of \$2,250,100. The increase primarily results from higher actuarial estimates for the following: automobile physical damage, automobile liability, building property, and employment liability.

**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. The appropriation eliminates 100 FTE Positions from the ADOA budget and moves them to the Attorney General budget. Funding for these positions remains in the ADOA budget, since the department must pay for Attorney General services.

**Insurance Premiums - RM** — The approved amount includes an increase of \$645,300 for the cost of private insurance policies purchased for specific property and liability losses where the state deems it more cost effective to cede risk to an outside insurer. The increase primarily reflects higher costs for aircraft and excess liability policies.

**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 appropriated amount transfers \$150,000 from the Losses and Related Expenditures Special Line Item to the Loss Control Grants Special Line Item to allow the department to fund additional proposals from state agencies for loss prevention and safety projects.

**Year 2000 Loss Control Grants** — This Special Line Item appropriation funds loss control grants to various state agencies, in order to reduce the state's liability for service failures resulting from Year 2000 information technology problems. The monies shall be distributed by the Government Information Technology Agency (GITA).

*For additional information, refer to footnote 2 and the GITA budget.*

**Risk Management Information System** — The appropriated amount includes a total of \$233,200 (\$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 Risk Management and Workers's Compensation operating lump sums.

**Workers' Compensation** — This appropriation 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. The appropriation includes an increase of \$30,000 for the department to publicize its Workers' Compensation fraud hotline and early reporting program and an increase of \$15,000 for training.

**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 appropriation includes an increase of \$1,839,200 for self-insured Workers' Compensation losses and expenditures related to settling these losses. The approved amount reflects the FY 1999 actuarial estimate for the state, using a 70% confidence interval, less \$2,000,000 in projected savings from a reduction in outside counsel costs started in FY 1998.

**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. The appropriation eliminates 4 FTE Positions from the ADOA budget and moves them to the Attorney General budget. Funding for these positions remains in the ADOA budget, since the department must pay for Attorney General services.

**Insurance Premiums - WC** — The approved amount reflects estimated FY 1999 private insurance premiums for specific Workers' Compensation liabilities where the department deems it more cost effective to cede risk to an outside insurer.



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

**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. The monies are used by the Industrial Commission of Arizona to fund the regulation of Workers' Compensation insurance.

**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 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.

**Workers' Compensation Fund** — The fund consists of monies collected by ADOA from state agencies for payment of Workers' Compensation charges, as authorized by A.R.S. § 41-622. ADOA recommends to the Legislature a percentage of Personal Services to be appropriated for each agency's Workers' Compensation charge based on factors including the agency's FTE Position classifications, prior losses, 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 related to payments to state employees who were injured in the course of performing state duties.

<b>Risk Management Fund</b>		
	<u>FY 1998</u>	<u>FY 1999</u>
Cash Balance Beginning of Fiscal Year	\$25,067,600	\$26,235,200
Revenue:		
General Fund	\$29,817,800	\$30,672,000
Other Appropriated Funds	12,112,200	14,443,700
Non-Appropriated Funds	8,151,800	6,992,600
Insurance Losses Recovered	540,400	330,000
Loss Control Refunds	194,700	10,000
Total Funds Available	<u>\$75,884,500</u>	<u>\$78,683,500</u>
Expenditures:		
ADOA Risk Mgt.	\$49,629,300	\$52,676,100
Year 200 Loss Control	0	4,000,000
Total Expenditures	<u>\$49,629,300</u>	<u>\$56,676,100</u>
Administrative Adjustments	\$ 20,000	\$ 0
Cash Balance End of Fiscal Year <sup>1/</sup>	\$26,235,200	\$22,007,400
<sup>1/</sup> Up to \$10,000,000 of the amount shown may be required for Risk Management losses. This leaves an estimated unreserved cash balance of \$12,007,400 at the end of FY 1999.		

<b>Workers' Compensation Fund</b>		
	<u>FY 1998</u>	<u>FY 1999</u>
Cash Balance Beginning of Fiscal Year	\$13,722,100	\$10,673,800
Revenue:		
Collections	\$15,746,900	\$17,234,900
Insurance Losses Recovered	368,200	360,000
Loss Control Refunds	300	20,000
Total Funds Available	<u>\$29,837,500</u>	<u>\$28,288,700</u>
Expenditures:		
ADOA Workers' Comp.	<u>\$19,157,500</u>	<u>\$21,055,200</u>
Total Expenditures	<u>\$19,157,500</u>	<u>\$21,055,200</u>
Administrative Adjustments	\$ 6,200	\$ 0
Cash Balance End of Fiscal Year <sup>1/</sup>	\$10,673,800	\$7,233,500
<sup>1/</sup> Up to \$5,000,000 of the amount shown may be required for Workers' Compensation losses. This leaves an estimated unreserved cash balance of \$2,233,500 at the end of FY 1999.		

**ARIZONA DEPARTMENT OF ADMINISTRATION - HUMAN RESOURCES**

A.R.S. § 41-761

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	119.5	123.0	145.5 <sup>1/</sup>
Personal Services	3,389,700	3,945,500	4,113,700
Employee Related Expenditures	713,600	881,400	909,000
Professional and Outside Services	207,500	293,000	303,000
Travel - In State	12,400	12,000	12,000
Travel - Out of State	2,900	7,600	7,600
Other Operating Expenditures	999,100	1,134,900	1,154,800
Equipment	146,800	0	5,400
<b>Operating Subtotal</b>	<b>5,472,000</b>	<b>6,274,400</b>	<b>6,505,500</b>
Special Recruitment	9,800	43,500	43,500
Personnel Automation Project	175,000	175,000	175,000
Data Center Services	1,086,900	1,062,700	1,266,600
Personnel Reform	0	0	450,000 <sup>2/</sup>
Classification Project	71,900	0	0
Health Insurance and Wellness Programs	0	0	2,478,700
Federal Reimbursement	507,500	0	0
<b>Total Appropriations</b>	<b>7,323,100</b>	<b>7,555,600</b>	<b>10,919,300 <sup>3/</sup></b>
<b>Fund Summary</b>			
General Fund	507,500	0	0
Personnel Division Fund	6,815,600	7,555,600	8,440,600
Special Employee Health Insurance Trust Fund	0	0	2,478,700
<b>Total Appropriations</b>	<b>7,323,100</b>	<b>7,555,600</b>	<b>10,919,300</b>

**Program Description** — The *Human Resources Division* serves as the state personnel office, providing recruitment and evaluation services, assisting state agencies with hiring and personnel issues, and administering the state's health insurance plans. The division is funded through a 0.9% charge on state agency payrolls

**Special Recruitment** — This Special Line Item funds 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.

**Data Center Services** — This Special Line Item funds Data Center charges for Human Resource Management System (HRMS) and Benefit Information Tracking System computer run time. The approved amount includes an increase of \$203,900 for Data Center charges associated with increased use of HRMS, the statewide personnel/payroll computer system.

**Personnel Reform** — Laws 1997, Chapter 288 appropriated \$450,000 to the department for FY 1999. The monies will be used to implement reform measures required by the bill.

**Classification Project** — Since FY 1994, the Classification Project Special Line Item appropriation has provided total expenditure authority of \$1,148,300 to design a new job classification system for the Arizona Department of Administration personnel system. At the end of FY 1998, approximately \$122,500 remained available for expenditure from the FY 1994 non-lapsing appropriation.

**Health Insurance and Wellness Programs** — In accordance with Laws 1997, Chapter 210, administrative expenditures from the Health Insurance Trust Fund become appropriated starting in FY 1999. The Special Line Item

<sup>1/</sup> Includes 21.5 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> Appropriated by Laws 1997, Chapter 288.

<sup>3/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Fund.

## ARIZONA DEPARTMENT OF ADMINISTRATION - HUMAN RESOURCES

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appropriation includes a total of 21.5 FTE Positions and \$2,478,700 from this fund for the department to continue administering the state employee health insurance and wellness programs. This amount includes \$348,000 for transfer to the universities for their portion of the statewide employee wellness program authorized by Laws 1990, Chapter 355.

**Federal Reimbursement** — This Special Line Item included \$515,500 from the General Fund in FY 1997 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. 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.

# ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - SUMMARY

John H. Kelly, Director

A.R.S. § 36-2901

JLBC Analyst: Lisa Cotter

General Fund and Other Funds		FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
<b>Program Summary</b>				
Administration	(SM)	49,089,600	49,008,200	51,790,500
	(TF)	102,148,400	103,497,900	107,545,800
Long-Term Care	(SM)	135,511,600	149,007,800	167,504,500
	(TF)	395,402,400	433,060,300	488,414,900
Acute Care	(SM)	498,331,000	548,360,700	544,840,800
	(TF)	1,162,284,200	1,291,195,300	1,312,822,100
<b>Total Appropriations</b>	(SM)	<b>682,932,200</b>	<b>746,376,700</b>	<b>764,135,800</b>
	(TF)	<b>1,659,835,000</b>	<b>1,827,753,500</b>	<b>1,908,782,800</b>
<b>Expenditure Detail</b>				
FTE Positions	(SM)	1,043.3	1,074.8	1,126.2
	(TF)	2,209.7	2,209.7	2,329.7
Personal Services	(SM)	12,655,000	13,596,000	14,559,600
	(TF)	27,976,300	29,831,900	31,896,900
Employee Related Expenditures	(SM)	3,057,000	3,196,600	3,399,900
	(TF)	6,643,800	6,969,300	7,330,300
Professional and Outside Services	(SM)	3,200,000	3,204,200	3,204,200
	(TF)	7,101,000	7,413,700	8,463,700
Travel - In State	(SM)	125,500	130,100	134,100
	(TF)	253,700	262,900	265,000
Travel - Out of State	(SM)	22,300	37,000	32,600
	(TF)	41,800	70,000	61,600
Other Operating Expenditures	(SM)	7,189,800	6,299,200	6,531,300
	(TF)	13,036,700	10,991,300	11,556,700
Equipment	(SM)	984,900	901,400	859,300
	(TF)	1,857,200	1,677,600	1,775,100
<b>Operating Subtotal</b>	(SM)	<b>27,234,500</b>	<b>27,364,500</b>	<b>28,721,000</b>
	(TF)	<b>56,910,500</b>	<b>57,216,700</b>	<b>61,349,300</b>
Special Line Items	(TF)	1,602,924,500	1,770,536,800	1,809,033,500
Additional Appropriations	(TF)	0	0	38,400,000
<b>Total Appropriations</b>	(TF)	<b>1,659,835,000</b>	<b>1,827,753,500</b>	<b>1,908,782,800</b>
<b>Fund Summary</b>				
General Fund		463,557,800	504,713,000	501,814,100 <sup>1/</sup>
State Children's Health Insurance Pgm Fund		0	0	38,400,000 <sup>2/</sup>
Donations Fund		0	0	1,277,000 <sup>1/</sup>
Federal Funds		976,902,800	1,081,376,800	1,115,498,100
County Funds		201,201,100	209,968,500	221,434,500
Third Party Collections		2,876,900	5,000,000	1,583,400
Tobacco Tax Funds		15,296,400	26,695,200	28,775,700
<b>Total Appropriations</b>		<b>1,659,835,000</b>	<b>1,827,753,500</b>	<b>1,908,782,800 <sup>2/</sup></b>

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

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

<sup>1/</sup> These amounts represent direct appropriations. All other expenditures are part of total expenditure authority.

<sup>2/</sup> 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 \$81,029,300, or 4.4% above the estimated FY 1998 amount. Funding for the Administration program includes an increase of \$4,047,900, or 3.9%. Caseload growth in ALTCS results in an increase of \$55,354,600. Caseload declines and medical inflation are expected to result in a \$16,773,200 decrease in Acute Care program funding. Finally, the new State Children's Health Insurance Program established in Laws 1998, Chapter 4, 4<sup>th</sup> Special Session appropriates an additional \$38,400,000 to AHCCCS in FY 1999. Overall, the net General Fund impact of program changes is a decrease of \$2,898,900, or 0.6% below the estimated FY 1998 amount. The county contribution required for the Acute and Long-Term Care programs increases by \$11,466,000, or 5.5% above the estimated FY 1998 amount. Finally, expenditures from the Tobacco Tax and Health Care Fund increase from a total of \$26,695,200 in FY 1998 to \$38,026,800 in FY 1999.

**Additional Legislation: Children's Health Insurance Program (Chapter 4, 4<sup>th</sup> Special Session)** — Transfers \$9,251,100 from the Medically Needy Account of the Tobacco Tax Fund to the State Children's Health Insurance Program Fund in FY 1999. Appropriates \$38,400,000 from the State Children's Health Insurance Program Fund in FY 1999, which consists of \$9,251,100 from the Tobacco Tax transfer and \$29,148,900 in Federal Funds. These monies are to be administered by AHCCCS. In addition, appropriates from the Medically Needy Account to the Department of Health Services (DHS) in FY 1999 \$5,000,000 for grants to contracting qualifying health centers and \$3,000,000 for grants to contracting hospitals. *See the AHCCCS Acute Care Cost Center for a detailed description of the new State Children's Health Insurance Program.*

Also discontinues the \$1,250,000 monthly deposit from the Medically Needy Account to the Medical Services Stabilization Fund after July 1, 1999. In addition, decreases funding for the Basic Children's Medical Services Program from \$5,000,000 to \$2,500,000 in FY 1999, and eliminates the funding in FY 2000.

**Omnibus Budget Reconciliation; Health (Chapter 5, 4<sup>th</sup> Special Session)** — Requires DHS to implement a pilot program for anti-smoking advertising on school buses beginning in FY 1999. The bill allocates at least \$550,000 from the Tobacco Tax and Health Care Fund Health Education Account for this purpose. The legislation also repeals Laws 1997, Chapter 5, 1<sup>st</sup> Special Session, Section 8 which transferred \$14,800,000 from the balance of the Medically Needy Account of the Tobacco Tax and Health Care Fund to DHS for use in the construction of a health laboratory.

**AHCCCS; Omnibus (Chapter 214)** — Transfers \$8,000,000 from the Medical Services Stabilization Fund in FY 1999 to provide reinsurance to Healthcare Group health plans. Recently, Healthcare Group health plans' costs have begun to exceed the amount they receive in premiums. The recent increase in costs appears to be due to several factors, including changes in federal law and actions by private insurance companies. As a result of these changes, the pool of Healthcare Group participants now contains fewer healthy members and more members with pre-existing conditions and high health care costs.

To help discourage the adverse selection that is taking place in Healthcare Group, the bill changes Healthcare Group eligibility for small businesses to prevent businesses from only enrolling their less healthy full-time employees in Healthcare Group. If a company has fewer than 5 full-time employees, then 100% of these employees must be enrolled in Healthcare Group. If a company has between 6 and 50 full-time employees, then at least 80% of these employees must be enrolled in Healthcare Group. If an employee has other existing health care coverage (such as through a spouse's employer) and elects not to participate

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

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in Healthcare Group, that employee will not be counted when determining the above percentages.

The bill also transfers \$317,000 in General Fund monies from the Department of Economic Security to AHCCCS in FY 1999 for the purpose of providing the state match for Title XIX expenditures for adoption subsidy children. The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Adoption Services program in 1996. As a result of that review, DES was asked to report back to the PAR Committee on its action plan with AHCCCS to include non-Title IV-E eligible children in its Title XIX state plan to draw down federal funds for non-Title IV-E special services.

Appropriation; Anticancer Drug Discovery (Chapter 237) — Appropriates \$5,000,000 in FY 1999, \$2,000,000 in FY 2000, \$2,000,000 in FY 2001, and \$1,000,000 in FY 2002 from the Health Research Account of the Tobacco Tax and Health Care Fund to the Disease Control Research Commission. The \$10,000,000 appropriation is for the support of cancer research projects directed at all phases of drug discovery, application, development, and clinical trials.

Tobacco Tax; Capital Project Grants (Chapter 238) — For FY 1999, transfers \$2,500,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund to DHS for capital project grants to public and non-profit entities that provide health services in rural or medically underserved areas. Also specifies that the \$111,200 appropriated from the Medically Needy Account in Laws 1997, Chapter 157 for a rural private primary care provider loan repayment program is exempt from lapsing.

Tobacco Tax; Transplants; Medication (Chapter 256) — For FY 1999, transfers up to \$500,000 from the Medically Needy Account of the Tobacco Tax Fund for pilot programs providing detoxification services in counties with 500,000 or less persons. For FY 1999, transfers up to \$250,000 from the Medically Needy Account for telemedicine pilot programs designed to facilitate the provision of medical services to persons living in medically underserved areas. Beginning in FY 1999, transfers \$200,000 annually from the Medically Needy Account to DHS for contracts with hospitals that perform nonrenal organ transplant operations.

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

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

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>Tobacco Tax and Health Care Fund</b>			
<u>Funds Available</u>			
Collections, Interest and Administrative Adjustments	<u>\$127,006,000</u>	<u>\$130,412,400</u> <sup>1/</sup>	<u>\$128,537,700</u> <sup>1/</sup>
<u>Allocation</u> <sup>2/</sup>			
DOR Administration	303,900	345,700	352,600
Transfer to AHCCCS-Medically Needy & Interest	87,803,800	88,807,400	85,964,400
Transfer to DHS-Health Education & Interest	29,361,100	29,245,200	29,339,900
Transfer to DHS-Health Research & Interest	6,368,700	6,458,700	6,306,100
Transfer to DOC Corrections	280,400	280,400	280,400
Medical Services Stabilization Fund Interest	2,202,300	3,526,500	3,918,900
Premium Sharing Fund Revenue	685,800	1,748,500	2,375,400
<b>Total Allocation</b>	<b>\$127,006,000</b>	<b>\$130,412,400</b>	<b>\$128,537,700</b>
<b>AHCCCS Medically Needy Account</b>			
<u>Funds Available</u>			
Balance Forward	101,271,100	87,187,100	72,488,900
Transfer In – Tobacco Tax and Health Care Fund	82,829,400	82,410,000	82,405,000
Interest Revenue	4,337,200	3,991,900	3,559,400
Revertments from DHS Medically Needy Account	637,200	2,405,500	0
<b>Total Funds Available</b>	<b>\$189,074,900</b>	<b>\$175,994,500</b>	<b>\$158,453,300</b>
<u>Allocation</u>			
Offset Loss in Federal Funding	2,021,200	4,145,000	4,542,200
Phase-Down of Quick Pay Discount	4,522,800	7,978,800	7,546,400
\$10 M Hospital Reimbursement	10,000,000	10,000,000	10,000,000
Maternity Length of Stay	0	1,919,000	4,213,200
HIV/AIDS Treatment	0	2,652,400	2,473,900
Transplants	1,707,900	3,500,000	3,500,000
Transfer to AHCCCS-Medical Services Stab Fund	45,000,000	15,000,000	1,250,000
Transfer to AHCCCS-Premium Sharing Demo Project	20,075,000	20,400,000	20,400,000
Transfer to DHS-Medically Needy	18,560,900	36,410,400	33,542,200
Transfer to DHS Health Crisis Fund	0	1,000,000	600,000
Transfer to DES Aging and Adult Administration	0	500,000	500,000
Transfer to Children's Health Insurance Program Fund	0	0	9,251,100
<b>Total Allocation</b>	<b>\$101,887,800</b>	<b>\$103,505,600</b>	<b>\$97,819,000</b>
<b>Balance Forward</b>	<b>\$87,187,100</b>	<b>\$72,488,900</b>	<b>\$60,634,300</b>
<b>AHCCCS Medical Services Stabilization Fund</b>			
<u>Funds Available</u>			
Balance Forward	14,065,400	61,267,700	79,794,200
Transfer In – Medically Needy Account	45,000,000	15,000,000	1,250,000
Interest Revenue	2,202,300	3,526,500	3,918,900
<b>Total Funds Available</b>	<b>\$61,267,700</b>	<b>\$79,794,200</b>	<b>\$84,963,100</b>
<u>Allocation</u> - Healthcare Group	0	0	8,000,000
<b>Balance Forward</b>	<b>\$61,267,700</b>	<b>\$79,794,200</b>	<b>\$76,963,100</b>
<b>AHCCCS Premium Sharing Demo Project Fund</b>			
<u>Funds Available</u>			
Balance Forward	0	20,734,000	28,571,600
Transfer In – Medically Needy Account	20,075,000	20,400,000	20,400,000
Revenue	685,800	1,748,500	2,375,400
<b>Total Funds Available</b>	<b>\$20,760,800</b>	<b>\$42,882,500</b>	<b>\$51,347,000</b>
<u>Allocation</u>			
Administrative Expenses	26,800	310,900	293,900
Services	0	14,000,000	20,000,000
<b>Total Allocation</b>	<b>\$26,800</b>	<b>\$14,310,900</b>	<b>\$20,293,900</b>
<b>Balance Forward</b>	<b>\$20,734,000</b>	<b>\$28,571,600</b>	<b>\$31,053,100</b>

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

	FY 1997	FY 1998	FY 1999
<b>DHS Medically Needy Account</b>			
<u>Funds Available</u>			
Balance Forward	0	0	0
Transfer In – AHCCCS Medically Needy	18,560,900	36,410,400	33,542,200
<b>Total Funds Available</b>	<b>\$18,560,900</b>	<b>\$36,410,400</b>	<b>\$33,542,200</b>
<u>Allocation</u>			
Primary Care Programs	4,134,700	6,240,000 <sup>3/</sup>	6,240,000 <sup>3/</sup>
Qualifying Community Health Centers	4,404,100	5,200,000 <sup>3/</sup>	5,200,000 <sup>3/</sup>
Telemedicine	255,000	260,000 <sup>3/</sup>	260,000 <sup>3/</sup>
Mental Health Programs for Non-Title 19	5,000,000	5,200,000 <sup>3/</sup>	5,200,000 <sup>3/</sup>
Detoxification Services	500,000	520,000 <sup>3/</sup>	520,000 <sup>3/</sup>
Renal Disease Management	150,000	260,000 <sup>3/</sup>	260,000 <sup>3/</sup>
Basic Children's Medical Services Program	1,429,600	5,200,000 <sup>3/</sup>	2,600,000 <sup>3/</sup>
Evaluations	282,000	854,200	854,200
Public Health Education	0	7,500,000	0
Rural Private Primary Care Provider Loan Repay Pgms	0	111,200	0
Community Health Center Grants	0	2,500,000	0
Primary Care Capital Construction Projects	0	2,500,000	2,500,000
Salome Health Services	0	65,000	0
HIV/AIDS Treatment	0	0	1,700,000
Nonrenal Disease Management	0	0	208,000 <sup>3/</sup>
SCHIP Direct Services from Qualifying Health Centers	0	0	5,000,000
SCHIP Direct Hospital Services	0	0	3,000,000
<b>Total Allocation</b>	<b>\$16,155,400</b>	<b>\$36,410,400</b>	<b>\$33,542,200</b>
Revertment from DHS to AHCCCS Medically Needy Acct	\$2,405,500	\$0	\$0
<b>DHS Health Crisis Fund</b>			
<u>Funds Available</u>			
Transfer In – Medically Needy Account	0	1,000,000	600,000
<u>Allocation - HIV/AIDS Treatment</u>	0	600,000	0
<b>Balance Forward</b>	<b>\$0</b>	<b>\$400,000</b>	<b>\$1,000,000</b>
<b>DHS Health Education Account</b>			
<u>Funds Available</u>			
Balance Forward	32,424,400	43,596,900	43,111,000
Transfer In – Tobacco Tax and Health Care Fund	27,215,300	27,077,500	27,075,900
Interest Revenue	2,145,800	2,167,700	2,264,000
<b>Total Funds Available</b>	<b>\$61,785,500</b>	<b>\$72,842,100</b>	<b>\$72,450,900</b>
<u>Allocation - Administration &amp; Program Costs</u>	18,188,600	29,731,100	25,000,000 <sup>4/</sup>
<b>Balance Forward</b>	<b>\$43,596,900</b>	<b>\$43,111,000</b>	<b>\$47,450,900</b>
<b>DHS Health Research Account</b>			
<u>Funds Available</u>			
Balance Forward	7,996,100	11,994,300	10,898,800
Transfer In – Tobacco Tax and Health Care Fund	5,916,300	5,886,400	5,886,100
Interest Revenue	452,400	572,300	420,000
<b>Total Funds Available</b>	<b>\$14,364,800</b>	<b>\$18,453,000</b>	<b>\$17,204,900</b>
<u>Allocation</u>			
Disease Control Research Commission	2,370,500	7,054,200	6,304,100
Transfer to U of A – Liver Research Institute	0	500,000	0
Anticancer Drug Discovery	0	0	5,000,000
<b>Total Allocation</b>	<b>\$2,370,500</b>	<b>\$7,554,200</b>	<b>\$11,304,100</b>
<b>Balance Forward</b>	<b>\$11,994,300</b>	<b>\$10,898,800</b>	<b>\$5,900,800</b>



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

	FY 1997	FY 1998	FY 1999
<b>DOC Corrections Fund</b>			
<u>Funds Available</u>			
Transfer In -Tobacco Tax and Health Care Fund	\$280,400	\$280,400	\$280,400
<u>Allocation</u>			
Comingled with Other Revenue Sources for Capital Exp.	\$280,400	\$280,400	\$280,400

- 1/ Revenues include Tobacco Tax collections, interest revenue, and health care premiums for the Premium Sharing Program. For the purposes of this table, Tobacco Tax collections are estimated to be \$116,000,000 in both FY 1998 and FY 1999. Based upon actual collections through April, it appears total collections will be approximately \$113,000,000 in FY 1998. Collections may continue to decline in FY 1999.
- 2/ Under § A.R.S. 41-1241C, the amount transferred to the Corrections Fund Adjustment Account is to reflect only the actual amount needed to offset decreases in the Corrections Fund resulting from lower tax revenues. Any unexpended Corrections Fund Adjustment Account amounts are transferred out proportionally to the other 3 accounts.
- 3/ Pursuant to § A.R.S. 36-2921C, these amounts include an additional 4% for administrative costs associated with each program.
- 4/ Includes \$550,000 for anti-smoking advertising on school buses pursuant to Laws 1998, Chapter 5, 4<sup>th</sup> Special Session.

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - ADMINISTRATION**
**A.R.S. § 36-2901**

General Fund and Other Funds		FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	(SM)	1,043.3	1,074.8	1,111.9 <sup>1/</sup>
	(TF)	2,209.7	2,209.7	2,270.7 <sup>1/</sup>
Personal Services	(SM)	12,655,000	13,596,000	14,559,600
	(TF)	27,976,300	29,831,900	31,896,900
Employee Related Expenditures	(SM)	3,057,000	3,196,600	3,399,900
	(TF)	6,643,800	6,969,300	7,330,300
Professional and Outside Services	(SM)	3,200,000	3,204,200	3,204,200
	(TF)	7,101,000	7,413,700	8,463,700
Travel - In State	(SM)	125,500	130,100	134,100
	(TF)	253,700	262,900	265,000
Travel - Out of State	(SM)	22,300	37,000	32,600
	(TF)	41,800	70,000	61,600
Other Operating Expenditures	(SM)	7,189,800	6,299,200	6,531,300
	(TF)	13,036,700	10,991,300	11,556,700
Equipment	(SM)	984,900	901,400	859,300
	(TF)	1,857,200	1,677,600	1,775,100
<b>Operating Subtotal</b>	<b>(GF)</b>	<b>27,234,500</b>	<b>27,364,500 <sup>2/</sup></b>	<b>28,721,000</b>
	<b>(TF)</b>	<b>56,910,500</b>	<b>57,216,700 <sup>2/</sup></b>	<b>61,349,300</b>
ADOA Data Center	(SM)	2,669,700	1,334,800	1,742,500 <sup>3/</sup>
	(TF)	7,277,900	3,737,900	4,978,600 <sup>3/</sup>
Indian Advisory Council	(SM)	102,300	101,500	104,700
	(TF)	201,900	202,800	209,300
DES Eligibility	(SM)	18,494,600	19,196,500	19,597,300 <sup>5/</sup>
	(TF)	36,563,900	40,343,200 <sup>4/</sup>	39,091,700 <sup>5/</sup>
DES DDSA	(SM)	78,900	102,800	104,200 <sup>5/</sup>
	(TF)	157,900	205,700	208,200 <sup>5/</sup>
DES PASARR	(SM)	17,900	51,800	20,900 <sup>5/</sup>
	(TF)	65,700	205,400	81,800 <sup>5/</sup>
DES MEDICS	(SM)	202,500	188,700	48,000 <sup>5/</sup>
	(TF)	369,400	360,800	96,000 <sup>5/</sup>
DHS Licensure	(SM)	207,700	470,700	478,000 <sup>6/</sup>
	(TF)	381,400	776,700	804,500 <sup>6/</sup>
DHS PASARR	(SM)	29,700	52,400	52,400 <sup>6/</sup>
	(TF)	116,300	212,200	212,900 <sup>6/</sup>
DHS Indirect Costs	(SM)	51,800	144,500	144,500 <sup>6/</sup>
	(TF)	103,500	236,500	236,500 <sup>6/</sup>
Healthcare Group Administration	(SM)	0	0	1,277,000
	(TF)	0	0	1,277,000
Lump Sum Reduction	(SM)	0	0	(500,000)
	(TF)	0	0	(1,000,000)
<b>Total Appropriations</b>	<b>(SM)</b>	<b>49,089,600</b>	<b>49,008,200</b>	<b>51,790,500</b>
	<b>(TF)</b>	<b>102,148,400</b>	<b>103,497,900</b>	<b>107,545,800 <sup>7/8/9/10/</sup></b>
<b>Fund Summary</b>				
General Fund		49,089,600	49,008,200	50,513,500 <sup>11/</sup>
Donations Fund		0	0	1,277,000 <sup>11/</sup>
Federal Funds		53,058,800	54,489,700	55,755,300
<b>Total Appropriations</b>		<b>102,148,400</b>	<b>103,497,900</b>	<b>107,545,800</b>

SM = State Match, and consists of the state General Fund and the Donations Fund.  
 TF = Total Funds, and represents the sum of the State Match and Federal Funds.

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

**Agency 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.

**ALTCS Eligibility Determination** — The approved amount includes an increase of \$1,915,000 for ALTCS eligibility determination. This amount includes \$1,602,500 and 44 FTE Positions for AHCCCS' Division of Member Services, which performs initial medical and financial eligibility determinations for ALTCS applicants as well as annual financial and medical redeterminations for ALTCS members. The increase also includes \$312,500 for an additional ALTCS field office in Phoenix, \$125,000 of which is for one-time costs.

**New Early Fraud Detection Unit** — The approved amount includes an increase of 4 FTE Positions and \$145,000 from the General Fund for a new early fraud detection unit. County eligibility workers perform AHCCCS eligibility determinations at the hospital for state-only groups such as the Medically Needy/Medically Indigent (MN/MI) and State Emergency Services. The unit of fraud investigators will review all AHCCCS applications prior to approval by viewing the applications at the hospital and conducting home visits to verify inconsistent information. AHCCCS estimates the new unit will save the state at least

\$2,000,000 in FY 1999. These savings have been incorporated in the Acute Care program.

**Lump Sum Reduction** — The approved amount includes a \$1,000,000 lump sum reduction in the AHCCCS Administration Cost Center.

**ALTCS Interactive Interviewing** — The approved amount includes \$262,000 in Federal Funds expenditure authority to allow ALTCS financial eligibility interviewers to capture information electronically during face to face interviews. The amount includes one-time costs of hardware, software, and consulting, and software licensing and maintenance fees. The state match of \$262,000 for this project will be funded through the agency's base budget.

**Decision Support System** — Contingent upon project approval by the Government Information Technology Agency and the Information Technology Advisory Committee, the approved amount includes an increase of \$975,000 in Federal Funds expenditure authority for the expansion of the Decision Support System. The increase

- 1/ Includes 564.4 SM and 1,115.5 TF FTE Positions funded from Special Line Items in FY 1999.
- 2/ Of the FY 1998 \$57,216,700 Administration Cost Center Operating Lump Sum appropriation, \$400,000 from the state General Fund and \$400,000 in Federal Funds is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until the end of FY 1999. These monies shall be used for the Decision Support System. (General Appropriation Act footnote as amended by Laws 1998, Chapter 1, 4<sup>th</sup> Special Session)
- 3/ It is the intent of the Legislature that the appropriation for the Department of Administration Data Center charges be used only for the payment of charges incurred by the Administration for the use of computing services provided by the Department of Administration Data Center. (General Appropriation Act footnote)
- 4/ Of the FY 1998 \$40,343,200 Total Funds appropriation for the DES-Eligibility Special Line Item, \$2,055,500 in Federal Funds is exempt from lapsing until June 30, 2000. (General Appropriation Act footnote as amended by Laws 1998, Chapter 1, 4<sup>th</sup> Special Session)
- 5/ 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)
- 6/ 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)
- 7/ It is the intent of the Legislature that the Department of Economic Security in conjunction with the Arizona Health Care Cost Containment System shall provide quarterly reports on its progress in implementing the Comprehensive Medical and Dental Plan as a health plan. The first report to the Directors of the Governor's Office of Strategic Planning and Budgeting and the Joint Legislative Budget Committee is due March 31, 1998. These quarterly reports shall be provided until June 30, 1999. (General Appropriation Act footnote)
- 8/ The Arizona Health Care Cost Containment System shall report by May 31, 1999 to the Joint Legislative Budget Committee on the feasibility of competitive bidding for the provision of services to developmentally disabled clients by FY 2002. (General Appropriation Act footnote)
- 9/ General Appropriation Act funds appropriated as an Operating Lump Sum with Special Line Items for the Program.
- 10/ Of the \$107,545,800 expenditure authority for Administration, \$50,513,500 is appropriated from the state General Fund. (General Appropriation Act footnote)
- 11/ These amounts represent direct appropriations. All other expenditures are part of total expenditure authority.

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

is for one-time costs of \$975,000 in Professional and Outside Services. The state match of \$175,000 for this project will be funded through the agency's base budget. Laws 1998, Chapter 1, 4<sup>th</sup> Special Session also specifies that \$400,000 from the General Fund and \$400,000 in Federal Funds from AHCCCS' FY 1998 appropriation shall be exempt from lapsing until the end of FY 1999. These monies are to be used for the Decision Support System.

**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 approved amount includes an increase of \$1,240,700 because of growth in AHCCCS' number of records and on-line users.

**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 (TANF) Cash Assistance program, also evaluates applications for AHCCCS eligibility. DES eligibility staff also takes applications for MAO in the federal SOBRA program for pregnant women and children. Laws 1998, Chapter 1, 4<sup>th</sup> Special Session states that \$2,055,500 in Federal Funds appropriated to the DES Eligibility Special Line Item in FY 1998 is exempt from lapsing until June 30, 2000. The federal welfare reform law severed the automatic link between TANF and AHCCCS eligibility. DES will use these funds to modify its existing systems to make a separate Medicaid eligibility calculation for those applying for or receiving cash assistance under TANF.

**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.

The approved amount includes a reduction of 1 FTE Position and \$125,900 in the DES PASARR Special Line Item. The reduction reflects federal changes allowing for fewer annual resident reviews. These reviews now only need to be completed when there is a significant change in the physical or mental condition of a Developmentally Disabled (DD) client residing in a skilled nursing facility.

**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 1999, the approved amount for the MEDICS Special Line Item reflects a reduction of \$264,800 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.

**DHS PASARR** — DHS PASARR, 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.

**Healthcare Group Administration** — Laws 1997, Chapter 210 appropriated the administrative costs for AHCCCS' Healthcare Group Program. The approved FY 1999 amount includes 14 FTE Positions and \$1,277,000 from the AHCCCS Donations Fund for the Healthcare Group Administration Special Line Item. The Healthcare Group Program administers a health insurance program for small businesses and political subdivisions of the state. Its administration funding comes from premiums paid by program participants.

**Additional Legislation: Regulatory Reform (Chapter 57)** — Requires AHCCCS to include in its FY 2000 budget request a transfer to the Office of Administrative Hearings (OAH) of 6 Hearing Officers III, 1 Hearing Officer IV, 1 Legal Secretary I, 1 Clerk Typist III, and equipment or tangible property used exclusively or principally by those positions. AHCCCS' transfer request shall also include Title XIX expenditure authority for grievances related to Title XIX eligible persons.



# ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - LONG TERM CARE

A.R.S. § 36-290I

General Fund, County and Federal Funds		FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
ALTCS Lump Sum Appropriation	(SM)	135,423,600	148,939,500	167,436,200
	(TF)	395,226,500	432,850,600	488,205,200
Board of Nursing	(SM)	88,000	68,300	68,300
	(TF)	175,900	209,700	209,700
<b>Total Appropriations</b>	(SM)	<b>135,511,600</b>	<b>149,007,800</b>	<b>167,504,500</b>
	(TF)	<b>395,402,400</b>	<b>433,060,300</b>	<b>488,414,900</b> <sup>1/2/</sup>
<b>Fund Summary</b>				
General Fund		1,000,000 <sup>3/</sup>	5,728,800 <sup>4/</sup>	12,759,500 <sup>5/6/</sup>
Federal Funds		259,890,800	284,052,500	320,910,400
County Funds		134,511,600	143,279,000	154,745,000 <sup>5/</sup>
<b>Total Appropriations</b>		<b>395,402,400</b>	<b>433,060,300</b>	<b>488,414,900</b>

SM = State Match, and consists of the state General Fund and County Funds.  
 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 resource standards and at risk of being institutionalized. Prior to FY 1998, ALTCS program costs were funded entirely with county and federal dollars. Beginning in FY 1998, the state and the counties will share in the cost of ALTCS program growth. The state continues to fund the non-federal share of the administrative cost of ALTCS. 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 16,580 average annual member years and an FY 1999 average cost of \$2,438 per member per month. The approved amount reflects the cost of Capitation, Fee-For-Service, Reinsurance, Medicare Premiums, and Nurse Aid Training costs. The estimate reflects a projected increase in population of 7%, coupled with a 3.4% per-member per-month cost increase for FY 1999. The approved amount also includes approximately \$6,000,000 for increased costs for ALTCS' high cost behavioral health members.

**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 chart on the following page shows the actual and forecasted population

growth of the ALTCS program. As the chart shows, the ALTCS population has been growing at a linear rate of 7% to 9% per year. In October 1997, a contract change shifted some ALTCS members from Fee-for-Service to Capitation, causing a jump in member months that did not reflect an increase in program participation.

The table on the following page shows estimated ALTCS contributions for each county and the General Fund for FY 1998 and FY 1999. Laws 1997, Chapter 2, 2<sup>nd</sup> Special Session redistributed the responsibility for non-federal ALTCS program costs. Until FY 1998, the counties were responsible for 100% of the non-federal share of ALTCS program costs. Through Chapter 2, from FY 1998 onward the state and the counties will share in the growth of the ALTCS program. *(For a description of the ALTCS*

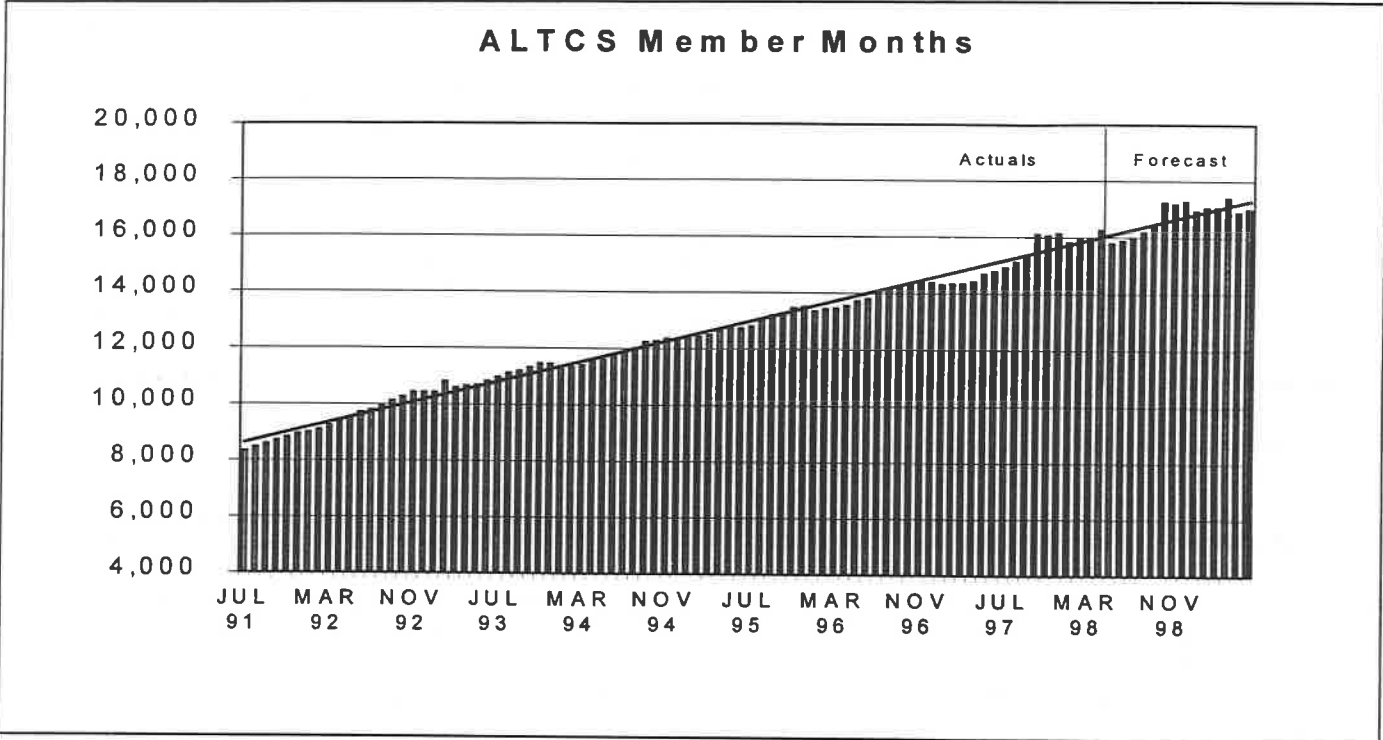
<sup>1/</sup> Any Federal Funds that AHCCCS passes through to the Department of Economic Security for use in Long-Term Care for the developmentally disabled shall not count against the Long-Term Care expenditure authority above. (General Appropriation Act footnote)  
<sup>2/</sup> General Appropriation Act funds are appropriated by Special Line Items for the Program.  
<sup>3/</sup> Appropriated by Laws 1996, Chapter 312 for Pinal, Gila, Santa Cruz and Cochise Counties.  
<sup>4/</sup> Appropriated by Laws 1997, Chapter 2, 2<sup>nd</sup> Special Session.  
<sup>5/</sup> Pursuant to A.R.S. § 11-292B, the FY 1999 non-federal portion of the costs of providing Long-Term Care System services is \$167,504,500. The state contribution is \$12,759,500 and the county contribution is \$154,745,000. (General Appropriation Act footnote)  
<sup>6/</sup> This amount represents a direct appropriation. All other expenditures are part of total expenditure authority.

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

Redistribution Plan, see the FY 1999 Analysis and Recommendations Book.)

The approved amount includes a General Fund ALTCS contribution of \$12,759,500, which is an increase of \$7,030,700 above the FY 1998 supplemental appropriation.

The approved amount also includes a county contribution of \$154,745,000 for long-term care, which is an increase of \$11,466,000, or 8% over the estimated FY 1998 contribution.



**STATE AND COUNTY ALTCS CONTRIBUTIONS**

	<b>FY 1998 Approved Contribution</b>	<b>FY 1999 Approved Contribution</b>	<b>Difference</b>
Apache	\$ 327,800	\$ 348,200	\$ 20,400
Cochise	3,710,300	3,940,600	230,300
Coconino	983,500	1,044,500	61,000
Gila	2,493,800	2,582,200	88,400
Graham	657,800	716,300	58,500
Greenlee	425,700	374,200	(51,500)
La Paz	493,300	534,600	41,300
Maricopa	84,263,900	92,812,200	8,548,300
Mohave	4,024,000	4,291,800	267,800
Navajo	1,356,000	1,440,100	84,100
Pima	29,226,200	30,674,100	1,447,900
Pinal	5,286,700	5,485,900	199,200
Santa Cruz	1,446,200	1,431,800	(14,400)
Yavapai	4,649,000	4,937,600	288,600
Yuma	3,934,900	4,130,900	196,000
Total County Funds	<b>\$143,279,000</b>	<b>\$154,745,000</b>	<b>\$11,466,000</b>
General Fund	<b>5,728,800</b>	<b>12,759,500</b>	<b>7,030,700</b>
<b>TOTAL STATE MATCH</b>	<b>\$149,007,800</b>	<b>\$167,504,500</b>	<b>\$18,496,700</b>

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - ACUTE CARE**
**A.R.S. § 36-2901**

General Fund, Federal and Other Funds		FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	(SM)	0.0	0.0	14.3 <sup>1/</sup>
	(TF)	0.0	0.0	59.0 <sup>1/</sup>
Capitation	(SM)	315,916,800	352,142,700	384,185,800
	(TF)	733,542,200	807,242,800	839,618,100
Fee-For-Service	(SM)	119,564,000	113,453,500	73,031,900
	(TF)	267,889,400	285,362,700	229,566,700
Reinsurance	(SM)	11,202,000	19,077,900	15,955,800
	(TF)	21,135,300	39,363,000	34,012,700
Medicare Premiums	(SM)	6,228,400	6,114,000	6,759,700
	(TF)	18,110,100	17,658,400	19,569,800
Qualified Medicare Beneficiaries	(SM)	1,345,000	1,586,300	1,733,200
	(TF)	3,908,200	4,582,100	5,017,600
Disproportionate Share Payments	(SM)	40,800,800	54,806,400 <sup>2/3/4/</sup>	44,679,400
	(TF)	114,425,000	135,806,400 <sup>2/3/4/</sup>	125,679,400 <sup>5/</sup>
Graduate Medical Education	(SM)	0	0	9,243,900
	(TF)	0	0	18,289,800
Temporary Assistance to Counties	(SM)	3,274,000 <sup>6/</sup>	0	0
	(TF)	3,274,000 <sup>6/</sup>	0	0
Welfare Reform	(SM)	0	1,179,900	0
	(TF)	0	1,179,900	0
Qualified Individuals	(SM)	0	0	0
	(TF)	0	0	2,668,000
<b>Total</b>	(SM)	<b>498,331,000</b>	<b>548,360,700 <sup>2/</sup></b>	<b>535,589,700</b>
	(TF)	<b>1,162,284,200</b>	<b>1,291,195,300 <sup>2/</sup></b>	<b>1,274,422,100</b>
<b>Additional Appropriations -</b>				
Children's Health Insurance Program,	(SM)	0	0	9,251,100
Ch. 4, 4th Special Session	(TF)	0	0	38,400,000
<b>Total Appropriations</b>	(SM)	<b>498,331,000</b>	<b>548,360,700</b>	<b>544,840,800</b>
	(TF)	<b>1,162,284,200</b>	<b>1,291,195,300</b>	<b>1,312,822,100 <sup>7/8/9/</sup></b>
<b>Fund Summary</b>				
General Fund		413,468,200	449,976,000	438,541,100 <sup>10/</sup>
State Children's Health Insurance Pgm Fund		0	0	38,400,000 <sup>10/</sup>
Federal Funds		663,953,200	742,834,600	738,832,400
County Funds		66,689,500	66,689,500	66,689,500
Third Party Collections		2,876,900	5,000,000	1,583,400
Tobacco Tax Funds		15,296,400	26,695,200	28,775,700
<b>Total Appropriations</b>		<b>1,162,284,200</b>	<b>1,291,195,300</b>	<b>1,312,822,100</b>

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.

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

**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 1999 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.

**New Early Fraud Detection Unit** — The approved amount includes a General Fund decrease of \$1,000,000 in Capitation and \$1,000,000 in Fee-For-Service to reflect expected savings from the new early fraud detection unit for state-only programs. *Please see the Administration Cost Center for a description of the new fraud unit.*

**Medical Inflation and Caseload Growth** — The FY 1999 approved amounts reflect overall inflation growth and capitation caseload declines of approximately 5%. The amount equates to a decrease of \$11,513,600 below the approved FY 1998 amount for Capitation, Fee-For-Service, Reinsurance, and Graduate Medical Education.

For Medicare Premiums and Qualified Medicare Beneficiaries, the net increase is \$2,346,900.

**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 rate code, meaning that different rates are paid for different groups.

Beginning in October 1997, AHCCCS changed its rate codes to reflect the age and gender of members rather than the eligibility category under which they fall. For instance, all Temporary Assistance for Needy Families (TANF) members used to be in one rate code. Now, TANF and Sixth Omnibus Budget Reconciliation Act (SOBRA)

1/ Includes 14.3 SM and 59 TF FTE Positions funded from Additional Appropriations in FY 1999.

2/ Laws 1998, Chapter 1, 4<sup>th</sup> Special Session decreased FY 1998 overall spending authority due to a lower than anticipated federal Disproportionate Share Hospital (DSH) award. The General Fund appropriation did not decrease.

3/ Of the appropriation for Disproportionate Share Payments made pursuant to A.R.S. § 36-2903.01R, the sum of \$107,310,200 is for qualifying county operated hospitals, \$10,265,900 is for deposit in the Arizona State Hospital Fund and \$16,089,900 is for other qualifying disproportionate share hospitals. Of the \$107,310,200 for qualifying county hospitals, \$1,053,100 is from federal disproportionate share monies allocated but not distributed to publicly owned hospitals for FY 1997. The \$1,053,100 is carried forward and authorized for payment to qualified publicly owned hospitals in FY 1998. (General Appropriation Act footnote as amended by Laws 1998, Chapter 1, 4<sup>th</sup> Special Session)

4/ The FY 1998 Disproportionate Share Payment of \$135,806,400 is based on a federal FY 1998 authorized expenditure level of \$123,985,900. 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 subject to the review of the Joint Legislative Budget Committee, to proportionately adjust authorization amounts 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, the Chairmen of the Appropriations Committees and the Director of the Joint Legislative Budget Committee of the adjusted federal authorized expenditure level and the proposed distribution plan for these monies. (General Appropriation Act footnote as amended by Laws 1998, Chapter 1, 4<sup>th</sup> Special Session)

5/ Of the appropriation for Disproportionate Share Payments made pursuant to A.R.S. § 36-2903.01R, the sum of \$84,441,500 is for qualifying county operated hospitals, \$24,072,600 is for deposit in the Arizona State Hospital Fund and \$15,150,000 is for other qualifying disproportionate share hospitals. The remaining \$2,015,300 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)

6/ Laws 1997, Chapter 2, 2<sup>nd</sup> Special Session and Laws 1998, Chapter 214 extend the allowable claim years for Apache and Navajo counties to FY 1995 through FY 1999. Pursuant to Laws 1998, Chapter 214, this appropriation is exempt from lapsing until June 30, 2000.

7/ Of the \$1,312,822,100 expenditure authority for Acute Care, \$438,541,100 is appropriated from the state General Fund. (General Appropriation Act footnote)

8/ General Appropriation Act funds are appropriated by Special Line Items for the Program.

9/ Before making capitation changes to current fee-for-service programs that may have a budgetary impact in FY 1999 or FY 2000, the Arizona Health Care Cost Containment System shall report its plan to the Joint Legislative Budget Committee for review. (General Appropriation Act footnote)

10/ These amounts represent direct appropriations. All other expenditures are part of total expenditure authority. (General Appropriation Act footnote)



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

members are grouped together in rate codes such as TANF < 1 and TANF 14-44 Female to more accurately group similar populations.

The October 1997 contract changes also expanded the period during which a member is covered by capitation. Prior to October 1, AHCCCS applicants were covered through fee-for-service payments until they enrolled with a health plan. Beginning October 1, 1997, federally-eligible applicants will be covered through capitation payments from the first day of the month of application. From the first day of the month of application until a member is determined eligible for AHCCCS, health plans will receive a "prior period" capitation rate. From the time a member is determined eligible, health plans will receive the regular capitation rate. For 100% state-funded members, the prior period capitation rate will cover the 48 hours prior to when a county notifies AHCCCS of an applicant's eligibility for a state-only program.

The approved amount includes one-time funding of \$3,032,500 for rate reconciliation with health plans. The prior period is generally more expensive than the regular capitation period because people often present themselves for medical services only when they have a medical emergency. AHCCCS has agreed to reconcile with health plans for up to 5% of the negotiated prior period capitation rates at the end of the first contract year under the new system.

In general, capitation rates are based on an actuarial assessment of the medical services utilization and costs incurred by each of the AHCCCS rate codes. Rates vary by health plan and geographical area, but remain within the parameters set by actuarial study and contract negotiation. Additionally, capitation rates may reflect program changes, such as a required expansion of available services, or changes in eligibility requirements.

The approved Capitation amount continues funding for 2 federal mandates that began in FY 1998. 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 cesarean section. Laws 1998, Chapter 5, 4<sup>th</sup> Special Session, the Health Omnibus Reconciliation Bill (ORB) allows AHCCCS to adjust the tier per diem rates based on the new mandate. The increased state match of \$4,213,200 in Capitation and Fee-For-Service is allocated from the Medically Needy Account of the Tobacco Tax Fund pursuant to Laws 1998, Chapter 5, 4<sup>th</sup> Special Session.

The approved amount also continues funding for federally-mandated coverage of Title XIX HIV/AIDS patients' protease inhibitors as a successful means of delaying the progression of AIDS and prolonging life. The increased

state match of \$2,473,900 in Capitation is allocated from the Medically Needy Account of the Tobacco Tax Fund pursuant to Laws 1998, Chapter 5, 4<sup>th</sup> Special Session.

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 1997 through September 1998, and 9 months at new rates negotiated for the contract year beginning in October 1998. The FY 1999 appropriation provides for an overall capitation inflation increase of 5% for the contract year starting October 1, 1998. The capitation rates shown in Table AC-1 are estimated averages of regular capitation rates.

Federally-Eligible Rate Codes	Monthly Cap. Rate	Federal Share <sup>1/</sup>	State Share
TANF < 1	\$ 346.60	\$ 226.87	\$119.72
TANF 1-13	57.07	37.36	19.71
TANF 14-44 Female	178.25	116.68	61.57
TANF 14-44 Male	78.98	51.70	27.28
TANF 45+	212.65	139.19	73.45
SSI w/ Medicare	133.82	87.59	46.22
SSI w/o Medicare	308.57	201.98	106.59
Family Planning	9.97	8.97	1.00
Deliveries	4,562.95	2,986.79	1,576.16
<b>State-Only Rate Codes</b>			
MN/MI	396.77	0	396.77
EAC/ELIC < 1	346.60	0	346.60
EAC/ELIC 1-13	57.07	0	57.07

<sup>1/</sup> Federal share reflects a blended FMAP of 3 months at 65.33% and 9 months at 65.50%. For Family Planning, the FMAP is 90%.

Estimated FY 1999 member years paid are shown in Table AC-2.

Federally-Eligible Rate Codes	Avg. Annual Member Years Paid <sup>1/</sup>
TANF < 1	32,089
TANF 1-13	170,618
TANF 14-44 Female	66,192
TANF 14-44 Male	14,408
TANF 45+	3,434
SSI w/ Medicare	21,355
SSI w/o Medicare	46,096
<b>State-Only Rate Codes</b>	
MN/MI	24,893
EAC/ELIC < 1	130
EAC/ELIC 1-13	1,671
<b>Total Member Years</b>	<b>380,886</b>
Family Planning	17,261
Deliveries	17,059 <sup>2/</sup>

<sup>1/</sup> Member years are calculated as projected member months divided by 12 and do not necessarily indicate actual number of clients enrolled.

<sup>2/</sup> This is the projection of actual birth deliveries to be made by enrollees in AHCCCS health plans.

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

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. 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 the state receives, and vice-versa. Arizona's FMAP for the federal fiscal year ending September 30, 1998 is 65.33%. For the federal fiscal year beginning October 1, 1998, Arizona's FMAP will increase to 65.50%. The increase in state match resulting from FMAP changes since FY 1996, which totals \$4,542,200 in FY 1999, is allocated from the Medically Needy Account of the Tobacco Tax and Health Care Fund pursuant to Laws 1998, Chapter 5, 4th Special Session. State eligibility groups are funded entirely with state dollars.

**Fee-For-Service** — This expenditure line item is for payments made by AHCCCS directly to health care providers on behalf of members not covered under Capitation.

One area of Fee-For-Service coverage is for AHCCCS members who are not yet covered by a health plan under Capitation. AHCCCS contract changes beginning October 1, 1997 expanded the period during which a member is covered by capitation, which shortens the fee-for-service "window". Since October 1997, federally-eligible members will be covered through capitation payments from the first day of the month of application. However, if these persons have unpaid bills for services received before then 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 MN/MI members, who previously received fee-for-service coverage for emergency services 48 hours prior to the notification of eligibility by a county office, will now be covered through prior period capitation for the 48 hours.

The budget for FY 1999 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 8% to 7% effective March 1, 1999. The increased state match of \$7,546,400 required for this

phase-down is paid for from the Medically Needy Account of the Tobacco Tax Fund pursuant to Laws 1998, Chapter 5, 4<sup>th</sup> Special Session. 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.

The Fee-For-Service approved FY 1999 amount also reflects continued funding for the discontinuation of a \$10,000,000 reduction of payments to hospitals for fee-for-service claims related to state-only eligibility groups. 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 1998, Chapter 5, 4th Special Session.

In addition to temporary Fee-For-Service coverage prior to capitation, 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 receive coverage for emergency medical care through either federal or state emergency services eligibility. AHCCCS pays these claims for emergency medical care on a fee-for-service basis. As a result of an April 1996 federal court ruling, the federal government has ceased to reimburse AHCCCS for non-emergency prenatal/postpartum care under the Federal Emergency Services program. Since FY 1998, coverage for these services has been eliminated. Delivery-related and emergency prenatal services remain for the undocumented population.

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

**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. The following table 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 1999 Reinsurance Deductible	FY 1999 State Co-insurance %
1-19,999	\$20,000	75%
20,000-49,999	\$35,000	75%
50,000+	\$50,000	75%
MN/MI	\$15,000	75%

**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 (\$8,050 for 1 person, \$10,850 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 that do not have county-operated hospitals.

The FY 1998 federal DSH award was \$81,000,000, which is \$15,583,900 less than anticipated in the original FY 1998 appropriation. The state match, however, did not decrease in FY 1998 because the anticipated General Fund savings was used to fund the Arizona State Hospital (ASH), which lost its Medicaid certification and was ineligible for Federal Funds. See the Department of Health Services section for further discussion of ASH Funding.

For FY 1999, the approved amount includes a federal DSH award equal to the FY 1998 award. The General Fund DSH appropriation will decrease by \$9,047,100 to reflect the end of state-only funding for ASH and the lower state match required for the lower federal DSH award. The funding reduction will be shared proportionately by all DSH recipients.

The allocation of the FY 1998 and FY 1999 disproportionate share appropriations are as follows:

	FY 1998	FY 1999
County-Operated Hospitals	\$ 107,310,200	\$84,441,500
Arizona State Hospital	10,265,900	24,072,600
Private Hospitals	16,089,900	15,150,000
County In-Lieu Payments	2,140,400	2,015,300
<b>Total Appropriation</b>	<b>\$135,806,400<sup>1/</sup></b>	<b>\$125,679,400</b>

<sup>1/</sup> Laws 1998, Chapter 1, 4<sup>th</sup> Special Session amended the DSH distribution plan. The FY 1998 DSH appropriation includes \$1,053,100 from the FY 1997 DSH allocation.

**Graduate Medical Education** — Pursuant to Laws 1997, Chapter 256, beginning in FY 1998 AHCCCS established a separate Graduate Medical Education program to reimburse hospitals that have graduate medical education programs. The Graduate Medical Education allocation is to be adjusted annually by the increase or decrease in the Data Resources Incorporated hospital market index for prospective hospital reimbursement.

**Temporary Assistance to Counties** — Laws 1997, Chapter 7, 1<sup>st</sup> Special Session provided a total of \$3,274,000 to Apache and Navajo counties for payment of outstanding FY 1996 claims associated with tribal members who reside on-reservation. Laws 1997, Chapter 2, 2<sup>nd</sup> Special Session extended the allowable claim years to FY 1995, FY 1997 and FY 1998. Laws 1998, Chapter 214 further extended the allowable claim years to FY 1999. Pursuant to Laws 1998, Chapter 214, this appropriation is exempt from lapsing until June 30, 2000.

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

**Welfare Reform** — Laws 1997, Chapter 300 appropriated \$1,179,900 to AHCCCS in FY 1998 for 100% state funded coverage for some immigrants who lost categorical eligibility under federal welfare reform. Of this amount, \$1,032,500 was 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. This 100% state funding will not be required in FY 1998 because the federal government has extended their categorical eligibility until September 30, 1998. In addition, \$147,400 was appropriated in FY 1998 to provide prenatal care to legal residents residing in the country prior to August 21, 1996 who would otherwise be AHCCCS-eligible. For FY 1999, it is assumed these populations will be covered within AHCCCS' base budget.

**Qualified Individuals** — The 1997 Federal Balanced Budget Act requires that states expand the Medicare Part B buy-in program for certain qualified individuals with incomes between 120% and 175% of the FPL. Although the program is mandatory, it is 100% federally funded up to the amount of the federal allotment provided, which is \$2,688,000 for Arizona in FFY 1998. States are responsible for 100% of the costs of the program above the federal allotment, but they may cap enrollment. AHCCCS plans to cap enrollment so as to use only Federal Funds for this program.

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

### Federal Eligibility Groups

**TANF** — Under the 1996 federal welfare reform law, the Temporary Assistance for Needy Families (TANF) program replaced Aid to Families with Dependent Children (AFDC). Individuals receiving cash assistance from the Temporary Assistance for Needy Families (TANF) program in the Department of Economic Security are no longer automatically, or categorically, eligible for AHCCCS benefits. They are, however, eligible for federal AHCCCS benefits provided they would have qualified for AFDC under the eligibility guidelines that were in place before August 22, 1996. 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 eligible for 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 3 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) (\$18,155 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. 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 (\$19,100 for a family of 3) in 1990. Full coverage for women is limited to the term of pregnancy and 60 days of postpartum care. After the 60 day period, women are eligible for family planning services only.

**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.

**State Children's Health Insurance Program** — Beginning in FY 1999, uninsured children with family incomes up to 150% of the FPL who are not Title XIX eligible will be able to participate in the State Children's Health Insurance Program. The income limit increases to 175% FPL in FY 2000 and 200% FPL from FY 2001 onward. See *Additional Appropriations for discussion of the new program.*

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

**Federal Emergency Services** — All federal eligibility categories (TANF, 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.

### 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:

Family Size	Maximum Net Income
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 the 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 represent the gap between the upper limit of the MN/MI income standard and the Federal Poverty Level:

Family Size	Minimum Income	Maximum Income
8	\$7,530	\$27,650

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** — 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 alienage status. Services covered are the same as those in the Federal Emergency Services program, except the cost is 100% state-funded.

**Additional Appropriations: Children's Health Insurance Program (Chapter 4, 4<sup>th</sup> Special Session)** - Establishes Arizona's State Children's Health Insurance Program (SCHIP) under Title XXI to provide health insurance coverage to uninsured children who are ineligible for Medicaid and whose families meet certain income requirements.

The Federal Balanced Budget Act of 1997 provides new federal funding to states for health care coverage for uninsured children with family incomes up to 200% of the FPL. The SCHIP program includes an enhanced federal match rate, which is 75.73% for Arizona in FY 1999. Under the federal law, each state may develop a SCHIP proposal within federal guidelines. Arizona's plan must be submitted to the Health Care Financing Administration (HCFA) for approval before the program is implemented.

Under Chapter 4, AHCCCS will administer the SCHIP program as a Title XXI nonentitlement program for children up to age 18. Income eligibility limits will be 150% FPL in FY 1999, 175% FPL in FY 2000, and 200% FPL in FY 2001 and thereafter. Chapter 4 states that SCHIP covered services are to be as nearly as practicable the same as the least expensive state employee health benefits package, and specifies a number of services which must be included in the benefits package.

The bill establishes a State Children's Health Insurance Program (SCHIP) Fund and transfers \$9,251,100 from the Medically Needy Account of the Tobacco Tax Fund to the SCHIP Fund in FY 1999. The bill then appropriates \$38,400,000 from the SCHIP Fund in FY 1999. This amount includes \$9,251,100 in Tobacco Tax monies and \$29,148,900 in Federal Funds. AHCCCS is authorized 59 new FTE Positions for the SCHIP program. Under the federal law, up to 10% of SCHIP funding may be used for administration and outreach. Any Tobacco Tax monies remaining in the SCHIP Fund will revert to the Medically Needy Account on October 1, 2002.

For FY 1999, Chapter 4 appropriates from the Medically Needy Account to the Department of Health Services \$5,000,000 for grants to contracting qualifying health centers and \$3,000,000 for grants to contracting hospitals.



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

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The grants will provide 100% state funding for health care services for children eligible for SCHIP who elect to receive direct, sliding fee scale medical and health care services rather than insurance coverage. Qualifying health centers and hospitals who receive this funding are to provide sufficient information to AHCCCS to allow the state to apply to HCFA to incorporate these programs into the state's federally-approved SCHIP program in order to draw down the federal match in the future.

Chapter 4 also establishes a Joint Legislative Study Committee on the Integration of Health Care Services. Within 120 days after the federal government approves the state's initial SCHIP plan, AHCCCS is to submit a medical savings account amendment to the committee for review. AHCCCS shall then submit the amendment to HCFA requesting approval to offer medical savings accounts as an option for children enrolled in SCHIP.

Finally, Chapter 4 makes 2 changes to other allocations from the Medically Needy Account of the Tobacco Tax Fund. The bill discontinues the \$1,250,000 monthly deposit from the Medically Needy Account to the Medical Services Stabilization Fund after July 1, 1999. In addition, the bill decreases funding for the Basic Children's Medical Services Program from \$5,000,000 to \$2,500,000 in FY 1999, and eliminates the funding in FY 2000.

It is anticipated that outreach for the SCHIP program will create a "woodwork effect" that will lead to higher AHCCCS costs. As SCHIP outreach efforts encourage parents to apply for health coverage for their children, some of the applicants will be found eligible for the current AHCCCS program (Title XIX). Federal law requires that these children be enrolled in the current AHCCCS program. Due to the uncertain cost of the woodwork effect and the belief that it could be absorbed within the existing AHCCCS appropriation, the bill does not include additional funding for the woodwork effect.

**STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES**

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

**A.R.S. § 15-1424**

JLBC Analyst: Bruce Groll

<b>General Fund and Certification Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	13.0	13.0	13.0
Personal Services	530,500	560,600	580,100
Employee Related Expenditures	91,300	95,100	92,600
Professional and Outside Services	30,300	9,600	9,600
Travel - In State	35,500	35,200	35,200
Travel - Out of State	4,400	2,800	2,800
Other Operating Expenditures	104,700	109,200	109,200
Equipment	21,400	12,000	4,000
Indirect Costs	10,000	10,000	10,000
<b>Operating Subtotal</b>	<b>828,100</b>	<b>834,500</b>	<b>843,500</b> <sup>1/</sup>
Operating State Aid			
Cochise	5,028,400	5,083,000	5,583,000
Coconino	2,411,500	2,553,900	3,130,800
Graham	4,583,500	4,656,300	5,328,800
Maricopa	37,523,200	38,886,300	41,481,500
Mohave	3,258,700	3,368,500	3,879,500
Navajo	3,889,300	3,826,300	4,326,300
Pima	16,359,800	16,483,700	17,233,700
Pinal	5,323,200	5,540,600	6,040,600
Yavapai	4,113,700	4,361,500	4,861,500
Yuma/La Paz	4,571,300	4,588,700	5,195,300
<b>Total - Operating State Aid</b>	<b>87,062,600</b>	<b>89,348,800</b>	<b>97,061,000</b>
Capital Outlay State Aid			
Cochise	698,300	632,700	613,000
Coconino	291,300	318,800	333,500
Graham	571,800	571,800	547,500
Maricopa	7,163,900	7,185,800	7,381,600
Mohave	431,600	448,600	450,700
Navajo	466,400	454,000	446,900
Pima	2,511,700	2,511,700	2,399,500
Pinal	685,000	685,000	646,600
Yavapai	525,500	570,800	547,700
Yuma/La Paz	625,800	629,200	649,500
<b>Total - Capital Outlay State Aid</b>	<b>13,971,300</b>	<b>14,008,400</b>	<b>14,016,500</b> <sup>2/</sup>
Equalization Aid			
Cochise	1,565,900	1,616,300	1,738,300
Graham	6,274,000	6,467,200	6,731,300
Navajo	411,500	634,500	896,200
Yuma/La Paz	11,600	23,500	52,100
<b>Total - Equalization Aid</b>	<b>8,263,000</b>	<b>8,741,500</b>	<b>9,417,900</b>

**STATE BOARD OF DIRECTOR FOR COMMUNITY COLLEGES (Cont'd)**

Technology Assisted Learning	1,100,000	2,756,000 <sup>3/</sup>	0 <sup>3</sup>
Technology and Special Initiatives	0	5,215,000	0
Arizona Transfer Articulation Support System	0	100,000	300,000
<b>Total Appropriations</b>	<b>111,225,000</b>	<b>121,004,200</b>	<b>121,638,900 <sup>4/5/6</sup></b>
<b>Fund Summary</b>			
General Fund	111,079,900	120,757,700	121,490,000
Certification Fund	145,100	246,500	148,900
<b>Total Appropriations</b>	<b>111,225,000</b>	<b>121,004,200</b>	<b>121,638,900</b>

**Agency Description** — *The Arizona community college system is comprised of a state board of directors and 10 college districts. The board consists of 15 members — one from each county, appointed by the Governor; a representative of the Arizona Board of Regents (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 12<sup>th</sup> grade of public or private high school course of study or vocational education.*

**Equipment** — The approved amount includes a one-time increase of \$4,000 from the Certification Fund to replace an obsolete office copier and to upgrade certification software.

**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

- 1/ The \$148,900 appropriated from the Teacher Certification Fund is intended for the specific purpose of defraying teacher certification costs and includes \$138,900 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 Systems 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 Systems statewide network plan is dependent upon procuring an infrastructure constructed by private industry. Therefore, no more than \$328,400 may be expended for initial operating and system development costs, and release of the \$2,427,600 funding balance for the Arizona Learning Systems shall be subject to: 1) successful issuance of a joint request for proposal by the member boards of the community colleges in the Arizona Learning Systems Partnership; 2) successful contract negotiation with a private vendor to provide the Arizona Learning Systems infrastructure at a distance-insensitive price to the Arizona Learning Systems and its partners regardless of their location in Arizona; and 3) submission to the Joint Legislative Budget Committee of a preliminary cost methodology for estimating the per-credit hour education costs of Arizona Learning Systems-delivered instruction including how the Arizona Learning Systems revenues and expenses impact Operating and Capital Outlay State Aid. The Arizona Learning Systems shall submit an annual enrollment and financial report to the Joint Legislative Budget Committee by September 15, 1997, and each year thereafter. This appropriation 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 district-by-district Special Line Items and Other Special Line Items.
- 5/ The Arizona Board of Regents and the State Board of Directors for Community Colleges shall continue the Transfer Articulation Task Force 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 task force meet quarterly to continually improve the Statewide Articulation and Transfer System, including the process for transfer of lower division general education credits, general elective credits, and curriculum requirements for majors, with a January 1, 1999 timeline for implementing an agreement that assures that community college students may transfer to Arizona public universities without loss of credit toward a baccalaureate degree. The Arizona Board of Regents and the State Board of Directors for Community Colleges shall present a semi-annual report of their progress to the Joint Legislative Budget Committee on June 15, 1998 and December 15, 1998. (General Appropriation Act footnote)
- 6/ The Arizona Board of Regents and the State Board of Directors for Community Colleges shall jointly establish a committee comprised of the 13 public and private college and university members of the ad-hoc Higher Education Study Committee that convened during the summer 1997 interim to discuss unmet higher education needs, identify alternatives and recommend options to meet these needs. It is the intent of the Legislature that the committee continue the collaborative process that assures the advanced postsecondary education needs of place-bound and time-constrained learners and of employers, including private business, not-for-profit and government, are efficiently and effectively met without displacing students' families or existing employment and without unnecessary duplication of programs. The committee shall establish criteria for what constitutes "demonstrated need;" develop a system for identifying and meeting demonstrated needs statewide and recommend an action plan with specific timelines to the respective boards and institutions to timely meet demonstrated needs statewide. The Arizona Board of Regents and the State Board of Directors for Community Colleges shall present a report to the Joint Legislative Budget Committee by December 15, 1998, documenting their mutual commitment to meeting demonstrated postsecondary education needs, notwithstanding the need for additional legislation. (General Appropriation Act footnote)

**STATE BOARD OF DIRECTOR FOR COMMUNITY COLLEGES (Cont'd)**

salary, financial services, and other state board staff whose efforts indirectly support the certification process.

**Operating State Aid** — The approved amount for Operating State Aid includes an increase of \$7,712,200:

- \$1,712,200 to fully fund the growth-only statutory formula, A.R.S. § 15-1466, for each district; and
- \$6,000,000 as a base adjustment to districts distributed as follows: \$1,250,000 to Maricopa Community College District; \$750,000 to Pima Community College District; and \$500,000 to each of the 8 rural districts.

The community college funding formula “holds harmless” districts with declining full-time student equivalent (FTSE) enrollment by adjusting state aid in an amount that reflects only growth in the FTSE enrollment count. This enrollment adjustment is calculated by multiplying the increase in the most recent year’s actual FTSE for each district by the average state aid per FTSE appropriated in the current fiscal year. Therefore, Operating State Aid equals the sum of the current year base plus the FTSE enrollment growth adjustment, and also becomes the base amount to be adjusted in the next fiscal year. Only 5 of the 10 community college districts experienced enrollment growth, 4 of the others declined, and 1 district’s FTSE remained unchanged resulting in a statewide net enrollment growth of 1,205 FTSE. However, the approved additional \$1,712,200 Operating State Aid appropriation is based on a growth-only total of 1,558 FTSE.

Statewide, FTSE is estimated to grow by nearly 4,600, or 5.6%, over the next biennium.

**Capital Outlay State Aid** — The approved amount for Capital Outlay State Aid includes a net increase of \$8,100, or 0.1%, to fully fund the statutory formula, A.R.S. § 15-1464, for each district. 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. The statutory Capital Outlay State Aid formula provides per capita funding to districts based on the district's size and the most recent year's actual audited FTSE. Unlike Operating Aid, however, the formula does not provide a “hold harmless” provision for Capital Aid. Thus, while overall capital funding increased, only 5 of the 10 community college districts actually had enrollment growth as previously noted.

**Equalization Aid** — The approved amount adds \$676,400, or 7.7%, 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 community college districts with property tax bases that are less than the minimum assessed value specified in A.R.S. § 15-1402. Under the Equalization Aid formula, the minimum assessed valuation is 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.

**Student Population Statistics By Community College District  
FY 1997-99 Estimated FTSE Change: 4,585 or 5.6% Increase**

<u>Districts</u>	<u>FY 1997 Actual Combined FTSE</u>	<u>FY 1998 Estimated Combined FTSE</u>	<u>FY 1999 Estimated Combined FTSE</u>	<u>Change: FY 1996-FY 1997 Combined FTSE*</u>	<u>Percent</u>
Cochise	2,919	2,950	3,075	156	5.34%
Coconino	1,588	1,650	1,625	37	2.33
Graham	2,607	2,675	2,760	153	5.87
Maricopa	46,135	47,000	49,000	2,865	6.21
Mohave	2,146	2,175	2,200	54	2.52
Navajo	2,128	2,150	2,275	147	6.91
Pima	14,997	15,200	15,800	803	5.35
Pinal	3,079	3,125	3,200	121	3.93
Yavapai	2,608	2,650	2,800	192	7.36
Yuma/LaPaz	3,093	3,150	3,150	57	1.84
<b>Total</b>	<b>81,300</b>	<b>82,725</b>	<b>85,885</b>	<b>4,585</b>	<b>5.64%</b>

**STATE BOARD OF DIRECTOR FOR COMMUNITY COLLEGES (Cont'd)**

**Technology Assisted Learning** — Although no additional monies were requested or appropriated for FY 1999 to Arizona Learning Systems (ALS), the Legislature in Laws 1998, 4<sup>th</sup> Special Session, Chapter 1, Section 3, approved a supplemental modification to the FY 1998 footnote. The new language makes the \$2,756,000 appropriated for FY 1998 non-lapsing and allows ALS to expend up to \$328,400 from the FY 1998 appropriation to meet ongoing operating and system development funding needs pending fulfillment of the General Appropriation Act criteria governing release of the fund balance. Specifically, the monies shall be used to continue curriculum and faculty development of ALS by the community colleges and enable timely implementation upon procurement of a statewide private vendor infrastructure contract.

The ALS is a collaborative effort by the community college districts in partnership with the 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).

**Arizona Transfer Articulation Support System (ATASS)** — The approved amount provides a one-time appropriation of \$300,000 from the General Fund to purchase computer equipment and provide the support services required to fund Phase II and fully implement the merged Course

Applicability System (CAS) and Data Warehouse initiatives. It is the intent of the Legislature, however, that release of these monies shall be subject to a matching amount of an additional \$200,000 — \$100,000 each from the community colleges and public state universities — to provide the \$500,000 total amount needed. Additionally, the Legislature stipulated that the State Board and the Arizona Board of Regents shall jointly submit a detailed financial report of the ATASS expenditures, beginning with the \$200,000 institutional match, to the Joint Legislative Budget Committee by January 1, 1999, and revert any unexpended balance to the General Fund on July 1, 1999. ATASS is a joint initiative of the community colleges and universities to facilitate better course transfer articulation and to develop a shared statewide student and financial information database for enhancing reporting and accountability capabilities.

**Capital Outlay:** Appropriation: Community College Campus; Benson (Chapter 129) — This bill appropriates \$500,000 from the General Fund in both FY 1999 and FY 2000 for a total of \$1,000,000 to the State Board of Directors for Community Colleges for Cochise County Community College District to establish a new community college campus near or in Benson, Arizona.

**Additional Legislation:** State Board; Community Colleges; Continuation (Chapter 6) — This bill amends A.R.S. § 41-3008 to continue the State Board of Directors for Community Colleges for 10 years to July 1, 2008.

ARIZONA COMMUNITY COLLEGES						
Estimated All Fund Sources for FY 1999 By Community College District						
(Dollars in Thousands)						
Districts	State	Local Property Tax		Tuition and Fees	Other Funds	TOTAL
	General Fund	Primary	Secondary		(Auxiliary, Federal, Gifts, Grants)	
Cochise	\$ 7,934.3	\$ 7,815.5	\$ 0.0	\$ 3,550.0	\$ 640.0	\$ 19,939.8
Coconino	3,464.3	3,448.1	0.0	1,488.4	265.0	8,665.8
Graham	12,607.6	1,404.2	0.0	2,373.6	2,415.0	18,800.5
Maricopa	48,863.1	158,000.5	25,141.8	69,217.5	7,545.0	308,767.8
Mohave	4,330.2	8,053.3	0.0	2,120.0	95.0	14,598.5
Navajo	5,669.4	5,888.6	1,579.2	2,028.7	778.3	15,944.2
Pima	19,633.2	40,850.0	2,479.2	19,850.0	7,100.0	89,912.4
Pinal	6,687.2	10,576.9	263.9	4,200.0	613.7	22,341.7
Yavapai	5,409.2	14,028.6	1,066.0	3,147.0	275.0	23,925.8
Yuma/LaPaz	5,896.9	10,475.0	1,888.5	2,964.9	260.0	21,485.3
Total	<u>\$120,495.4</u>	<u>\$260,540.7</u>	<u>\$32,418.6</u>	<u>\$110,940.1</u>	<u>\$19,987.0</u>	<u>\$544,381.7</u>



**STATE DEPARTMENT OF CORRECTIONS**

Terry L. Stewart, Director

**A.R.S. § 41-1602**

JLBC Analyst: Lorenzo Martinez

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
<u>Program Summary</u>			
Prison Operations	337,670,800	384,911,300	421,915,100
Inmate Health Services	48,265,900	61,037,900	66,965,300
Office of the Director Administration	1,887,700	1,764,700	1,795,900
	39,926,600	38,969,200	42,795,300
<b>Total Appropriations</b>	<b>427,751,000</b>	<b>486,683,100</b>	<b>533,471,600</b>
<u>Expenditure Detail</u>			
FTE Positions	8,624.4	9,020.4	9,959.4
Personal Services	215,243,600	237,428,900	269,217,500
Employee Related Expenditures	64,177,300	69,789,200	76,988,600
Professional and Outside Services	24,169,900	32,154,300	33,678,300
Travel - In State	679,400	768,000	856,700
Travel - Out of State	78,400	116,200	118,600
Other Operating Expenditures	58,129,100	58,635,100	64,229,500
Equipment	3,729,700	6,147,500	10,679,800
<b>Operating Subtotal</b>	<b>366,207,400</b>	<b>405,039,200</b>	<b>455,769,000</b>
Food	25,609,800	27,839,600	33,087,400
Work Incentive Pay Plan	6,082,300	8,530,300	8,916,400
Discharge Expense	240,800	336,100	351,800
Alternative Fuels	283,500	489,000	489,000
1993 Lease-Purchase Payments	9,037,800	12,014,200	0
1994 Lease-Purchase Payments	7,422,200	12,420,100	12,414,000
Apache County Prison Lease	1,023,900	1,071,100	1,083,500
Community Provider Beds	6,382,900	6,754,000	6,754,000
Return to Custody Beds	0	1,998,300	2,180,000
DWI Beds	5,460,400	10,191,200	10,626,500
Temporary Private Beds	0	0	1,800,000
<b>Total Appropriations</b>	<b>427,751,000</b>	<b>486,683,100<sup>1/2/</sup></b>	<b>533,471,600<sup>3/4/5/6/</sup></b>
<u>Fund Summary</u>			
General Fund	409,267,100	459,907,700	518,704,100
Corrections Fund	17,483,900	25,505,400	13,497,500
Penitentiary Land Earnings Fund	1,000,000	1,000,000	1,000,000
State Charitable, Penal and Reformatories Land Earnings Fund	0	270,000	270,000
<b>Total Appropriations</b>	<b>427,751,000</b>	<b>486,683,100</b>	<b>533,471,600</b>

**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*

**STATE DEPARTMENT OF CORRECTIONS (Cont'd)**

**Prior Year Prison Openings** — The approved amount includes \$596,300 to annualize operating costs associated with opening 800 new beds in Yuma during FY 1998.

**New Prisons** — The approved amount provides partial year funding to support the operation of the following three 800-bed prison units at the new Lewis Complex.

	FTE Positions	FY 1999 Funding	Opening Date
Lewis 800 Level 2/3	456.0	\$20,854,000	Oct-98
Lewis 800 Level 4	356.0	10,368,500	Feb-99
Lewis 800 Level 3	251.0	5,426,000	May-99
TOTAL	1,063.0	\$36,648,500	

**Population Growth** — The approved amount includes \$5,126,600 to fund the marginal costs (\$3,531 per prisoner) for an estimated increase of 1,452 in the average daily population (ADP) during FY 1999. The approved amount also includes a reduction of \$1,281,800 to reflect lower than anticipated ADP growth in FY 1997.

**Average Daily Population** — Table 1 shows the actual growth of the average daily prison population from FY 1985 to FY 1997, including estimates for FY 1998 and FY 1999.

**Continuation of Correctional Officer Pay Plan** — The approved amount includes \$485,500 to fund salary increases for Correctional Officer (CO) I positions that will be promoted to CO II after 18 months of service and \$3,044,600 to fund the third year implementation of the CO II salary step system.

**Teacher Equity Pay** — The approved amount includes \$687,500 to annualize partial-year funding approved in FY 1998 to provide comparable pay between DOC teachers and Department of Juvenile Corrections (DJC) teachers.

**Table 1**

Fiscal Year	Prisons	CRC <sup>1/</sup>	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	18,032
1995	19,542	136	273	126	20,077
1996	20,728	141	511	235	21,615
1997	22,274	142	864	156	23,436
1998 est <sup>2/</sup>	22,509	144	1,450	200	24,303
1999 est <sup>2/</sup>	23,598	144	1,450	200	25,392

<sup>1/</sup> Correctional Release Centers  
<sup>2/</sup> Funded Estimates

**Uniform Allowance** — The approved amount includes \$725,200 to provide a \$10 per month increase in uniform allowance for each CO.

**Florence/Eyman Vanpooling** — The approved amount includes \$600,000 to expand a pilot vanpooling program at the Florence and Eyman prison complexes.

**Community Supervision** — The approved amount includes the elimination of 5 FTE Positions and \$163,800 to reflect lower than anticipated community supervision workloads.

**Restoration of Perryville Lock Replacement Funding** — The approved amount includes the addition of \$1,700,000 to the operating base budget to restore funding that was reappropriated in FY 1998 to fund lock replacement and other health, safety and security improvements. (See footnote 1)

- <sup>1/</sup> 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.
- <sup>2/</sup> Laws 1998, Chapter 1, 4<sup>th</sup> Special Session amended the FY 1998 General Appropriation and reduced the department's operating budget by \$2,207,600. The monies were reappropriated to the Arizona Department of Administration for lock replacement at ASPC-Tucson. (See Tucson Lock Replacement)
- <sup>3/</sup> 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)
- <sup>4/</sup> 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)
- <sup>5/</sup> Monies in the Temporary Private Beds Special Line Item may only be used to contract for 100 privately-operated beds if the population of committed juveniles within the Department of Juvenile Corrections exceeds 950 for a continuous period of 14 days and requires the use of the Department of Corrections Rincon Minors Unit in the Tucson prison complex. (General Appropriation Act footnote)
- <sup>6/</sup> General Appropriation Act funds are appropriated as a Modified Lump Sum by Agency.

## STATE DEPARTMENT OF CORRECTIONS (Cont'd)

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**Tucson Lock Replacement** — Laws 1998, Chapter 1, 4<sup>th</sup> Special Session amended the FY 1998 Appropriation Act by reappropriating a total of \$2,207,600 from the Department of Corrections FY 1998 operating budget to the Arizona Department of Administration for capital security improvements including lock replacement at the Arizona State Prison Complex at Tucson. (See footnote 2)

**Law Library Closures** — The approved amount includes a \$125,000 reduction to reflect savings from the closure of inmate law libraries.

**Nursing Assistant Positions** — The approved amount includes 16 new Nursing Assistant positions. The department will convert 16 existing Correctional Registered Nurse (CRN) positions to Nursing Assistant positions and use the existing CRN funding to fund the 32 Nursing Assistant positions.

**Food** — The approved amount is for food to be served to inmates housed in prison facilities. The department currently contracts for all food services.

**Work Incentive Pay Plan** — Funds payment to inmates who perform work assignments within the prisons.

**Discharge Expense** — The approved amount is for the cost of transportation, clothing, and a \$50 payment for inmates when they are released from prison. State statutes require inmates to save \$50 of their earnings, while in prison, for discharge expenses. The discharge expense is paid to first-time releasees who are indigent or have not saved the full \$50.

**Alternative Fuels** — The approved amount continues funding to convert the department's fleet to an alternative fuel source.

**FY 1994 Lease-Purchase Payments** — The approved amount is for the FY 1996 Certificates of Participation (COP) payment for the FY 1994 prison construction project of 768 maximum security beds. This is the final payment of the COP issuance.

**Apache County Prison Lease** — The approved amount is for the FY 1999 lease payment to Apache County for the 334 male bed prison located at ASPC-Winslow.

**Community Provider Beds** — The approved amount is for the department to continue a contract for 450 privately-operated community treatment beds in Marana. These private facilities are to provide treatment for 350 male and 100 female minimum security inmates who demonstrate the need for substance or alcohol abuse intervention.

**Return to Custody Beds** — The approved amount is for the department to continue a contract for 250 privately-operated Return to Custody beds. The minimum security facility is used to house released offenders who are returned to prison under an allegation of violating the terms of their releases and are awaiting due process hearings.

**DWI Beds** — The approved amount is for the department to continue 2 separate contracts for a total of 800 privately-operated minimum security DWI beds. Of the 800 beds, 400 are located in Phoenix and 400 are located in Florence.

**Temporary Private Beds** — The approved amount is for the department to contract for privately-operated adult beds if the Department of Juvenile Corrections experiences overcrowding that necessitates the use of the DOC minors Rincon unit in Tucson. (See footnote 5)

**State Charitable, Penal and Reformatories Land Earnings Fund** — The approved amount includes \$270,000 from the fund. Revenues into the fund 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 from the fund. Revenues into the fund are derived 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 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 section for more information on Corrections Fund appropriations.

**STATE DEPARTMENT OF CORRECTIONS (Cont'd)**

**Table 2**

Corrections Fund Estimated Revenue and Expenditure Projections (S Thousands)				
	FY 1997	FY 1998	FY 1999	FY 2000
	Actual	Estimate	Estimate	Estimate
<b>Beginning Balance</b>	<b>\$33,789.4</b>	<b>\$65,507.7</b>	<b>\$2,297.3</b>	<b>\$256.8</b>
Revenues	22,978.2	23,600.0	23,600.0	23,600.0
GF & Other Deposits	38,400.0	56,100.0	41,100.0	--
GF Repayment Transfers	18,000.0	--	--	--
Adjustment Account	280.4	--	--	--
<b>Total Revenues</b>	<b>79,658.6</b>	<b>79,700.0</b>	<b>64,200.0</b>	<b>23,600.0</b>
<b>Total Funds Available</b>	<b>113,448.0</b>	<b>145,207.7</b>	<b>66,997.3</b>	<b>23,586.8</b>
<b>Expenditures</b>				
Construction & Maint.	86.4	39.4	--	--
ADOA Staffing	443.3	538.3	557.3	557.3
Drug Enforcement	0.0	38.5	--	--
FY 1993 Lease-Purchase	9,037.8	12,014.2	--	--
FY 1994 Lease-Purchase	7,422.2	12,420.1	12,414.0	--
Apache County Lease	1,023.9	1,071.1	1,083.5	1,083.5
<b>FY 1995 Capital Budget</b>				
Youthful Offender 100 Beds	2,222.3	101.1	--	--
Yuma 400 Level 3 Beds	359.4	8.8	--	--
Globe 100 Level 3 Beds	1,214.3	513.5	--	--
Aspen Conversion	0.0	29.7	--	--
<b>FY 1996 Capital Budget</b>				
Level 4 to Level 5 Conver.	0.0	450.0	--	--
Tucson 100 Minors Beds	1,348.9	56.6	--	--
Yuma 400 Level 3 Beds	3,909.3	1,125.8	--	--
Yuma 800 Level 4 Beds	2,813.3	25,394.7	--	--
Lewis Master Plan	1,292.5	702.1	--	--
<b>FY 1997 Capital Budget</b>				
Florence 400 Level 2 Beds	687.4	1,812.6	--	--
Lewis Complex 4,150 Beds	16,079.3	83,920.7	41,100.0	--
<b>Laws 1997, Ch. 212</b>				
Perryville Lock Replacement	0.0	2,673.2	--	--
<b>FY 1999 Capital Budget</b>				
Lewis Complex	--	--	2,505.7	--
Yuma Complex	--	--	190.0	--
Douglas Wastewater	--	--	5,290.0	--
DJC Beds	--	--	1,600.0	--
New Complex Master Plan	--	--	2,000.0	--
<b>Total Expenditures</b>	<b>47,940.3</b>	<b>142,910.4</b>	<b>66,740.5</b>	<b>1,640.8</b>
<b>Fund Balance</b>	<b>\$65,507.7</b>	<b>\$2,297.3</b>	<b>\$256.8</b>	<b>\$22,216.0</b>

**Additional Prison Capacity** — Table 3 provides a comparison of the projected month-end prison population, the number of beds (expressed as the Operational Capacity), the Projected Bed Shortage, and the percent of the bed deficit over operational capacity (% Over Capacity). The New Beds column indicates when previously authorized beds will come on-line. Three 800-bed prison units at the Lewis complex are funded to come on-line during FY 1999. The remaining 1,750 beds that will build out the complex will come on-line in FY 2000. The projections assume that the prison population will increase by 110 new inmates per month in FY 1998, and 132 new inmates per month in both FY 1999 and FY 2000.

NOTE: The department is experiencing inmate growth beyond the funded levels for FY 1998. As of the end of April 1998 (4/98) the department had an actual bed deficit of (3,100) compared to a projected bed deficit of (2,546).

**Table 3**

Month/ Year	New Beds	Operational Capacity	Population Projection	Bed Shortage	% Over Capacity
7/97		20,834	23,390	(2,556)	12.3%
8/97		20,834	23,500	(2,666)	12.8%
9/97	600 Male-Private	21,434	23,610	(2,176)	10.2%
10/97		21,434	23,720	(2,286)	10.7%
11/97		21,434	23,830	(2,396)	11.2%
12/97	400 Male-Florence	21,834	23,940	(2,106)	9.6%
1/98		21,834	24,050	(2,216)	10.1%
2/98		21,834	24,160	(2,326)	10.7%
3/98		21,834	24,270	(2,436)	11.2%
4/98		21,834	24,380	(2,546)	11.7%
5/98		21,834	24,490	(2,656)	12.2%
6/98		21,834	24,600	(2,766)	12.7%
7/98	800 Male-Yuma	22,634	24,732	(2,098)	9.3%
8/98		22,634	24,864	(2,230)	9.9%
9/98		22,634	24,996	(2,362)	10.4%
10/98	800 Male-Lewis	23,434	25,128	(1,694)	7.2%
11/98		23,434	25,260	(1,826)	7.8%
12/98		23,434	25,392	(1,958)	8.4%
1/99		23,434	25,524	(2,090)	8.9%
2/99	800 Male-Lewis	24,234	25,656	(1,422)	5.9%
3/99		24,234	25,788	(1,554)	6.4%
4/99		24,234	25,920	(1,686)	7.0%
5/99	800 Male-Lewis	25,034	26,052	(1,018)	4.1%
6/99		25,034	26,184	(1,150)	4.6%
7/99		25,034	26,316	(1,282)	5.1%
8/99		25,034	26,448	(1,414)	5.6%
9/99		25,034	26,580	(1,546)	6.2%
10/99	800 Male-Lewis	25,834	26,712	(878)	3.4%
11/99		25,834	26,844	(1,010)	3.9%
12/99		25,834	26,976	(1,142)	4.4%
1/00		25,834	27,108	(1,274)	4.9%
2/00		25,834	27,240	(1,406)	5.4%
3/00	350 Minors-Lewis	26,184	27,372	(1,188)	4.5%
4/00		26,184	27,504	(1,320)	5.0%
5/00		26,184	27,636	(1,452)	5.5%
6/00	600 Female-Lewis	26,784	27,768	(984)	3.7%

**Capital Outlay:** (Chapter 7, 4<sup>th</sup> Special Session) — Appropriates monies to the Arizona Department of Administration for the following Department of Corrections related projects (see Arizona Department of Administration for detail on other capital projects):

## STATE DEPARTMENT OF CORRECTIONS (Cont'd)

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- **Construct Arizona State Prison Complex - Lewis**  
The approved amount of \$2,505,700 from the Corrections Fund is to complete funding for the project, which will have received a total of \$145,605,700 in state appropriations from FY 1996 through FY 1999. The project entails the construction of 4,150 prison beds and all related support facilities at the new complex located near the town of Buckeye. The appropriation shall be considered as state matching monies to any federal monies allocated to the project. A total of \$16,000,000 in federal grant monies is expected to be utilized for the project.
- **Construct Arizona State Prison Complex at Yuma**  
The approved amount of \$190,000 from the Corrections Fund is to complete funding for the project, which will have received a total of \$33,590,000 in state appropriations from FY 1996 through FY 1999. The project entails the construction of a prison unit with 800 beds and related support facilities at the Yuma prison complex. The appropriation shall be considered as state matching monies to any federal monies allocated to the project. A total of \$1,700,000 in federal grant monies is expected to be utilized for the project.
- **Prison Planning and Siting**  
The approved amount of \$2,000,000 from the Corrections Fund is to be used for master planning, studies, site acquisition costs, and site development costs for new prison facilities. The department shall work with the Joint Select Committee on Corrections in planning and siting the facilities. The expenditure of these monies is limited to non-site specific purposes until any new facilities have been sited by the Legislature.
- **ASPC-Douglas Wastewater Treatment Project**  
The approved amount of \$5,290,000 from the Corrections Fund is to be used to construct a system for wastewater treatment at the Arizona State Prison Complex at Douglas. Prior to the expenditure of monies for construction, the department shall present its preliminary plan for the system to the Joint Committee on Capital Review for its review.



## DEPARTMENT OF ECONOMIC SECURITY - SUMMARY

Linda Blessing, DPA, Director

A.R.S. § 41-1951

JLBC Analyst: Stefan Shepherd/Pat Mah

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
<u>Program Summary</u>			
Administration	36,188,600	46,034,500	44,366,900
Developmental Disabilities	35,568,300	37,013,500	52,585,900
Long Term Care	62,959,200	81,750,600	87,742,000
Benefits and Medical Eligibility	215,795,800	251,957,700	197,853,600
Child Support Enforcement	2,923,300	11,747,300	13,505,400
Aging and Community Services	19,062,300	21,960,800	28,557,100
Children, Youth and Families	98,183,800	128,561,000	130,881,800
Employment and Rehabilitation Services	63,266,300	132,676,300	172,361,300
Lump Sum Reduction	0	0	(1,138,000)
<b>Total Appropriations</b>	<b>533,947,600</b>	<b>711,701,700</b>	<b>726,716,000</b>
<u>Expenditure Detail</u>			
FTE Positions	3,754.7	3,717.2	3,758.1 <sup>1/2</sup>
Personal Services	72,129,200	93,287,500	93,685,700
Employee Related Expenditures	16,976,700	21,385,800	20,714,400
Professional and Outside Services	3,631,000	3,659,700	5,119,500
Travel - In State	2,336,700	2,585,700	2,583,100
Travel - Out of State	56,100	66,300	71,500
Other Operating Expenditures	23,126,700	27,186,500	27,271,900
Equipment	1,158,100	1,915,700	1,451,800
<b>Operating Subtotal</b>	<b>119,414,500</b>	<b>150,087,200</b>	<b>150,897,900</b>
Special Line Items	414,533,100	561,614,500	543,019,500
Additional Appropriations	0	0	33,936,600
Lump Sum Reduction	0	0	(1,138,000)
<b>Total Appropriations</b>	<b>533,947,600</b>	<b>711,701,700</b> <sup>3/4</sup>	<b>726,716,000</b> <sup>5/6/7/8</sup>
<u>Fund Summary</u>			
General Fund	352,061,800	409,640,900	422,831,000
Federal TANF Block Grant	153,664,400	226,741,500	220,650,300
Federal CCDF Block Grant	24,531,100	59,532,400	53,377,000
Federal Welfare to Work Block Grant	0	0	3,000,000
Special Administration Fund	0	6,086,700	1,591,600
Public Assistance Collections Fund	260,000	273,700	280,700
Statewide Indirect Cost Allocation Reimbursement	2,600,000	0	0
Long Term Care System Fund	0	0	12,000,000
Full Employment Demonstration Project Fund	24,400	0	0
Child Support Enforcement Administration Fund	0	8,532,700	10,622,600
Domestic Violence Shelter Fund	0	0	1,396,300
Child Abuse Prevention Fund	649,900	737,800	810,500
Children and Family Services Training Fund	156,000	156,000	156,000
<b>Total Appropriations</b>	<b>533,947,600</b>	<b>711,701,700</b>	<b>726,716,000</b>

## 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 1999 Lump Sum Reduction** — The approved amount for FY 1999 includes an agencywide lump sum reduction. This reduction consists of a \$812,700 and 25.4 General Fund (GF) FTE Position decrease and a \$325,300 and 10.2 Temporary Assistance for Needy Families (TANF) Block Grant FTE Position decrease. The agency has lump-sum flexibility in allocating this particular reduction. This reduction is in addition to a separate 2.5% line worker reduction in the Division of Benefits and Medical Eligibility (DBME). *For further details on this cut, please see the **Line Worker Reduction** discussion in the DBME cost center.*

**Welfare Reform** — Laws 1998, Chapter 208, appropriates \$1,700,000 GF and \$21,525,900 in federal welfare-related block grants to the Department of Economic Security (DES) for assorted welfare-related purposes. Of the \$23,225,900 in Total Funds, \$19,325,900 is allocated to the Division of Employment and Rehabilitation Services (DERS) and \$3,900,000 is allocated to the Division of Aging and Community Services (DACS). The bill appropriates \$3,000,000 from the newly created federal Welfare to Work Block Grant, which requires legislative appropriation and a match of \$1 from the state for every \$2 of the block grant; the bill also appropriates \$1,500,000 GF as the state match. Further details on this bill can be found in the DERS and DACS write-ups.

**Arizona Works** — The approved amount includes monies to implement the new Arizona Works pilot program on

January 1, 1999. This new program will replace the EMPOWER Redesign program, which provides cash benefits and services to eligible recipients of TANF assistance, in DES's District I-E, centered around eastern Maricopa County.

The Arizona Works pilot program was established by Laws 1997, Chapter 300. Qualified applicants for TANF Cash Benefits who reside in the Arizona Works pilot area will be placed in one of four employment levels: full-time unsubsidized employment, subsidized employment, unsubsidized and unpaid employment, and community referrals. In contrast with EMPOWER Redesign, which gives families a cash grant which varies depending on family size, Arizona Works participants will receive a flat cash grant of either \$390 or \$350, depending on their employment level. The Arizona Works Agency Procurement Board will select a private vendor to operate the pilot program.

The approved amount is based on a projection of the number of clients expected to receive cash benefits and services such as job training, child care subsidies, and transportation, in the Arizona Works pilot area. The approved amounts for these services are included in the line items (such as TANF Cash Benefits) that also fund EMPOWER Redesign clients. Given that this is a new program, the approved amounts may need to be adjusted in future fiscal years.

- 1/ Includes 568.1 FTE Positions funded from Special Line Items in FY 1999 and 4 FTE Positions from Additional Appropriations in FY 1999.
- 2/ Includes lump sum FTE Position reductions of 25.4 GF FTE Positions and 10.4 TANF Block Grant FTE Positions.
- 3/ The amount of the General Fund deposit to the Temporary Assistance for Needy Families Stabilization Fund shall be reduced by \$800,400. This \$800,400 shall fund state employee pay adjustments and classification maintenance reviews as determined by the Joint Legislative Budget Committee Staff. These adjustments shall be equivalent in nature to the adjustments in Section 107 of this act and above the amounts authorized in Section 107 of this act. (FY 1998 General Appropriation Act footnote as modified by Laws 1998, Chapter 1, 4<sup>th</sup> Special Session)
- 4/ It is the intent of the Legislature that the Department of Economic Security shall deposit into the state General Fund in FY 1998 3 reversions totaling an estimated amount of \$10,385,000. These reversions and their estimated amounts are as follows: an estimated amount of \$1,075,000 for a reimbursement from the Arizona Health Care Cost Containment System for FY 1997 for targeted case management services, an estimated amount of \$2,150,000 for the reimbursement from the federal Department of Health and Human Services for statewide automated child welfare information system projects and an estimated amount of \$7,160,000 for reimbursement of FY 1996 state General Fund dollars from close out corrections from the Aid to Families with Dependent Children Special Line Item. (Footnote added by Laws 1998, Chapter 1, 4<sup>th</sup> Special Session)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.
- 6/ 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)
- 7/ 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 25<sup>th</sup> 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)
- 8/ The Department of Economic Security shall report the receipt and intended use of all current and prior year reversions from non-appropriated sources to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

## DEPARTMENT OF ECONOMIC SECURITY - SUMMARY (Cont'd)

The approved amount does not include any changes in administrative funding for the Arizona Works program because the Procurement Board has not yet issued a Request for Proposals from vendors and details of approved or proposed contracts are not available.

Laws 1998, Chapter 211 makes a series of changes to the Arizona Works program. For further details on this bill, please see the DBME write-up.

**TANF Block Grants** — The table below indicates how much of the state's TANF Block Grant is appropriated for FY 1999, by cost center. As can be seen, only \$222,650,300 of the \$232,459,900 is appropriated in FY 1999. The difference, \$9,809,600, will sit in the state's "bank account" with the federal government. Combined with an expected balance of at least \$37,861,800 on June 30, 1998, the state will have a total of at least \$47,671,400 in TANF Block Grant monies that it can access as a "stabilization fund."

<u>Cost Center</u>	<u>Amount</u>
Administration	\$ 9,614,700
Benefits and Medical Eligibility	119,854,300
Aging and Community Services	7,865,500
Children, Youth and Families	11,207,000
Employment & Rehabilitation Services	72,434,100
Lump Sum Reduction	(325,300)
DES Total	\$220,650,300
Department of Health Services	2,000,000
<b>TANF Block Grant Total</b>	<b>\$222,650,300</b>

**Appropriation of Non-Appropriated Funds** — Laws 1997, Chapter 210 converted several Non-Appropriated Funds to appropriated status, starting in FY 1998. The Domestic Violence Shelter Fund is appropriated for FY 1999 in the DACS. The expenditures from the Domestic Violence Shelter Fund are not, however, shown for FY 1997 and FY 1998.

The General Appropriation Act also appropriated some Long Term Care System Fund monies in the Developmental Disabilities cost center in FY 1999 for the first time. These monies were previously "appropriated" only as expenditure authority in the Long Term Care cost center.

**Provider Rate Increase** — Laws 1998, Chapter 227 appropriated \$5,000,000 GF to the department in FY 1999 for a developmental disabilities provider rate increase. The monies are intended to provide an increase in compensation of approximately \$0.43 per hour to direct care staff of providers contracting with the department for services to developmentally disabled clients. The provision of Chapter 227 appropriating \$10,000,000 GF to

the department in FY 2000 for an additional \$0.43 per hour increase was line-item vetoed by the Governor.

**DEPARTMENT OF ECONOMIC SECURITY - ADMINISTRATION**

A.R.S. § 41-1951

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	366.5	386.0	358.5 <sup>1/</sup>
Personal Services	10,574,100	12,639,300	12,464,900
Employee Related Expenditures	2,295,000	2,611,600	2,513,600
Professional and Outside Services	767,800	1,011,600	1,384,600
Travel - In State	282,700	277,900	241,200
Travel - Out of State	55,700	66,300	71,500
Other Operating Expenditures	15,376,100	18,067,100	18,901,200
Equipment	638,600	1,075,200	1,062,500
<b>Operating Subtotal</b>	<b>29,990,000</b>	<b>35,749,000</b>	<b>36,639,500</b>
FMCS Modification	127,600	259,600	259,600
Child Welfare Information System	1,638,100	3,622,600	0
Finger Imaging	0	2,105,300 <sup>2/</sup>	864,000
Job Placement Office Redesign	0	1,000,000 <sup>3/</sup>	0
EBT-Welfare Reform	0	308,400	294,400
Lease-Purchase Equipment	4,030,600	2,582,300	5,347,500
Public Assistance Collections	402,300	407,300	361,500
Attorney General Legal Services	0	0	600,400
<b>Total Appropriations</b>	<b>36,188,600</b>	<b>46,034,500</b>	<b>44,366,900 <sup>4/5/</sup></b>
<b>Fund Summary</b>			
General Fund	27,134,600	34,334,200	33,650,000
Public Assistance Collections Fund	260,000	273,700	280,700
Temporary Assistance for Needy Families Block Grant	5,842,200	10,620,900	9,614,700
Child Care and Development Fund Block Grant	351,800	304,000	314,900
Special Administration Fund	0	501,700	506,600
Statewide Indirect Cost Allocation Reimbursement	2,600,000	0	0
<b>Total Appropriations</b>	<b>36,188,600</b>	<b>46,034,500</b>	<b>44,366,900</b>

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

**FMCS Modification** — The approved amount includes \$190,000 General Fund (GF) and \$69,600 Temporary Assistance for Needy Families (TANF) Block Grant for Professional and Outside Services for continual modifications and enhancement to the department's Financial Management Control System (FMCS). There also is another \$31,700 GF funded in the Professional and Outside Services line item for FMCS. The approved

amount funds consulting assistance for installing additional subsystems, developing policies and procedures, and meeting FMCS system needs that are outside the scope and expertise of department staff.

**Child Welfare Information System** — The approved budget reflects discontinuing the Child Welfare Information System Special Line Item and moving staff and resources

1/ Includes 27.4 FTE Positions funded from Special Line Items in FY 1999.  
 2/ Includes \$1,400,000 General Fund appropriated by Laws 1996, Chapter 346.  
 3/ Original appropriation modified by Chapter 300. See Job Placement Office Redesign for further details.  
 4/ 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)  
 5/ 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)

to the appropriate locations in the Department of Economic Security's (DES) budget. The Children's Information Library and Data Source (CHILDS) automation system went online October 1, 1997 and is being implemented statewide. In FY 1999, the system will be part of the department's normal routine. The change includes deleting 1 FTE Position that is no longer needed and transferring 12.5 FTE Positions and \$1,898,200 GF from this Special Line Item to this division's operating budget. A total of \$247,600 GF is shifted from this Special Line Item to the Lease-Purchase Equipment Special Line Item. In addition, another 14 FTE Positions and \$1,438,200 GF are transferred out of this division into the operating budget of the Division of Children, Youth and Families.

CHILDS is 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. CHILDS interfaces with other related child welfare programs such as the Foster Care Review Board, which is housed in the Supreme Court; the Attorney General's Staff, which is responsible for dependency and children issues; and Child Support Enforcement. State funds were matched by Federal Funds at a 75% match rate through September 30, 1997 and at 50% thereafter.

**Finger Imaging** — The approved amount of \$864,000 includes \$576,300 GF and \$287,700 TANF Block Grant for finger imaging automation. Laws 1996, Chapter 346 appropriated \$1,400,000 GF in FY 1998 for a finger-imaging program for welfare recipients. The FY 1999 appropriation reflects a reduction in one-time costs of \$830,600 GF and \$412,800 TANF Block Grant. Chapter 346 required DES to establish a finger imaging program for every adult applicant, adult recipient, or eligible minor parent of General Assistance, Food Stamps, and TANF Assistance, as a condition of eligibility. The Food Stamp share, \$390,900, will come from federal non-appropriated food stamp matching dollars. The TANF and Food Stamp match share is based on each program's proportion of clients out of the total number being fingerprinted. This Special Line Item funds 3 GF and 1.5 TANF FTE Positions for training users and modifying the established system based on changes in rules, policies, procedures, and evaluation of the project.

**Job Placement Office Redesign** — For FY 1999, this Special Line Item is discontinued because monies of \$1,000,000 were a one-time appropriation. 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.

**EBT - Welfare Reform** — The approved amount of \$294,400 includes \$240,100 GF and \$54,300 TANF Block Grant to fund the Electronics Benefit Technology (EBT) project. This project was first funded in FY 1998 through Laws 1997, Chapter 300 for the purpose of implementing and operating the electronic transfer for the issuance of TANF cash benefits and Food Stamp benefits. A total of 5.5 FTE Positions are added to work on this project: 4.5 FTE Positions are funded through GF and 1 FTE Position is funded through TANF Block Grant. The EBT system will be implemented statewide during FY 1999. The department's FY 1999 resources will provide for operations staff to ensure the successful statewide implementation. A quarterly report from DES to the Joint Legislative Budget Committee is required during the implementation phase.

**Lease-Purchase Equipment** — The approved amount of \$4,522,600 GF and \$824,900 TANF Block Grant fund the annual lease-purchase payments or rental agreements of computer equipment for 6 automation projects. An additional \$316,600 of non-appropriated federal dollars and \$122,200 of other non-appropriated dollars will be used to cover the total lease-purchase expenditure of \$5,786,300 for these 6 projects.

The 6 lease-purchase payments are funded as follows:

- FY 1993 central processing unit (CPU) expansion - \$183,400 GF;
- Aid for Dependent Children Time Limits Project - \$116,700 GF and \$116,800 TANF;
- FY 1995 Family Assistance Administration CPU upgrade - \$318,400 GF;
- FY 1996 legislatively approved CPU upgrade - \$1,906,500 GF, \$58,100 TANF, \$316,600 non-appropriated federal dollars, and \$122,200 Other Non-Appropriated Funds;
- FY 1996 hardware and software purchases for the CHILDS program - \$247,600 GF; and
- FY 1997 rental agreement for a mainframe complex computer - \$1,750,000 GF and \$650,000 TANF.

The last item was not funded in FY 1998 because funding at the end of FY 1997 covered the cost. The funding was part of the FY 1997 Supplemental Bill, Laws 1997, Chapter 7, 1<sup>st</sup> Special Session and totaled \$2,600,000 from the Statewide Indirect Cost Allocation Reimbursement Plan.



## DEPARTMENT OF ECONOMIC SECURITY - ADMINISTRATION (Cont'd)

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The approved FY 1999 amount reflects a decrease in federal participation and, therefore, an increase in state dollars. Federal participation is available for only one of these leases.dollars.

**Public Assistance Collections** — The approved amount of \$361,500 funds 11 FTE Positions who are responsible for improving public assistance collection activities. Of the 11 FTE Positions, 4.6 are funded from TANF Block Grant and 6.4 are funded from Public Assistance Collections Fund (PACF). A.R.S. § 46-295 requires 25% of repaid erroneous public assistance benefits to be deposited into the PACF.

The approved budget reflects the correct alignment of \$94,400 TANF and adds 2.6 TANF FTE Positions. Last year, these staff and related funding were from federal non-appropriated dollars. The approved budget also reflects the transfer of 4 Attorney General Staff to the Attorney General Legal Services Special Line Item, of which 2 are funded from TANF Block Grant (\$76,100) and 2 are funded from PACF (\$76,100). These transfers have no overall dollar effect in this division.

**Attorney General Legal Services** — Laws 1996, Chapter 335 required the appropriation of all Attorney General interagency service agreements (ISAs). However, the majority of dollars appropriated for Attorney General legal services in DES has not been established through ISAs. Rather than employing ISAs, DES's appropriation has directly funded FTE Positions and their related operating costs. The approved budget continues the practice and appropriates the Attorney General Legal Services directly to DES because the Attorney General's accounting system is unable to provide the detailed reporting level needed to draw down Federal Funds. DES's accounting system is designed to provide the necessary reporting requirements to the federal government. The approved amount of \$600,400 funds 10.4 FTE Positions. The following reflects the transfers into this Special Line Item:

- \$10,100 GF and a 0.5 GF FTE Position from the Division of Aging and Community Services for the Long Term Care Ombudsman legal services;
- \$24,900 GF for the current ISA with the Attorney General for Developmental Disabilities Long Term Care ISA. (No FTE Positions are included as the 0.3 FTE Position was not counted in DES, but is shown in the Attorney General ISA Fund.);
- \$370,600 GF and 5.4 GF FTE Positions; \$26,700 TANF and 0.4 TANF FTE Position; and \$9,300 Child Care and Development Fund (CCDF) Block Grant and a 0.1 CCDF FTE Position from this division's operating budget; and
- \$76,100 PACF and 2 PACF FTE Positions and \$76,100 TANF and 2 TANF FTE Positions.

The latter 2 bulleted transfers have no overall dollar effect on this division since they are simply shifts within the division. The approved amount also reflects a transfer out of \$1,255,200 and 21.1 FTE Positions from this division to the Attorney General Legal Services Special Line Item in the Division of Children, Youth and Families. The legal services provided through these dollars and FTE Positions are actually expended in the Division of Children, Youth and Families.

**DEPARTMENT OF ECONOMIC SECURITY - DEVELOPMENTAL DISABILITIES**

**A.R.S. § 41-1951**

<b>General Fund and Long Term Care System Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	437.6	349.6	347.1 <sup>1/</sup>
Personal Services	2,503,600	2,493,300	2,788,200
Employee Related Expenditures	559,000	573,100	642,300
Professional and Outside Services	238,700	143,900	131,900
Travel - In State	108,000	78,100	78,100
Other Operating Expenditures	397,400	296,800	322,800
Equipment	6,800	0	0
<b>Operating Subtotal</b>	<b>3,813,500</b>	<b>3,585,200</b>	<b>3,963,300</b>
Case Management	4,155,200	1,508,400	1,545,500
Home and Community Based Services	22,680,900	26,236,800	27,354,300 <sup>2/</sup>
Institutional Services	264,800	218,200	218,200
Arizona Training Program at Coolidge	4,653,900	5,464,900	5,572,800
State-Funded Long Term Care Services	0	0	12,000,000
<b>Total</b>	<b>35,568,300</b>	<b>37,013,500</b>	<b>50,654,100 <sup>3/4/5/</sup></b>
<b>Additional Appropriations - Developmental Disabilities; Rate Structure; Implementation, Ch. 227</b>	<b>0</b>	<b>0</b>	<b>1,931,800</b>
<b>Total Appropriations</b>	<b>35,568,300</b>	<b>37,013,500</b>	<b>52,585,900</b>
<b>Fund Summary</b>			
General Fund	35,568,300	37,013,500	40,585,900
Long Term Care System Fund	0	0	12,000,000
<b>Total Appropriations</b>	<b>35,568,300</b>	<b>37,013,500</b>	<b>52,585,900</b>

**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 federal Title XIX program services are funded through the Long Term Care (LTC) Program; 100% state-funded services to these LTC clients are provided in the DD program. Besides contracting for services, the program: a) operates the Arizona Training Program at Coolidge (ATPC) and smaller state-operated group homes, and b) provides case management services to recipients.*

- <sup>1/</sup> Includes 245.7 FTE Positions funded from Special Line Items in FY 1999.
- <sup>2/</sup> 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)
- <sup>3/</sup> 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)
- <sup>4/</sup> The Department of Economic Security shall report all new placements into a state-owned ICF-MR in FY 1999 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, 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, 1999. (General Appropriation Act footnote)
- <sup>5/</sup> 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)**

**Base Realignment** — The approved amount includes a realignment of operating costs between the operating budget and Special Line Items, with no net change in the overall budget.

**Attorney General Legal Services** — The approved amount includes a decrease of \$12,000 GF reflecting a transfer of funding for Attorney General Legal Services to the Division of Administration.

**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>Special Line Item</u>	<u>FY 1998 Member Years</u>
Home and Community Based Services	3,664
Institutional Services	3
ATPC	66
<b>Total</b>	<b>3,733</b>

**Case Management** — Monies in this line item are used to provide case management services to clients in the DD program. In addition to the \$1,545,500 GF appropriation, it is assumed that the department will receive an additional \$2,210,900 in monies from the Arizona Health Care Cost Containment System for implementing targeted case management. The targeted case management program provides services to Arizona Long Term Care System Acute Care recipients who do not qualify for Long Term Care services. The line item includes 48.7 FTE Positions.

**Home and Community Based Services** — Monies in this line item are 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 of \$27,354,300 GF reflects an increase of \$1,117,500 GF from FY 1998. This increase includes the following substantive increases:

- \$134,800 GF to fund 6 months of residential services to 8 new foster care clients as a result of increased referrals from Child Protective Services;
- \$9,000 GF to fund 6 months of residential services to 3 clients who will attain 18 years of age in FY 1999 and will no longer qualify for foster care;
- \$28,500 GF to fund 6 months of day programs and support services to 5 clients who will attain 22 years of age in FY 1999 and will no longer receive a public education;
- \$800,000 GF to eliminate the children's waiting list and provide an additional 726 member years of service effective January 1, 1999, and

- \$523,500 GF to eliminate the adult waiting list and provide an additional 147 member years of services effective July 1, 1998.

All of these increases except the adult waiting list will require annualizations totaling \$1,017,100 GF in FY 2000.

The approved amount is expected to provide the following member years of service in each setting in FY 1999:

<u>Setting</u>	<u>Member Years</u>
At Home with Family	3,146
Adult Developmental Foster Home	62
Group Home	358
Children Developmental Foster Home	43
Independent Living	42
State-Operated Group Homes	13
<b>Total</b>	<b>3,664</b>

The line item includes a total of 38.5 FTE Positions.

**Institutional Services** — Monies in this line item are used to provide residential and day programs to clients with more severe developmental disabilities. These clients reside in Large Group Living Facilities (LGLFs) or other nursing facilities.

The approved amount of \$218,200 is expected to provide 3 member years of service in LGLFs in FY 1999.

**Arizona Training Program at Coolidge (ATPC)** — Monies in this line item fund an entire range of services for the developmentally disabled clients residing at the ATPC campus, either in LGLFs or state-operated group homes (SOGHs).

The approved amount of \$5,572,800 GF reflects an increase of \$107,900 GF from FY 1998. The approved amount includes a decrease of \$81,300 GF and 2.5 FTE Positions associated with an expected reduction of 1 client in the ATPC population. The approved amount does not include costs associated with case management and certain occupancy-related costs. The approximate blended cost per DD client at ATPC in FY 1999 will be \$84,400.

The approved amount is expected to provide the following member years of service in each setting in FY 1999:

<u>Setting</u>	<u>Member Years</u>
Large Group Living Facility	52
State-Operated Group Homes	14
<b>Total</b>	<b>66</b>

The total population at ATPC, including clients funded through the Long Term Care program, is estimated to be 175 in FY 1999.

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

The approved amount also includes a total of \$7,400 for Stipends and Allowances, reflecting a \$3,000 decrease from FY 1998. These monies are used to provide weekly allowances to selected residents residing at the Coolidge campus. The total population expected to receive these stipends is estimated to be 4.

investigation of possible alternative uses, an analysis of the costs of providing campus-based services at an alternative location, and a recommendation for the final use of the campus. On completion of the study, the results shall be presented to the Joint Committee on Capital Review for its review.

The line item includes 158.5 FTE Positions.

**State-Funded Long Term Care Services** — Monies in this line item fund services ineligible for reimbursement from the Arizona Health Care Cost Containment System that are provided to clients of the Long Term Care program. The approved amount, \$12,000,000, has been transferred from the Long Term Care cost center to clarify the amount of money the state is providing as state match in the Long Term Care program. Monies for this line item are appropriated from the Long Term Care System Fund and come from sources listed in the table below. For further details, please see the Long Term Care cost center.

<b>Sources</b>	<b>FY 1999 Revenues</b>
PASARR	\$ 100,000
Client Billing Revenue	9,150,000
Mesa Land Interest	300,000
Foster Care Client Trust	1,280,000
Third Party Liability	900,000
Reinsurance	100,000
LTCSF Interest	250,000
<b>Total</b>	<b>\$12,080,000</b>
Total State-Funded LTC Services Uses	<u>\$12,000,000</u>
Total Non-Title XIX Revenues for Long Term Care State Match	\$ 80,000

**Additional Appropriations:** Developmental Disabilities; Rate Structure; Implementation (Chapter 227) — Appropriates a total of \$5,000,000 GF to DES in FY 1999 to provide increases in compensation to direct care staff employed by DD providers DES contracts with. The appropriation will provide an increase in compensation of \$0.43 per hour in FY 1999. JLBC Staff expects that \$1,931,800 of the appropriation will be distributed in line items in the DD cost center: \$1,300,500 in Home and Community Based Services, \$11,300 in Institutional Services, and \$620,000 State-Funded Long Term Care Services. The provision of Chapter 227 appropriating \$10,000,000 GF to the department in FY 2000 for an additional \$0.43 per hour increase was line-item vetoed by the Governor.

**Capital Outlay:** Chapter 7, 4<sup>th</sup> Special Session — Appropriates \$25,000 from the General Fund to the department for a land use study of the former Arizona Training Program at Tucson facility. The department shall contract for a study to include an appraisal of the land, an

**DEPARTMENT OF ECONOMIC SECURITY - LONG TERM CARE**

**A.R.S. § 41-1951**

General Fund and Long Term Care System Fund <sup>1/</sup>		FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	(GF)	260.6	260.1	275.8 <sup>2/</sup>
	(TF)	1,051.6	1,050.6	1,096.1 <sup>2/</sup>
Personal Services	(GF)	1,616,000	2,950,200	2,145,400
	(TF)	5,254,400	8,123,100	7,848,600
Employee Related Expenditures	(GF)	326,700	724,900	459,600
	(TF)	1,169,700	1,821,600	1,782,700
Professional and Outside Services	(GF)	365,900	301,100	288,700
	(TF)	1,234,800	1,282,200	1,246,300
Travel - In State	(GF)	61,900	46,100	46,100
	(TF)	206,400	184,300	184,300
Travel - Out of State	(GF)	0	0	0
	(TF)	0	400	400
Other Operating Expenditures	(GF)	297,900	276,600	257,700
	(TF)	979,000	1,070,700	1,020,800
Equipment	(GF)	5,400	0	0
	(TF)	16,500	0	0
<b>Operating Subtotal</b>	(GF)	<b>2,673,800</b>	<b>4,298,900</b> <sup>3/</sup>	<b>3,197,500</b>
	(TF)	<b>8,860,800</b>	<b>12,482,300</b> <sup>3/</sup>	<b>12,083,100</b>
Case Management	(GF)	2,791,600	3,254,200 <sup>3/</sup>	3,266,900
	(TF)	8,801,200	9,399,700 <sup>3/</sup>	11,535,600
Home and Community Based Services	(GF)	44,053,000	51,791,000 <sup>3/</sup>	62,606,600
	(TF)	142,535,900	161,050,800 <sup>3/</sup>	167,619,400
Institutional Services	(GF)	2,467,300	3,185,900 <sup>3/</sup>	2,927,800
	(TF)	8,256,800	9,202,600 <sup>3/</sup>	10,166,000
Medical Services	(GF)	8,013,300	10,930,700 <sup>3/</sup>	9,805,500
	(TF)	26,108,900	31,573,500 <sup>3/</sup>	33,990,900
Arizona Training Program at Coolidge	(GF)	2,858,700	3,693,400 <sup>3/</sup>	2,869,500
	(TF)	9,292,200	10,167,100 <sup>3/</sup>	10,002,100
Arizona Training Program at Tucson	(GF)	101,500	121,700	0
	(TF)	295,400	253,300	0
Long Term Care State Match	(GF)	0	4,474,800 <sup>4/</sup>	0
	(TF)	0	4,474,800 <sup>4/</sup>	0
<b>Total</b>	(GF)	<b>62,959,200</b>	<b>81,750,600</b> <sup>3/</sup>	<b>84,673,800</b>
	(TF)	<b>204,151,200</b>	<b>238,604,100</b> <sup>3/</sup>	<b>245,397,100</b> <sup>5/6/7/8/</sup>
<b>Additional Appropriations -</b> Developmental Disabilities; Rate Structure; Implementation, Ch. 227	(GF)	0	0	3,068,200
<b>Total Appropriations</b>	(TF)	<b>204,151,200</b>	<b>238,604,100</b>	<b>248,465,300</b>
<b>Fund Summary</b>				
General Fund		62,959,200	81,750,600	87,742,000
Long Term Care System Fund		141,192,000	156,853,500	160,723,300
<b>Total Appropriations</b>		<b>204,151,200</b>	<b>238,604,100</b>	<b>248,465,300</b>



**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 can receive services funded through the 100% state Developmental Disabilities (DD) Program. Besides contracting for services, the program: a) operates the Arizona Training Program at Coolidge (ATPC), and smaller state-operated group homes, and b) provides case management services to recipients.*

**Base Realignment** — The approved amount includes a realignment of operating costs between the operating budget and Special Line Items, with no net change in the overall budget.

**Attorney General Legal Services** — The approved amount includes a decrease of \$12,400 General Fund (GF) and \$35,900 Total Funds (TF) reflecting a transfer of funding for Attorney General Legal Services to the Division of Administration.

**FY 1998 Supplemental** — The supplemental bill for FY 1998 included \$15,880,700 GF and \$18,503,000 TF for caseload growth and base shortfall issues. This supplemental appropriation was distributed as follows:

Category	GF	TF
Operating	\$1,703,100	\$2,528,300
Case Management	890,600	553,400
Home and Community Based Services	8,919,600	12,381,000
Institutional Services	724,900	367,300
Medical Services	2,734,300	2,197,800
ATPC	908,200	475,200
<b>Total</b>	<b>\$15,880,700</b>	<b>\$18,503,000</b>

The FY 1998 supplemental also included \$4,474,800 GF to ensure the state has contributed the property state match for the LTC program for FY 1997. *For further details, please see the Long Term Care State Match discussion.*

**State-Funded Long Term Care Services** — The Department of Economic Security (DES) uses 100% state monies to

fund services ineligible for reimbursement from the Arizona Health Care Cost Containment System (AHCCCS) to LTC clients. These monies were previously located in the Home and Community Based Services line item. To make clear the amount of money the state is providing as match in the LTC program, the monies for these services have now been transferred to the newly-created **State-Funded Long Term Care Services Special Line Item** in the Developmental Disabilities cost center. *Please refer to that discussion for further details.*

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

Special Line Item	FY 1998 Member Years
Home and Community Based Services	8,346
Institutional Services	232
ATPC	109
<b>Total</b>	<b>8,687</b>

**Funding Sources** — The LTC program receives almost all of its funding from the General Fund and Title XIX revenues, which together constitute the "Total Funds" upon which the program's appropriation is based. The FY 1999 appropriation is based upon total Title XIX revenues received, which in theory should match the program's expenditures. Since the program receives revenues on a "capitated" basis and generally pays the private provider community on a "fee-for-service" basis, however, it has historically been difficult for the program to exactly match revenues to expenditures. If the caseload estimates upon

- 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 long term care to developmentally disabled clients. 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 210.6 GF and 817.5 TF FTE Positions funded from Special Line Items in FY 1999.
- 3/ Laws 1998, Chapter 1, 4<sup>th</sup> Special Session appropriated \$15,880,700 GF and \$18,503,000 TF Expenditure Authority for caseload growth and base shortfall.
- 4/ Laws 1998, Chapter 1, 4<sup>th</sup> Special Session, Section 60 appropriated \$4,474,800 GF for Long Term Care State Match.
- 5/ All monies in the Long Term Care System Fund unexpended and unencumbered at the end of the fiscal year shall revert to the state General Fund, subject to approval by the Arizona Health Care Cost Containment System. (General Appropriation Act footnote)
- 6/ Monies for the Long Term Care program are appropriated for the capitation rates approved in November 1997. No monies may be expended for a change in these capitation rates unless an expenditure plan is reviewed by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 7/ The Department of Economic Security shall submit a report to the Joint Legislative Budget Committee by September 1, 1998 on making the budget structure for the Division of Developmental Disabilities more closely align with the rate code structure included in the capitation rate the department receives from the Arizona Health Care Cost Containment System. (General Appropriation Act footnote)
- 8/ 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)**

which the revenue estimates are based are too low or too high, the appropriation may need to be adjusted accordingly.

DES, as the AHCCCS-authorized provider of DD services, receives federal monies through prepaid monthly capitation payments based on rates for types of clients. AHCCCS determines these rates in negotiation with DES and also takes into account factors such as risk, length of time between enrollment and placement, and other factors. For federal fiscal year (FFY) 1998, DES receives one of two capitated rates depending on the type of client:

- **Enrolled** (\$2,105.47 per member per month): all clients who qualify for the LTC program based on their disability and financial status except for Ventilator Dependent clients (*see below*). The approved amount assumes that an average of 9,744 members per month will qualify for this rate in FY 1999.
- **Ventilator Dependent** (\$8,931.43 per member per month): clients who qualify for the LTC program based on their disability and financial status and who require a ventilator to function. The approved amount assumes that an average of 33 members per month will qualify for this rate in FY 1999.

The approved amount assumes that DES will continue to receive the FFY 1998 capitation rates in FY 1999. The state is required to contribute 34.54% of these rates; this percentage is based on the estimated FY 1999 Federal Matching Assistance Percentage (FMAP), which is a blended combination of the FFY 1998 and FFY 1999 FMAPs. *For further details, please see the table at the bottom of this page.*

The FY 1999 General Fund appropriation of \$84,673,800 equals the \$84,753,800 required for the state match as shown above minus the \$80,000 by which non-Title XIX revenues exceed the costs of State-Funded Long Term Care Services. *For further details, please see the Developmental Disabilities cost center.*

**Case Management** — Monies in this line item are used to provide case management services to clients in the LTC program. The approved FY 1999 amount of \$3,266,900 GF and \$11,535,600 TF reflects an increase of \$2,689,300 TF above the original appropriation for FY 1998. The increases include \$816,500 GF and \$2,363,900 TF for an additional 23.8 and 69 FTE Positions. These FTE Positions include case managers and support staff to address the increased caseloads. Included in this amount is \$62,500 GF and \$181,000 TF in one-time equipment costs. The approved amount is expected to provide 9,777 member years of service in FY 1999. The increase brings the total number of FTE Positions to 335.3, 79.7 of which are funded from the General Fund.

**Home and Community Based Services** — Monies in this line item are used to provide residential programs, day programs, and support services to clients in a broad range of settings, from those living at home to those living in group homes. The approved FY 1999 amount of \$62,606,600 GF and \$167,619,400 TF reflects an increase of \$18,949,600 TF above the original FY 1998 appropriation and \$6,568,600 TF above the FY 1998 appropriation revised after the supplemental bill. This increase includes of the following changes:

- An increase of \$11,191,200 GF and \$32,400,600 TF for expected caseload growth of 19.7% (1,373 clients) above the original FY 1998 appropriation of 6,973 clients and 11.3% (844 clients) above the revised FY 1998 appropriation of 7,502 clients.
- An increase of \$8,958,900 GF and \$0 TF above the original FY 1998 appropriation to ensure that the state contributes the proper amount of state matching funds for the Long Term Care program.
- A decrease of \$0 GF and \$12,000,000 TF associated with the move of State-Funded Long Term Care Services out of this line item. Please see the **State-Funded Long Term Care Services** discussion above for further details.

<u>Capitation Category</u>	<u>Member Years</u>	<u>Monthly Capitation Rate</u>	<u>Title XIX Share</u>	<u>State Match</u>	<u>Total</u>
Enrolled	9,744	\$2,105.47	\$161,154,900	\$85,033,500	\$246,188,400
Ventilator Dependent	33	\$8,931.43	2,315,200	1,221,600	3,536,800
<b>Total</b>	<b>9,777</b>		<b>\$163,470,100</b>	<b>\$86,255,100</b>	<b>\$249,725,200</b>
Deductions for monies in the Division of Administration			(2,826,800)	(1,501,300)	(4,328,100)
<b>Long Term Care Total</b>			<b>\$160,643,300</b>	<b>\$84,753,800</b>	<b>\$245,397,100</b>

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

The approved amount is expected to provide the following member years of service in each setting in FY 1999:

<u>Setting</u>	<u>Member Years</u>
At Home with Family	6,054
Adult Developmental Foster Home	325
Group Home	1,756
Developmental Foster Home	156
Independent Living	3
State-Operated Group Homes (SOGHs)	52
<b>Total</b>	<b>8,346</b>

The line item includes a total of 81.7 FTE Positions, 13.2 of which are funded from the General Fund.

**Institutional Services** — Monies in this line item are used to provide residential and day programs to clients with more severe developmental disabilities. These clients reside in Intermediate Care Facilities for the Mentally Retarded (ICF/MRs) or other nursing facilities.

The approved amount of \$2,927,800 GF and \$10,166,000 TF reflects an increase of \$466,800 GF and \$1,330,700 TF above FY 1998. The increase includes \$534,000 GF and \$1,546,000 TF for expected caseload growth of 17.8% (35 clients) above the original FY 1998 appropriation of 197 clients and 10% (21 clients) above the revised FY 1998 appropriation of 211 clients. The approved amount is expected to provide the following number of member years of service in each setting in FY 1999:

<u>Setting</u>	<u>Member Years</u>
Nursing Facility	72
ICF-MR	160
<b>Total</b>	<b>232</b>

The line item includes a total of 78.5 FTE Positions, 15.4 of which are funded from the General Fund.

**Medical Services** — Monies in this line item are used to provide Acute Care services to clients enrolled in the LTC program. The approved amount of \$9,805,500 GF and \$33,990,900 TF includes an increase of \$1,705,500 GF and \$4,937,900 TF for expected caseload growth of 16.8% above the original FY 1998 appropriation and 9.7% above the revised FY 1998 appropriation. The approved amount is expected to provide 9,777 member years of service in FY 1999. The line includes a total of 37 FTE Positions, 31.7 of which are funded from the General Fund.

**Arizona Training Program at Coolidge (ATPC)** — Monies in this line item fund an entire range of services for the developmentally disabled clients residing at the ATPC campus who reside in ICF/MRs or SOGHs.

The approved amount of \$2,869,500 GF and \$10,002,100 TF reflects an increase of \$84,300 GF and \$310,200 from the original FY 1998 appropriation. The approved amount maintains a caseload of 109 clients in the ATPC population. The approved amount does not include costs associated with case management and certain occupancy-related costs. The approximate blended cost per LTC client in FY 1999 will be \$91,800.

The approved amount is expected to provide the following number of member years of service in each setting in FY 1999:

<u>Setting</u>	<u>Member Years</u>
ICF/MR	91
SOGHs	18
<b>Total</b>	<b>109</b>

The total population at ATPC, including clients funded through the Developmental Disabilities program, is estimated to be 175 in FY 1999.

The approved amount also includes \$205,400 GF for Stipends and Allowances, which remains unchanged from FY 1998. These monies are used to provide weekly allowances to selected residents residing at the Coolidge campus. The total population expected to receive these stipends is estimated to be 124.

The line item includes 285 FTE Positions, 97 of which are funded from the General Fund.

**Arizona Training Program at Tucson (ATP-T)** — Monies in this line item were used to fund an entire range of services for the developmentally disabled clients residing at the ATP-T campus. As of February 1997, no clients reside at the ATP-T campus. The funding and 8.1 GF and 23.5 TF FTE Positions have, therefore, been eliminated.

The ATP-T campus still 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 that were deeded to the state by the federal government on July 14, 1997. To determine what the future use of the ATP-T campus should be, the Legislature appropriated \$25,000 GF to DES. *For further details, please see the Capital Outlay section in the Developmental Disabilities cost center.*

**Long Term Care State Match** — Section 60 of the FY 1998 supplemental bill appropriated \$4,474,800 GF to DES to ensure that the state has contributed the proper state match for the LTC program in FY 1997. Although this appropriation was not in the formal DES appropriation, we have shown it as a separate line item for FY 1998. Section 60 also states that, subject to approval by AHCCCS, DES shall deposit into the General Fund on November 1, 1998,

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

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a reversion of \$4,474,800 from the Long Term Care System Fund for close-out corrections related to LTC services provided in FY 1997.

**Additional Appropriations:** Developmental Disabilities; Rate Structure; Implementation, (Chapter 227) — Appropriates a total of \$5,000,000 GF to DES in FY 1999 to provide increases in compensation to direct care staff employed by DD providers DES contracts with. The appropriation will provide an increase in compensation of \$0.43 per hour in FY 1999. JLBC Staff expects that \$3,068,200 of the appropriation will go for line items in the LTC cost center: \$2,941,400 in Home and Community Based Services and \$126,800 in Institutional Services. The provision of Chapter 227 appropriating \$10,000,000 GF to the department in FY 2000 for an additional \$0.43 per hour increase was line-item vetoed by the Governor.

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

**A.R.S. § 41-1951**

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	1,270.6	1,270.6	1,222.0
Personal Services	27,902,400	32,273,000	32,394,000
Employee Related Expenditures	7,348,000	7,797,500	7,499,600
Professional and Outside Services	562,700	432,600	605,100
Travel - In State	718,600	766,700	766,700
Other Operating Expenditures	4,236,700	4,679,700	4,045,200
Equipment	234,500	0	0
<b>Operating Subtotal</b>	<b>41,002,900</b>	<b>45,949,500</b>	<b>45,310,600</b> <sup>1/</sup>
TANF Cash Benefits	168,656,500	186,731,200 <sup>23/</sup>	146,967,700 <sup>4/</sup>
TANF Stabilization Fund	0	5,141,000	0
TANF Legislative Initiatives	0	7,500,000	0
Outreach and Naturalization	0	250,000	250,000
Arizona Works Agency Procurement Board	0	300,000	300,000
ALTCS Eligibility Pass-Through	0	550,600	0
General Assistance	5,686,600	5,031,400 <sup>23/</sup>	4,721,700
Tuberculosis Control	13,700	19,400	15,600
Institutional Support Payments	350,200	360,000	288,000
Full Employment Project	71,900	110,600	0
Youth Support Research	14,000	14,000	0
<b>Total Appropriations</b>	<b>215,795,800</b>	<b>251,957,700</b>	<b>197,853,600</b> <sup>5/</sup>
<b>Fund Summary</b>			
General Fund	82,096,100	82,938,700	77,999,300
Federal Temporary Assistance for Needy Families Block Grant	133,675,300	169,019,000	119,854,300
Full Employment Demonstration Project Fund	24,400	0	0
<b>Total Appropriations</b>	<b>215,795,800</b>	<b>251,957,700</b>	<b>197,853,600</b>

**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, Temporary Assistance for Needy Families (TANF), General Assistance (GA), Tuberculosis Control, and Institutional Support Payments.*

**Line Worker Reduction** — The approved amount includes a reduction of \$812,700 and 25.4 FTE Positions funded from the General Fund (GF) and \$325,300 and 10.2 FTE Positions funded from the TANF Block Grant. This decrease is associated with a 2.5% reduction in the number of line workers in the division and will reduce the number of workers performing assorted eligibility functions.

In addition to this reduction, the department received an additional cut of an identical amount of money and FTE Positions. This additional reduction can be allocated throughout the department. *For further details on this additional reduction, please see FY 1999 Lump Sum Reduction discussion in the Summary.*

- 1/ 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)
- 2/ The amount shown reflects the Joint Legislative Budget Committee approved transfer of \$2,200,000 from the TANF Cash Benefits Special line item to the General Assistance Special Line Item.
- 3/ Laws 1998, Chapter 1, 4<sup>th</sup> Special Session appropriated a decrease of \$5,383,200 GF and \$13,594,300 for TANF Cash Benefits and General Assistance.
- 4/ Notwithstanding A.R.S. § 35-173C, any transfer to or from the \$146,967,700 appropriated for Temporary Assistance for Needy Families Cash Benefits shall require approval of the Joint Legislative Budget Committee. (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 - BENEFITS AND MEDICAL ELIGIBILITY (Cont'd)

**Food Stamp Issuance Privatization** — The approved amount includes a decrease of \$9,200 GF and 9 FTE Positions associated with the privatization of Food Stamp vault operations. The department privatized these functions, including storage and security of the Food Stamps, on December 1, 1996. The department expects to spend \$174,500 per year in the contract for these services, replacing the \$183,600 that otherwise would have been spent for these services with department employees.

**TANF Salary Adjustment Shift** — The approved amount includes a shift of \$425,500 from the General Fund to the TANF Block Grant associated with properly funding salary adjustments for employees funded from the TANF Block Grant. In FY 1998, salary adjustments for these employees were appropriated from the GF deposit into the TANF Stabilization Fund, although the employees' base salaries were paid using TANF Block Grant monies.

**TANF Cash Benefits** — This program provides financial assistance on a temporary basis to needy dependent children in their own homes or in the homes of responsible caretaker relatives. This program replaced the Aid to Families with Dependent Children (AFDC) program, which was phased out with the passage of the 1996 federal welfare reform legislation and Laws 1997, Chapter 300.

The approved FY 1999 amount of \$146,967,700, reflects a reduction of \$4,000,000 GF and \$55,693,000 TANF Block Grant from the original FY 1998 appropriation, prior to any transfers. The total amount will fund monthly benefits averaging \$104 to 115,700 recipients in the single parent program and monthly benefits averaging \$80 to 4,300 recipients in the 2-parent program.

The total amount includes an estimated \$8,100,000 associated with the transfer of 15,600 TANF Cash Benefits recipients into the new Arizona Works pilot program on January 1, 1999. *For further details on the Arizona Works pilot program, please see the discussion under Arizona Works in the Summary.*

The FY 1998 Supplemental Bill included a decrease of \$6,335,200 GF and \$13,594,300 TANF. This decrease was made due to lower-than-expected caseloads.

**TANF Stabilization Fund** — Monies in this line item are deposited into the TANF Stabilization Fund to supplement existing appropriations when caseloads for the TANF program exceed budgeted projections. The FY 1999 General Appropriation Act did not include a deposit into the TANF Stabilization Fund. The balance in the fund on June 30, 1999 is estimated to be \$3,141,000, after the transfer of \$2,000,000 to the Technology System Fund authorized by Laws 1998, Chapter 208.

**TANF Legislative Initiatives** — A total of \$20,009,900 was approved in the FY 1998 General Appropriation Act for undetermined welfare reform purposes. Laws 1997, Chapter 300 reallocated the monies in this line item to other areas in the DES budget. The remaining \$7,500,000 was transferred to the Child Care and Development Fund Block Grant and appropriated to the Day Care Subsidy line item in the Division of Employment and Rehabilitation Services. The FY 1999 General Appropriation Act did not include a line item with funds to be reallocated by other bills.

**Outreach and Naturalization** — This program provides outreach and naturalization efforts targeted to legal immigrants losing Food Stamps and health coverage as a result of welfare reform. The approved amount of \$250,000 GF, unchanged from FY 1998, will be used for application fees and citizenship and English classes.

**Arizona Works Agency Procurement Board** — The board, established in A.R.S. § 46-343, will receive proposals and award a contract for operation of the Arizona Works pilot program. The board will also monitor implementation of the pilot program to ensure that contract terms are being met and oversee evaluations of the program. The Arizona Works pilot program is scheduled to begin on January 1, 1999. The approved amount of \$300,000 GF, unchanged from FY 1998, will fund administrative expenses and technical assistance.

**ALTCS Eligibility Pass-Through** — Monies in this line item were to be used to help pay for services on behalf of certain immigrants receiving Arizona Long Term Care System (ALTCS) services who lost those ALTCS services as a result of the 1996 federal welfare reform legislation. The monies replaced the "lost" federal share that matched the state funds in the Arizona Health Care Cost Containment System (AHCCCS) budget for these clients. The federal government restored its share of funding for these clients through September 30, 1998.

**General Assistance** — This state-funded program provides financial assistance 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 \$4,721,700, a reduction of \$309,700 from the revised FY 1998 appropriation after transfers, is based upon the following components:

- **Caseload:** \$5,359,200 for monthly benefits averaging \$154.00 to 2,900 clients. The approved amount is a slight decrease from the revised FY 1998 average expected caseload of 2,930 clients.

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

- **Retroactive Recovery of SSI Payments:** Total savings of \$1,036,500 associated with federal reimbursement for GA recipients found eligible for the federal Supplemental Security Income (SSI) program. A total of 7,484 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:** \$278,000 for contract costs with Advocates for the Disabled, who provide GA recipients with application assistance. The program should increase the likelihood that the recipients served by the program will be accepted into the SSI program.
- **Contract Medical Examinations:** \$121,000 for 2,973 examinations at an average cost of \$40.37 per exam and 22 medical consultation hours at an average cost of \$46.32 per hour.

The total amount includes an estimated \$366,900 associated with the transfer of 377 GA clients into the new Arizona Works pilot program on January 1, 1999.

The FY 1998 Supplemental Bill appropriated an additional \$952,000 for GA because of higher-than-expected caseloads.

**Tuberculosis Control** — This program provides financial 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 of \$15,600, a decrease of \$3,800 from FY 1998, will fund monthly payments averaging \$144.44 to 9 clients.

**Institutional Support Payments** — This program provides an optional state supplemental payments program, as directed by A.R.S. § 46-252. The program provides \$80 monthly 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 of \$288,000, reflecting a decrease of \$72,000 from FY 1998, will fund monthly payments averaging \$50 to 480 clients. 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** — The Full Employment Demonstration Project provides employers that hire TANF recipients with subsidies equal to the cash value of their welfare benefits. The program was transferred to the Division of Employment and Rehabilitation Services (DERS); therefore, the line item, along with the \$110,600 GF and 4 FTE Positions associated with it, has been eliminated in this budget. *For further details, please see the discussion under Full Employment Demonstration Project Transfer in the DERS cost center.*

**Youth Support Research** — This program provides funding for a K-12 pilot program to increase school performance and reduce gang activity. There is no funding for this line item because the funding for this program in FY 1999 was transferred to the Arizona Department of Education. *For further details, please see the discussion under Youth Support Research in the Assistance to Schools cost center in the Arizona Department of Education budget.*

**Additional Legislation: Arizona Works; Contracts (Chapter 211)** — Makes changes to the Arizona Works pilot program. Changes include permitting the state to contract with a vendor to operate just the TANF portion if federal waivers for Food Stamps and AHCCCS are not received by November 15, 1998; requiring the vendor to pay workers' compensation for selected participants; permitting the state to pay bonuses to the vendor; and extending the length of the pilots.

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

**A.R.S. § 41-1951**

**General Fund and Child Support Enforcement Administration Fund <sup>1/</sup>**

**FY 1997  
Actual**

**FY 1998  
Estimate**

**FY 1999  
Approved**

FTE Positions	(GF)	0.0	0.0	2.0
	(TF)	716.2	716.2	721.2 <sup>2/3/</sup>
Personal Services	(GF)	0	0	66,400
	(TF)	14,994,100	17,435,800	14,637,900
Employee Related Expenditures	(GF)	0	0	14,100
	(TF)	3,667,700	4,292,600	3,457,100
Professional and Outside Services	(GF)	1,261,500	321,300	521,000
	(TF)	4,192,700	3,778,200	4,365,400
Travel - In State	(GF)	40,800	48,200	32,700
	(TF)	119,900	141,800	97,500
Other Operating Expenditures	(GF)	803,700	924,100	915,000
	(TF)	2,446,000	2,717,900	2,715,900
Equipment	(GF)	1,800	0	0
	(TF)	5,400	0	10,600
<b>Operating Subtotal</b>	<b>(GF)</b>	<b>2,107,800</b>	<b>1,293,600</b>	<b>1,549,200</b>
	<b>(TF)</b>	<b>25,425,800</b>	<b>28,366,300</b>	<b>25,284,400 <sup>3/</sup></b>
Automation Lease-Purchase	(GF)	34,900	78,600	78,600
	(TF)	34,900	88,500	88,500
Phase II Maintenance	(GF)	744,200	753,600	523,600
	(TF)	2,189,000	2,216,500	1,540,000 <sup>4/</sup>
Genetic Testing	(GF)	36,400	72,400	72,400
	(TF)	361,500	723,600	723,600
Chapter 219 Central Payment Processing	(GF)	0	816,400	415,300 <sup>5/</sup>
	(TF)	0	816,400	1,869,800 <sup>5/</sup>
Chapter 300 Paternity Establishment	(GF)	0	200,000	200,000
	(TF)	0	200,000	588,200
County Participation	(GF)	0	0	0
	(TF)	0	0	13,078,000
Attorney General Legal Services	(GF)	0	0	43,700
	(TF)	0	0	4,646,800
<b>Total Appropriations</b>	<b>(GF)</b>	<b>2,923,300</b>	<b>3,214,600</b>	<b>2,882,800</b>
	<b>(TF)</b>	<b>28,011,200</b>	<b>32,411,300</b>	<b>47,819,300 <sup>6/</sup></b>
<b>Fund Summary</b>				
General Fund		2,923,300	3,214,600	2,882,800
Child Support Enforcement Administration Fund		0	8,532,700	10,622,600
Federal Funds		25,087,900	20,664,000	34,313,900
<b>Total Appropriations</b>		<b>28,011,200</b>	<b>32,411,300</b>	<b>47,819,300</b>

**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 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.*

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

**Total Funds Expenditure Authority** — The division's budget is appropriated on a Total Funds (TF) expenditure authority basis. The division receives appropriated funds from several sources:

Source	Amount
General Fund	\$ 2,882,800
State Share of Retained Earnings/Incentives	10,028,600
Fees	594,000
<b>Total</b>	<b>\$13,505,400</b>

State Share of Retained Earnings (SSRE) comes from child support owed to the state while the custodial parent received Temporary Assistance for Needy Families Cash Benefits. Federal incentive payments are received as a result of increased child support collections. Non-custodial parents pay fees for posting payments to the central payment clearinghouse.

These appropriations are matched by \$34,313,900 of federal dollars. In general, the federal government matches every \$0.34 of state funds with \$0.66 of federal monies. The Genetic Testing and Automation Lease-Purchase Special Line Items have different match rates. *For further details, please see discussions on those line items below.*

The TF expenditure authority does not include funds passed through to the Administration Division. SSRE and incentives expended in the Administration Division for overhead and pooled costs in FY 1999 are estimated at \$2,600,000. If the division collects more SSRE and earns more federal incentives than assumed, all amounts over these estimates are appropriated to the operating budget. *(Please see footnote 3.)*

**New Hire Reporting and Mailing Wage Assignments** — The approved amount includes an increase of \$140,700 GF and \$413,800 TF to enter data into the new State Directory of New Hires, authorized by Laws 1997, Chapter 219, and to mail wage assignments to employers. A total of \$384,000 in Professional and Outside Services funding will be used

for data entry into the State Directory of New Hires. The funding will allow the processing of 38,462 new hire reports weekly, effective October 1, 1998, outsourced to a private vendor. The other \$29,800 will fund the mailing of 980 wage assignments to employers weekly, effective October 1, 1998.

**State Case Registry Data Entry** — The approved amount includes an increase of \$27,300 Other Funds (OF) and \$80,200 TF, along with 2 FTE Positions, to enter data into the new State Case Registry authorized by Laws 1997, Chapter 219. A total of \$75,500 will fund 2 new CSE Technician II positions who will enter approximately 500 new child support orders monthly and modify orders as necessary. A total of \$13,200 of this funding is one-time equipment funding. The approved amount also includes \$4,700 to reimburse county clerks of the court for mailing support order modifications to DCSE.

**Privatization of the Support Payment Clearinghouse** — The approved amount includes a decrease of \$21,500 OF and \$63,300 TF and 3 FTE Positions associated with the privatization of the support payment clearinghouse. The private vendor now processes payments for all child support and spousal maintenance cases, both Title IV-D and non-Title IV-D (beginning on October 1, 1998). *For further details, please see the Chapter 219 Central Payment Processing discussion below.*

**Bank Fees** — The approved amount includes an increase of \$72,100 GF and \$212,000 TF to pay financial institutions' fees for quarterly matches of bank records to determine whether the assets of delinquent obligors are held by such institutions. A total of \$172,000 of this funding is one-time Professional and Outside Services funding.

**Automation Lease-Purchase** — Monies in this line item are used for the division's lease-purchase interest payment for previously purchased automation equipment, most of which is not eligible for federal matching funds. The approved amount, \$78,600 GF and \$88,500 TF, remains unchanged from FY 1998.

- 1/ The Child Support Enforcement Administration Fund contains State Share of Retained Earnings (SSRE) from child support collections, federal incentives, and fees, as outlined in A.R.S. § 46-406. The following chart displays the Total Expenditures Authority (TF) of this division, not including monies expended in the Administration cost center.
- 2/ Includes 37.7 OF and 111 TF FTE Positions funded from Special Line Items in FY 1999.
- 3/ All State Share of Retained Earnings and federal incentives above \$10,028,600 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New full time equivalent positions may be authorized with the increased funding. 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)
- 4/ The department shall report to the Joint Legislative Budget Committee by October 1, 1998 on the feasibility of bringing the remaining contracted employees for Phase II Maintenance into state service in FY 2000. (General Appropriation Act footnote)
- 5/ Includes \$164,300 GF appropriated by Laws 1997, Chapter 219.
- 6/ 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)

**Phase II Maintenance** — Monies in this line item, previously known as **Phase II Conversion**, are used for ongoing system maintenance and support of the Arizona Tracking and Locate Automated System (ATLAS). ATLAS, which the division uses to track each child support case it handles, has received provisional Level II certification from the federal government.

The approved amount, \$523,600 GF and \$1,540,000 TF, reflects a decrease of \$230,000 GF and \$676,500 TF from FY 1998. The decrease is associated with bringing ATLAS help desk staff into state service. The approved amount includes canceling the current vendor contract worth \$676,500 TF for help desk employees and hiring 6 new FTE Positions at a cost of \$252,000 TF. These FTE Positions and associated positions are located in the operating budget in FY 1999.

The department is also required to report to the Joint Legislative Budget Committee by October 1, 1998 on the feasibility of bringing remaining contracted employees for Phase II Maintenance into state service in FY 2000. (Please see footnote 4.)

**Genetic Testing** — This program, previously known as **Paternity Establishment**, provides funding for DNA testing and blood testing for the estimated 50% of child support cases subject to the establishment of paternity through testing. The approved amount, \$72,400 GF and \$723,600 TF, remains unchanged from FY 1998. The division receives an enhanced match rate of 90% from the federal government to fund these genetic tests. The division attempts to collect testing costs from persons legally determined to be the father; recovered testing costs are reimbursed 90% to the federal government and 10% between the division and contracting counties. In FY 1997, the division recovered a total \$81,429 of the genetic testing debts, an increase of \$19,528 or 32% from FY 1996. DNA testing costs an average of \$55 per individual; blood tests cost an average of \$65 per individual.

**Chapter 219 Central Payment Processing** — This program processes child support and spousal maintenance payments through a privatized, centralized clearinghouse. Laws 1996, Chapter 188 required the department to contract with a private vendor or governmental entity to provide receipting and posting services to the support payment central clearinghouse for Title-IV-D cases, which are those child support cases handled by the division. Laws 1997, Chapter 219 required the department to centralize all payment processing. Payments from non-Title-IV-D cases will be processed by the department beginning October 1, 1998. Non-Title IV-D cases were previously processed by county clerks of the court.

The approved amount, \$415,300 GF, \$594,000 OF, and \$1,869,800 TF, is an increase of \$401,100 GF, \$594,000 OF, and \$1,053,400 TF from the FY 1998 appropriation made by Laws 1997, Chapter 219. The approved amount includes:

- \$164,300 GF appropriated in advance by Laws 1997, Chapter 219 to centralize payment processing for non-Title-IV-D cases;
- \$856,800 TF to centralize payment processing for non-Title-IV-D cases; and
- \$848,700 TF to centralize payment processing for Title-IV-D cases.

In addition, the amount also reflects a decrease of \$816,400 GF from the FY 1998 appropriation in Laws 1997, Chapter 219.

Because of the privatization of the central payment processing clearinghouse, monies and FTE Positions were reduced in the operating budget for FY 1999. *For further details, please see Privatization of the Support Payment Clearinghouse above.*

**Chapter 300 Paternity Establishment** — This program expands and enhances paternity establishment efforts through private sector involvement. Funds for this purpose were originally added by Laws 1997, Chapter 300. The approved amount, \$200,000 GF and \$588,200 TF, reflects an increase of \$388,200 TF from FY 1998, resulting from the appropriation of expenditure authority for the federal matching monies associated with the program.

**Attorney General Legal Services** — Monies in this line item are used to contract for Attorney General representation. The approved amount, \$43,700 GF, \$1,537,800 OF, and \$4,646,800 TF, was transferred from the division's operating budget. This line item includes 111 FTE Positions, 37.7 of which are funded from Other Funds.

**County Participation** — The division contracts with several Arizona counties to operate child support programs in those counties. As a result, SSRE and federal incentives are passed through to these counties, along with the 66% federal match, which matches SSRE and incentive pass-through monies as well as county appropriations. The SSRE and federal incentives passed through to these contracting counties are appropriated in this line item for the first time in FY 1999. The division is required by federal regulation to pass federal incentives earned to contracting counties. Pursuant to a FY 1992 agreement, the division also passes 50% of all SSRE earned over the FY 1990 collection base amount to contracting counties. Expenditure authority associated with passed-through federal matching monies is also included in the expenditure authority for the first time in FY 1999.



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

Contracting counties also appropriate their own funds to operate the programs. The county appropriations, however, are not included in the line item. Total funding for county participation is listed below.

SSRE/federal incentives:	\$ 1,309,400
Federal matching monies:	<u>11,768,600</u>
Total County Participation Line Item:	13,078,000
County appropriations (estimated):	<u>4,653,300</u>
<b>Total</b>	<b>\$17,731,300</b>

The table below outlines which entities operate the child support program in each of Arizona's counties.

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

**Additional Legislation:** Child Support Omnibus (Chapter 260) — Implements changes in state child support laws required by recent federal legislation. These changes are mostly technical in nature, but also provide the division with some additional enforcement powers.

Domestic Relations; Omnibus (Chapter 280) — Requires DES to provide electronic access to payment records in the support payment clearinghouse to the Clerk of Superior Court and requires the Clerk of the Superior Court to furnish information on non-IV-D cases it handles to relevant entities.

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

A.R.S. § 41-1951

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	89.6	89.6	93.1 <sup>1/</sup>
Personal Services	2,682,100	2,970,200	3,061,900
Employee Related Expenditures	591,300	644,500	646,500
Professional and Outside Services	14,700	14,000	14,000
Travel - In State	135,000	156,000	156,000
Travel - Out of State	0	0	0
Other Operating Expenditures	208,600	241,600	241,600
<b>Operating Subtotal</b>	<b>3,631,700</b>	<b>4,026,300</b>	<b>4,120,000</b>
Adult Services	8,382,000	9,182,100	9,199,700 <sup>2/</sup>
LTC Ombudsman	102,600	119,200	359,500
Respite Care	180,300	185,000	435,000
Community and Emergency Services	2,095,600	3,350,500	2,983,800
Coordinated Hunger Program	1,083,300	1,086,600	1,086,600
Coordinated Homeless Program	1,560,200	1,873,000	1,988,600
Domestic Violence Prevention	1,911,200	2,022,700	3,670,100
Information and Referral	115,400	115,400	115,400 <sup>3/</sup>
<b>Total</b>	<b>19,062,300</b>	<b>21,960,800</b>	<b>23,958,700</b>
<b>Additional Appropriations -</b>			
Vulnerable Adults Appropriation, Ch. 161	0	0	698,400
Appropriation, Welfare to Work, Ch. 208	0	0	3,900,000
<b>Total Appropriations</b>	<b>19,062,300</b>	<b>21,960,800</b>	<b>28,557,100 <sup>4/</sup></b>
<b>Fund Summary</b>			
General Fund	16,506,800	17,806,500	19,295,300
Temporary Assistance for Needy Families Block Grant	2,555,500	4,154,300	7,865,500
Domestic Violence Shelter Fund	0	0	1,396,300
<b>Total Appropriations</b>	<b>19,062,300</b>	<b>21,960,800</b>	<b>28,557,100</b>

**Program Description** — *The program provides alternatives to institutional care for the elderly and physically disabled through a range of non-medical home and community-based services. 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.*

<sup>1/</sup> Includes 4 FTE Positions appropriated by Laws 1998, Chapter 161.

<sup>2/</sup> 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 and community-based services. (General Appropriation Act footnote)

<sup>3/</sup> 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)

<sup>4/</sup> 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)**

**Adult Services** — The approved amount provides for a community-based continuum of care and services for abused, neglected, and exploited adults. The services provided are based upon the person's ability to perform activities of daily living, family support, and financial status. In addition to the state General Fund (GF), the Department of Economic Security (DES) receives federal dollars from Title III and Title XX Social Services Block Grants (SSBG). The approved amount is distributed as follows:

- **Adult Protective Contracted Services** — Provides \$176,100 GF for services to elderly people who are abused or neglected.
- **Supplemental Payments** — Provides \$2,156,300 GF 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 Line Item. The SSI-eligible population receiving Supplemental Payment services will continue to be the priority target group. The following reflects FY 1999 caseload estimates.

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

- **Home Care** — Provides \$4,868,200 GF for supplemental payment services, plus personal care to non-SSI recipients who are disabled or elderly, and do not qualify for the federal Medicaid Arizona Long Term Care System. Another \$2,413,700 will be provided by federal and local contributions. Included in the \$2,413,700 is \$250,000 from federal SSBG, as required by a General Appropriation Act footnote (*see footnote 1*). The appropriation will fund an average of 50 hours of services for 7,159 individuals at an average cost of \$20.34 per hour.
- **Older Americans Act** — Reflects an increase of \$17,600 GF to draw down an additional \$260,800 in federal Older Americans Act funding. A total of \$897,400 of state dollars matches \$9,957,100 in Federal Funds for congregate and home-delivered

meals, as well as other social services. Other funding sources include \$21,249,700 in local contributions.

- **Assessments and Case Management** — Provides \$1,001,700 GF 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 11,515 persons. Each person averages 12 hours of service at an estimated cost of \$34.31 per hour. In addition to the state share, an additional \$3,739,400 is provided through federal and local contributions.
- **Program Development** — Provides \$100,000 GF for the state's 8 Area Agencies on Aging for support services, senior centers, and nutrition services.

In addition to the above amounts, Laws 1998, Chapter 161 appropriated an additional \$698,400 GF for adult services. (*See Additional Appropriations in this narrative for more information.*)

**Long-Term Care (LTC) Ombudsman** — The approved amount of \$359,500 GF includes an additional \$250,000 to fund more local agency staff for adults in long-term care settings. There is a 0.5 FTE Position for legal services that is provided by the Attorney General. Because this legal staff is supervised by the Attorney General, the approved budget reflects a transfer of the 0.5 FTE Position and \$10,100 GF to DES's Division of Administration. The Office of State Long-Term Care Ombudsman was established during FY 1990 in accordance with the requirements of the federal Older Americans Act. Funds in this Special Line Item are used for the administrative cost of the office.

**Respite Care** — This statewide program provides relief to care givers of the elderly. The program was first funded by Laws 1997, Chapter 162. The approved amount of \$435,000 GF includes an increase of \$250,000 for preventing premature institutionalization by giving relief to care givers of the elderly.

**Community and Emergency Services** — This Special Line Item was previously known as Emergency Assistance. The approved budget reflects a transfer out of \$366,700 Temporary Assistance for Needy Families (TANF) Block Grant to the Coordinated Homeless Program (\$115,600), and to the Domestic Violence Program (\$251,100). This redistribution more accurately reflects anticipated FY 1999 expenditures. The GF and TANF in this program line are used for 3 different activities. These activities consist of:

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

- \$983,500 GF and \$355,600 TANF for Emergency Assistance, which provides aid to low-income households in need of temporary financial assistance to address a utility, shelter, repair or special need emergencies. In addition to the above amounts, Laws 1998, Chapter 208 appropriated an additional \$3,700,000 TANF for emergency services. (See *Additional Appropriations in this narrative for more information.*)
- \$100,000 TANF for Utility Assistance, which helps pay utility deposits and repairs or replacements of appliances for low-income households.
- \$1,544,700 TANF for Community Action Services, which provides financial and technical assistance for local communities to identify priority problems and needs of individuals in poverty.

In addition to the appropriated dollars, each activity receives non-appropriated dollars from federal and other funds. DES estimates receiving \$307,100 from the federal Social Services Block Grant for Emergency Assistance. Another \$4,309,600 from the federal Low Income Home Energy Assistance program and \$643,800 from other Non-Appropriated Funds is anticipated for Utility Assistance. In addition, DES anticipates \$3,929,800 from the federal Community Services Block Grant and \$1,206,400 from the federal SSBG to be available for Community Action Services.

**Coordinated Hunger Program** — The approved budget reflects a change in the Special Line Item name to more closely align with DES's program structure. This program, which includes the previously listed Rural Food Bank Project Special Line Item, now consists of 2 subprograms: the Rural Food Bank Project, \$1,061,800, and the Food Distribution Information, \$24,800. This program receives additional dollars from non-appropriated federal sources: Food Stamp Outreach, \$28,500; Community Services Block Grant, \$33,500; SSBG, \$315,500; and Temporary Emergency Food Assistance Program, \$663,000. In addition to the above amounts, Laws 1998, Chapter 208 appropriated an additional \$200,000 GF for food banks. (See *Additional Appropriations in this narrative for more information.*)

**Coordinated Homeless Program** — The approved budget reflects a change in the Special Line Item name to more closely align with DES's program structure. This program consists of the previously listed Homeless Shelter Special Line Item. The program reflects the entire department's homeless planning and coordination activities, and the contracting of funds to community-based organizations providing services for the homeless and near homeless. The approved amount includes \$115,600 TANF transferred in from the Community and Emergency Services Special Line Item. In addition to the total \$1,155,400 from GF and \$833,200 from appropriated

TANF, the program receives other non-appropriated dollars. These other non-appropriated dollars include the following federal dollars: Housing and Urban Development's Emergency Shelter Grant, \$388,400; Supportive Housing Program, \$545,000; and SSBG, \$542,600. Another \$45,000 is provided through the non-appropriated Homeless Trust Fund.

**Domestic Violence Prevention** — The approved budget includes the newly appropriated Domestic Violence Shelter Fund and the transfer in of \$251,100 of federal TANF Block Grant, which were previously discussed under the Community and Emergency Services Program. Laws 1997, Chapter 210 made the Domestic Violence Shelter Fund subject to legislative appropriation. The FY 1999 appropriation will be \$1,396,300 for this fund, which is \$300,000 more than the FY 1998 distribution. This program consists of providing shelter and supportive services to domestic violence victims and promoting awareness and prevention. This program is funded through both appropriated state GF, \$1,157,900; federal TANF Block Grant, \$1,115,900, and the Domestic Violence Shelter Fund, \$1,396,300. In addition, non-appropriated federal dollars are utilized for these services: Housing and Urban Development Emergency Shelter Grant, \$82,800, and SSBG, \$624,500.



Last year, the JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the Domestic Violence program. The PAR of the DES's Domestic Violence program was combined with the Administrative Office of the Courts' Domestic Violence Program. In addition to combining these 2 PARs, a discussion of the state's domestic violence programs was included in the PAR Victim Services Overview.

The Criminal Justice and Transportation PAR Committee adopted several requirements of DES and 5 other state agencies providing domestic violence services, including that the agencies submit an action plan to the Committee by January 15, 1998 for developing an annual report to the Governor, President of the Senate, and Speaker of the House of Representatives on all state government domestic violence expenditures. The Governor's Office actually issued the action plan for creating an annual domestic violence expenditure report by December 1, 1998. Also included was an action plan for simplifying for private and local government entities the process of acquiring funding from state agencies.

**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.

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

**Additional Appropriations: Vulnerable Adults; Appropriation (Chapter 161)** — Adds \$698,400 GF for this division, of which:

- \$90,000 is for adult protective emergency services to provide shelter, emergency evaluations, caretaker, and other services to abused elderly people after normal working hours;
- \$20,000 is for a public awareness campaign to promote the statewide elderly abuse hotline and information referral line;
- \$78,300 is for enhancement to existing aging information and referral lines to handle all statewide calls 24 hours a day;
- \$475,100 is for 4 additional full-time adult protective services employees and other costs related to operating a statewide elderly abuse hotline 24 hours a day and providing investigation services 24 hours a day; and
- \$35,000 is for costs related to training adult protective service employees because of the implementation of new procedures.

**Appropriation; Welfare to Work (Chapter 208)** — Appropriates \$3,700,000 TANF for distribution to qualified applicants to pay for emergency expenses for short-term crisis services. Each applicant is limited to having expenses covered one-time per year.

The legislation also appropriates \$200,000 GF for food banks, of which \$125,000 is for a grant program established by the new legislation for welfare and low-income food bank assistance. There is a 25% match requirement for the monies that must be matched using private sector dollars. The remaining appropriation of \$75,000 is for welfare and low income food bank assistance programs targeted to community groups and organizations that build food security at the community level. These monies also must be matched by 25% from private sector dollars. Grant amounts cannot exceed \$25,000 to any community group or organization.

**Capital Outlay: Appropriation; Navajo Senior Citizens Building (Chapter 222)** — Appropriates \$350,000 GF for FY 1999, which must be matched on a dollar for dollar basis or with in-kind services by the Navajo Nation Council. The monies include:

- \$45,000 for constructing a senior center at Chilchenbeto Chapter;
- \$65,000 for constructing a senior center at Birdsprings;
- \$10,000 for making parking lot improvements for the senior center at Chinle;
- \$65,000 for constructing a senior center at St. Michael's;

- \$65,000 for constructing a senior center at Fort Defiance;
- \$30,000 for constructing a multipurpose building at White Cone Chapter;
- \$30,000 for constructing a senior center at Dilcon; and
- \$40,000 for constructing a local hogan at the veterans center at Lukachukai Chapter.

**Additional Legislation: Domestic Violence (Chapter 303)** — Provides for voluntary contributions to the Domestic Violence Shelter Fund using tax returns filed for 1999 and thereafter. Taxpayers can either donate directly to the fund by enclosing monies for such purpose with their tax returns or specify that portions of their tax refunds be kept to go to the fund.



**DEPARTMENT OF ECONOMIC SECURITY - CHILDREN, YOUTH AND FAMILIES**
**A.R.S. § 41-1951**

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	749.4	783.4 <sup>1/</sup> - -	854.5 <sup>2/3/</sup>
Personal Services	20,465,500	23,358,200	24,810,100
Employee Related Expenditures	4,366,600	5,213,800	5,409,500
Professional and Outside Services	339,600	254,800	993,800
Travel - In State	793,100	896,300	945,900
Travel - Out of State	400	0	0
Other Operating Expenditures	1,263,800	1,675,100	1,539,500
Equipment	226,400	807,900	385,700
<b>Operating Subtotal</b>	<b>27,455,400</b>	<b>32,206,100</b>	<b>34,084,500</b>
Adoption Services	12,702,000	14,340,500	15,345,500
Children Services	49,209,500	66,908,700 <sup>4/</sup>	57,847,500
High Risk Infant Services	410,500	686,300	686,300
Intensive Family Services	2,267,800	2,435,600	2,435,600
Child Severance Project	514,600	649,900	146,500
Videotaping	72,000	107,600	109,400
Healthy Families Pilot	2,783,500	3,000,000	0 <sup>5/</sup>
CPS Incentive Pay Program	0	240,000	240,000 <sup>6/</sup>
Family Builders Pilot Program	0	4,353,600 <sup>7/</sup>	8,007,300 <sup>8/</sup>
Adoption; Church Programs	0	100,000	0
CPS Appeals	0	0	872,900 <sup>9/</sup>
Child Abuse Prevention	649,900	737,800	810,500
Comprehensive Medical & Dental Program	2,118,600	2,794,900	2,794,900 <sup>10/</sup>
Attorney General Legal Services	0	0	3,488,600 <sup>11/</sup>
<b>Total</b>	<b>98,183,800</b>	<b>128,561,000</b>	<b>126,869,500</b>
<b>Additional Appropriations -</b>			
Preliminary Protective Hearings,			
Appropriations, Ch. 276	0	0	1,012,300
Healthy Families, Appropriation, Ch. 295	0	0	3,000,000
<b>Total Appropriations</b>	<b>98,183,800</b>	<b>128,561,000</b>	<b>130,881,800 <sup>12/</sup></b>
<b>Fund Summary</b>			
General Fund	91,746,000	116,712,700	118,708,300
Temporary Assistance for Needy Families Block Grant	5,631,900	10,954,500	11,207,000
Child Abuse Prevention Fund	649,900	737,800	810,500
Children and Family Services Training Fund	156,000	156,000	156,000
<b>Total Appropriations</b>	<b>98,183,800</b>	<b>128,561,000</b>	<b>130,881,800</b>

**Program Description** — *The program provides staff resources, such as Child Protective Services (CPS) 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 CPS investigators, case managers and employees of child welfare agencies and community treatment programs.*

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

**Transfer of Child Welfare Information System** — The operating budget reflects a transfer in from the agency's Division of Administration budget. The transfer in includes 14 FTE Positions and \$1,438,200 General Fund (GF) for the ongoing maintenance and operation of the new statewide implemented Children's Information Library and Data Source (CHILDS) automation system. *For more detail on this automation system, please see the narrative in the Division of Administration.*

**Annualization of Child Protective Services (CPS) Staff, Family Builders, and Children Services** — The approved budget includes \$7,109,000 GF needed to annualize the adoption of Laws 1997, Chapter 3, 2<sup>nd</sup> Special Session, which added staff and General Fund dollars to this division in FY 1998 to increase the investigation and response rate to child abuse and neglect reports designated appropriate for investigation or Family Builders response.

Chapter 3 added \$6,758,800 GF to this division for 6-months of funding for FY 1998 for the following purposes:

- 29 FTE Positions and \$1,196,600 for CPS staff;
- \$3,553,600 to the Family Builders program for the expansion of this pilot program in Maricopa and Pima Counties; and
- \$2,008,600 in the Children Services Special Line Item for support services needed for the increased number of cases being investigated by CPS.

After backing out one-time equipment expenditures in FY 1998, the FY 1999 approved budget reflects an increase of \$9,400 for CPS staff. The approved budget also reflects increases of \$2,185,900 for Family Builders and \$4,913,700 for Children Services to annualize the special session actions.

**Adoption Services** — The approved amount for FY 1999 reflects an increase of \$1,867,000 GF from FY 1998 for the Adoption Services Special Line Item, of which

\$950,900 is a transfer-in from Foster Care in the Children Services Special Line Item to follow those children moving from foster care to adoption status. Included in the approved amount is \$187,500 for non-recurring adoption expenses. Monies in this Special Line Item are used to subsidize 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. The funding provides for ongoing maintenance and/or payment for special services depending on each eligible child's needs. The approved amount will fund services for an average of 3,464 children per year. The approved amount is based upon an average annual cost per child of \$6,815 and Title IV-E non-appropriated Federal Funds of \$8,263,000.

For FY 1998, to cover a projected shortfall because of caseload growth, there was a supplemental appropriation of \$862,000 GF to this Special Line Item by shifting the monies from the Temporary Assistance for Needy Families (TANF) Cash Benefits Special Line Item.

**Children Services** — The approved amount for FY 1999 consists of \$51,562,700 in GF and \$6,284,800 in TANF, including \$4,913,700 GF to annualize Laws 1997, Chapter 3, 2<sup>nd</sup> Special Session funding discussed earlier in this narrative. The total reflects a transfer-out of \$950,900 GF to follow the foster children moving into adoption status and who qualify for the adoption subsidy. The approved budget also reflects transferring \$100,000 GF appropriated through Laws 1997, Chapter 225 to this Special Line Item. The monies will continue to be used for community and neighborhood based recruitment of adoptive homes for special needs children in foster care. The Children Services program is projected to receive \$24,769,400 from non-appropriated Federal Funds and \$890,000 from other non-appropriated funds, for an estimated FY 1999 total expenditure of \$83,506,900.

1/ Includes 29 General Fund FTE Positions appropriated by Laws 1997, Chapter 3, 2<sup>nd</sup> Special Session.

2/ Includes 62.2 FTE Positions funded from Special Line Items in FY 1999.

3/ Reflects 18.5 FTE Positions added due to advance appropriations in Laws 1997, Chapter 223 and Laws 1997, Chapter 224.

4/ Includes \$3,677,000 TANF dollars reallocated from the FY 1998 General Appropriation Act by Laws 1997, Chapter 300 and \$2,008,600 General Fund appropriated by Laws 1997, Chapter 3, 2<sup>nd</sup> Special Session.

5/ For ongoing funding see Additional Appropriations in this narrative.

6/ 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 workers in accordance with Laws 1995, Chapter 43. (General Appropriation Act footnote)

7/ Appropriated \$800,000 General Fund by Laws 1997, Chapter 223 and \$3,553,600 General Fund by Laws 1997, Chapter 3, 2<sup>nd</sup> Special Session.

8/ Includes \$2,267,700 General Fund appropriated by Laws 1997, Chapter 223.

9/ Includes \$872,600 General Fund appropriated by Laws 1997, Chapter 224.

10/ It is the intent of the Legislature that the Department of Economic Security in conjunction with the Arizona Health Care Cost Containment System shall provide quarterly reports on their progress in implementing the Comprehensive Medical and Dental Program as a health plan. The first report to the Directors of the Governor's Office of Strategic Planning and Budgeting and the Joint Legislative Budget Committee Staff is due March 31, 1998. These quarterly reports shall be provided until June 30, 1999. (General Appropriations Act footnote)

11/ Includes \$527,400 General Fund appropriated by Laws 1997, Chapter 224.

12/ 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)

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. In addition to the above contracted services, the department has set aside \$200,000 GF of its approved budget for community-based services to homeless and runaway youth and their families.

For FY 1998, a supplemental appropriation provided additional funding of \$8,602,800 GF to cover a projected shortfall because of caseload increases. The additional GF monies were offset by deposits to general revenue totaling \$10,385,000. These deposits and their estimated amounts are as follows: \$1,075,000 for a reimbursement from the Arizona Health Care Cost Containment System (AHCCCS) for FY 1997 for targeted case management services; \$2,150,000 for the reimbursement from the federal Department of Health and Human Services for statewide automated child welfare information system projects; and \$7,160,000 for reimbursement of FY 1996 GF from close out corrections from the Aid to Families with Dependent Children (AFDC) Special Line Item. The FY 1998 total also reflects a transfer of \$4,521,200 GF from the TANF Cash Benefits Special Line Item to this line item. The total FY 1998 supplemental was \$13,124,000.

**High Risk Infant Services** — The approved amount reflects no change from FY 1998. The program will serve a total of 406 families whose children are exposed to substance abuse. The cost per family is estimated to be \$1,690. 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 also work closely with the Department of Health Services and county public health nurses, who provide medical services for the children and behavioral services and substance abuse treatment for the parents. 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.

**Intensive Family Services** — The approved amount reflects no change from FY 1998. The program provides services to 780 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 \$3,123. 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 intensive, time-limited (6 to 8 weeks), and geared toward keeping children in the home. The program emphasizes 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** — The approved amount includes a decrease of \$503,400 from FY 1998. In prior years, this Special Line Item also reflected monies that were used to enter into an intergovernmental agreement with the Attorney General for legal and paralegal services. These monies now are reflected in the new Attorney General Legal Services Special Line Item for this division. 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. The Department of Economic Security (DES) may use the funds to contract for social services incurred in expediting severance and adoption. The program will receive another \$148,200 in non-appropriated Federal Funds. The approved amount will provide for the completion of an estimated 498 social studies at an approximate \$591.24 cost per study.

**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 the program historically has been outside the budget process. Laws 1996, Chapter 247 appropriated \$3,000,000 from the General Fund in FY 1997 and FY 1998 to continue the Healthy Families Pilot Program. This pilot was initiated and originally funded in FY 1995 and FY 1996 through Laws 1994, Chapter 1. This pilot provides services to children under 5 years of age and members of their families and is designed to prevent child abuse or neglect and 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. *For continued funding of this program see the Additional Appropriations narrative for this division.*

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

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

Laws 1995, Chapter 43. The department also has included other position classifications within this division. To pay for the incentive bonus for the FTE Positions not specified in the authorizing footnote, the department is using non-appropriated dollars.

**Family Builders Pilot Program** — With the annualized amount of \$2,185,900 GF discussed earlier in this narrative and a prior year appropriation provided through Laws 1997, Chapter 223, there is sufficient monies to provide for the full-year cost of this program. Chapter 223 established this pilot program and appropriated \$800,000 for FY 1998 and \$2,267,700 for FY 1999. The approved amount includes \$140,800 to fund 3 FTE Positions initially anticipated in the advance appropriation. Of these 3 FTE Positions, 2 staff are responsible for coordinating and developing the program. Their responsibilities also include establishing policies and procedures. The other 1 FTE Position is responsible for monitoring providers' contracts. All 3 FTE Positions will participate in the required evaluation of Family Builders.

DES was required to establish this program by January 1, 1998 in at least 2 locations. Through this program, community-based providers offer preservation and support services to families of children whom, after initial assessment by CPS workers, are determined not to be in immediate danger.

The Office of the Auditor General is required to prepare an outcome evaluation report by January 1, 2000. DES is required to provide an annual report to the Chairmen of the Joint Legislative Committee on Children and Family Services by January 1, 1999 and January 1, 2000.

**Adoption; Church Programs** — As discussed under Children Services, the approved budget transfers \$100,000 GF appropriated through Laws 1997, Chapter 225 to the Children Services Special Line Item. This program, which allows for the use of all community based organizations including those with religious affiliation to aid in recruiting adoptive homes for eligible foster care children, fits within the Out-of-Home activities funded in the Children Services Special Line Item.


**CPS Appeals** — The CPS Appeals Special Line Item reflects \$872,600 of \$1,400,000 GF that was appropriated for FY 1999 by Laws 1997, Chapter 224. Of the \$872,600, \$197,300 goes to the Office of Administrative Hearings' budget through an interagency agreement. Chapter 224 created a process for individuals accused of alleged child abuse or neglect to challenge the department's substantiated findings. It also enacted changes effective January 1, 1998 to allow accused individuals to participate in a hearing and appeal process and appropriated funds for only FY 1999. The remaining

\$527,400 of the appropriated \$1,400,000 GF is reflected in the Attorney General Legal Services Special Line Item.

The approved amount is expected to fund 17 FTE Positions, including an adjustment to add 1.5 FTE Positions to the 15.5 FTE Positions initially anticipated in the advance appropriation. Of the 17 FTE Positions, 7 FTE Positions are in this Special Line Item as CPS Staff. The remaining 10 FTE Positions are in the Attorney General Legal Services Special Line Item (8 FTE Positions) and the Office of Administrative Hearings budget (2 FTE Positions).

**Child Abuse Prevention** — The approved budget includes \$810,500 from the Child Abuse Prevention Fund, which is for providing financial assistance to community treatment programs benefiting 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 approved budget reflects an increase of 1 FTE Position for administering the Child Abuse Prevention Fund. The 1 FTE Position was not included when this fund moved to appropriated status last year. In addition to administrative costs of \$40,500, monies are to be expended on the following programs: \$630,000 for Healthy Start; \$40,000 for Child Abuse Prevention; and \$100,000 for Regional Prevention Councils.

**Comprehensive Medical & Dental Program (CMDP)** — The approved amount, unchanged from FY 1998, provides full coverage of the medical and dental expenses of foster children under the jurisdiction of 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 \$135,100 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 AHCCCS 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 are the private insurance share of a child's medical costs.

 As an outcome of a 1997 **Program Authorization Review (PAR)**, a legislative study committee was established to determine the feasibility of transferring CMDP from DES to AHCCCS, while maintaining or improving the current level and quality of services provided to eligible foster children. The study committee recommended that CMDP stay in DES, but meet all federal Title XIX health plan

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

requirements by June 30, 1999. The study committee directed DES and AHCCCS to work together to ensure that all automation and other health plan requirements are met through the use of both agencies' FY 1998 resources. In addition, the committee required DES, in conjunction with AHCCCS, to provide quarterly reports on their progress in implementing CMDP as a health plan. These quarterly reports will be provided from March 31, 1998 until June 30, 1999.

**Attorney General Legal Services** — Laws 1996, Chapter 335 requires the appropriation of all Attorney General Intergovernmental Service Agreements (ISA's). However, the majority of dollars appropriated for Attorney General legal services in DES has not been established through ISA's. Rather than employing ISA's, DES's appropriation has directly funded FTE Positions and their related operating costs. The approved budget continues the practice of appropriating monies for Attorney General legal services directly to DES, because the Attorney General's accounting system is unable to provide the detailed reporting level needed to draw down Federal Funds. DES's accounting system is designed to prove the necessary reporting requirements to the federal government.

A total of \$2,957,900 is appropriated in the General Appropriation Act for DES's Attorney General legal services as a Special Line Item within the DES budget. The following reflects shifts or transfers into this Special Line Item:

- Moves \$210,000 GF and 6.1 FTE Positions from this division's operating budget, which has no overall dollar effect;
- Moves \$52,100 GF and \$13,900 TANF for the current ISA with the Attorney General for Guardianship Activities from this division's operating budget. (There is no overall dollar effect. In addition, no FTE Positions are included as the 0.9 GF and 0.2 TANF FTE Positions were not counted in DES but are shown in the Attorney General ISA Fund.);
- Moves \$507,200 GF for the current ISA with the Attorney General for severance from this division's Child Severance Project Special Line Item. (There is no overall dollar effect. In addition, no FTE Positions are included as the 9.8 FTE Positions were not counted in DES, but are shown in the Attorney General ISA Fund.);
- Transfers in of \$1,255,200 GF and 21.1 FTE Positions from the Division of Administration; and
- Transfers in of \$919,500 GF and 15 FTE Positions from the Attorney General for the CPS dependency-related legal staff. Monies were first appropriated last year for dependency litigation to the Office of the Attorney General through Laws 1997, Chapter 3, 2<sup>nd</sup> Special Session. Historically, the Attorney General

staff who perform dependency litigation are housed in the DES budget.

In addition, of the \$1,400,000 GF that was appropriated in Laws 1997, Chapter 224, \$527,400 will be expended from this Special Line Item for 8 FTE positions (including an adjustment by the 1998 Legislature to increase the number of FTE Positions by 1.5). Since \$527,400 has already been appropriated, it is not included in the 1998 General Appropriation Act. Neither are the 6.5 FTE Positions that were originally anticipated.

**Additional Appropriations: Preliminary Protective Hearings; Appropriation (Chapter 276)** — Appropriates \$712,840 GF to establish a ratio of 1 Human Service employee to every 5 CPS workers. Once the ratio is established, any remaining monies can be used to hire additional CPS workers to implement provisions of the legislation requiring a preliminary protective hearings process within 5 to 7 days after a child is taken into custody. The legislation also appropriates \$224,480 GF to the Child Protective Services Expedited Substance Abuse Treatment Fund established by the legislation. The monies in the new non-appropriated status fund are to be used to provide expedited drug treatment to guardians and parents when a dependency case plan calls for such treatment. Further, the legislation appropriates \$75,000 GF for contracting for an actuarial study to determine the cost of delivering a continuum of services to children and their families by CPS. The study is to be completed by January 31, 1999. In addition, the legislation establishes a Joint Legislative Study Committee on Streamlined Delivery of Integrated Family Services, which is abolished on June 30, 2001. DES is required to establish a pilot program pursuant to the recommendations of the committee. A plan for implementing the pilot program must be completed by July 15, 1999. It also is required to report, prior to November 30, 2000, the status of the pilot program and any recommendations for implementing the program statewide. The report is to include the review of the pilot program by the Auditor General. A report also is required from the Joint Legislative Budget Committee Staff on the fiscal status of the pilot program.


**Healthy Families, Appropriation (Chapter 295)** — Appropriates \$3,000,000 GF and establishes permanently within DES the Healthy Families Program. The legislation eliminates the pilot status of the program for which funding has been provided outside the budget process since FY 1995. A report is required each year by December 31<sup>st</sup> to the Governor, the Speaker of the House of Representatives, and the President of the Senate on the community service activities of the programs' participants required under the legislation. The approved amount will serve an estimated 1,545 families at a cost of \$2,289 per family, including in-kind match monies of \$536,500.

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

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*(For a program description, see the narrative above for the Healthy Families Pilot Program.)*

**Additional Legislation:** AHCCCS; Omnibus (Chapter 214)  
— Transfers \$317,000 GF from the DES to the AHCCCS in FY 1999 for the purpose of providing the state match for Title XIX expenditures for adoption subsidy children.

 As a result of a **Program Authorization Review (PAR)** of the Adoption Services program during last year, DES was asked to report back to the PAR Committee on its action plan with AHCCCS to include non-Title IV-E eligible children in its Title XIX state plan to draw down federal Title XIX funds for non-Title IV-E special services. The inclusion of these non-Title IV-E children will result in saving the state General Fund dollars, which in the past has been used to cover the entire cost of expenditures.



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

**A.R.S. § 41-1951**

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	336.9	334.4	397.5
Personal Services	6,385,500	10,518,600	10,928,300
Employee Related Expenditures	1,490,100	2,335,700	2,348,500
Professional and Outside Services	80,100	217,100	217,100
Travel - In State	196,600	316,400	316,400
Other Operating Expenditures	542,500	1,025,500	1,041,600
Equipment	44,600	32,600	0
<b>Operating Subtotal</b>	<b>8,739,400</b>	<b>14,445,900</b>	<b>14,851,900</b>
<b>JOBS</b>	<b>7,679,300</b>	<b>14,942,100</b>	<b>17,445,100</b> <sup>1/</sup>
Work-Related Transportation	0	2,000,000	2,302,200
Teen Pregnancy Prevention	0	2,000,000	0
Job Search Stipends	102,100	173,900	173,900
Day Care Subsidy	31,229,100	79,278,200 <sup>2/3/</sup>	76,692,300 <sup>4/5/</sup>
Transitional Child Care	5,414,600	6,509,400	26,360,400
Vocational Rehabilitation Services	3,102,300	3,285,100	3,655,000
Developmental Disabilities Employment Support	6,970,600	7,381,700	7,894,600
Independent Living Rehabilitation Services	529,600	575,000	575,000
Other Receipts	(500,700)	0	0
UI Employer Reimbursement	0	85,000	85,000
Summer Youth Program	0	1,000,000	1,000,000
Project Intervention	0	1,000,000	1,000,000
<b>Total</b>	<b>63,266,300</b>	<b>132,676,300</b>	<b>152,035,400</b>
<b>Additional Appropriations -</b>			
Appropriation; Welfare to Work Program, Ch. 208	0	0	19,325,900
Juveniles; Jails; Summer Youth; Appropriation, Ch. 226	0	0	1,000,000
<b>Total Appropriations</b>	<b>63,266,300</b>	<b>132,676,300</b>	<b>172,361,300</b> <sup>6/</sup>
<b>Fund Summary</b>			
General Fund	33,127,500	35,870,100	42,780,100
Federal TANF Block Grant	5,959,500	31,992,800 <sup>3/</sup>	72,434,100 <sup>5/</sup>
Federal CCDF Block Grant	24,179,300	59,228,400	53,062,100
Federal Welfare to Work Block Grant	0	0	3,000,000
Special Administration Fund	0	5,585,000	1,085,000
<b>Total Appropriations</b>	<b>63,266,300</b>	<b>132,676,300</b>	<b>172,361,300</b>

**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.

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

**Special Administration Fund** — The Special Administration Fund was appropriated in FY 1997 by Laws 1996, Chapter 312. The FY 1998 appropriation included a one-time “spend-down” of the balance in the fund of approximately \$4,500,000. The approved amount for FY 1999 includes a total decrease of \$4,500,000 of Special Administration Fund monies and an increase of \$4,500,000 GF in the JOBS and Developmental Disabilities Employment Support line items to account for the spend-down. The shift in funding leaves \$1,591,400 of total ongoing spending from the Special Administration Fund for which there are sufficient ongoing revenues.

**Rehabilitation Services Administration Case Management** — The approved includes an increase of \$59,900 GF and 1.5 FTE Positions associated with eliminating the waiting list for vocational rehabilitation and employment support services for 331 developmentally disabled clients. The General Fund monies will be matched with federal monies. A total of \$8,200 is for one-time non-capitalized equipment costs. A total of \$882,800 was also added to provide these additional clients with services. *For further details, please see the Vocational Rehabilitation Services and Developmentally Disabled Employment Support line items.*

**Child Care Administration FTE Positions** — The approved amount includes an increase of 59.6 FTE Positions associated with a technical correction for the transfer of the Child Care Administration from the Division of Children, Youth, and Families in FY 1998. In previous years, the funding for personnel in the Child Care Administration shifted from non-appropriated to appropriated sources, but FTE Positions were not shifted. The increase in positions will rectify that shift.

**Full Employment Demonstration Project Transfer** — The Full Employment Demonstration Project provides employers that hire TANF recipients with subsidies equal to the cash value of their welfare benefits. The program was transferred from the Division of Benefits and Medical

Eligibility. The approved amount includes an increase of \$46,700 GF and 2 FTE Positions.

**JOBS** — This program provides job training and job search services to clients receiving TANF Cash Benefits. Services include development of employment plans, literacy tests, employment search, and vocational training.

The approved amount of \$17,445,100 Total Funds (TF) reflects an increase of \$2,503,000 above the FY 1998 appropriation. The total funding for JOBS in FY 1999 is allocated as follows:

General Fund	\$4,385,100
Special Administration Fund	1,000,000
TANF Block Grant	<u>12,060,000</u>
<b>Total</b>	<b>\$17,445,100</b>

The approved amount will allow the department to provide direct client services to approximately 32,502 clients in FY 1999 at an average cost of \$450 per client. The approved amount also includes \$2,819,200 for case management services.

The approved amount also includes an estimated \$591,100 for Arizona Works, effective January 1, 1999.

**Work-Related Transportation** — This program provides funding for transportation services to assist recipients of TANF Cash Benefits in finding and sustaining employment. The program provides funding to communities to ensure the availability of information to TANF recipients regarding transportation services and expand the availability of transportation for TANF recipients. The program also provides some direct subsidies to TANF clients and recently-employed ex-TANF clients who would have difficulties fulfilling work requirements without additional transportation assistance.

- 1/ It is the intent of the Legislature that the \$17,445,100 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)
- 2/ Laws 1998, Chapter 1, 4<sup>th</sup> Special Session appropriated an increase of \$13,594,300 TANF and a decrease of \$13,594,300 GF for Day Care Subsidy.
- 3/ It is the intent of the Legislature that \$13,594,300 of federal Temporary Assistance for Needy Families Block Grant monies be transferred by the Department of Economic Security on an as needed basis in FY 1998 to the federal Child Care and Development Fund Block Grant and the transferred monies are appropriated for Day Care Subsidy and Transitional Child Care. The Department of Economic Security shall report any use of untransferred federal Temporary Assistance for Needy Families Block Grant monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote as amended by Laws 1998, Chapter 1, 4<sup>th</sup> Special Session.)
- 4/ Of the \$76,692,300 appropriated for Day Care, \$49,164,000 is for a program in which the upper income limit is 135% of the Federal Poverty Level. 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 \$49,164,000 appropriation. (General Appropriation Act footnote)
- 5/ It is the intent of the Legislature that \$38,170,200 of federal Temporary Assistance for Needy Families Block Grant monies be transferred by the Department of Economic Security on an as needed basis in FY 1999 to the federal Child Care and Development Fund Block Grant and the transferred monies are appropriated for Day Care Subsidy and Transitional Child Care. The Department of Economic Security shall report any use of untransferred federal Temporary Assistance for Needy Families Block Grant monies to the Joint Legislative Budget Committee. (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 - EMPLOYMENT AND REHABILITATION SERVICES (Cont'd)

The approved amount of \$2,302,200 of TANF Block Grant monies reflects an increase of \$302,200 above the FY 1998 appropriation. The total funding for Work-Related Transportation in FY 1999 is allocated as follows:

- Information/Availability (Urban): \$2,000,000
- Direct subsidies: \$302,200 -- estimated to provide services to 387 clients at an average cost of \$65 per month

The approved amount also includes an estimated \$149,600 for Arizona Works, effective January 1, 1999.

**Teen Pregnancy Prevention** — This program provides funding for teenage pregnancy prevention programs coordinated by the Department of Health Services (DHS). Since the funding was passed through to DHS, the funding was appropriated directly to DHS in FY 1999. *For further details, please see the **Out of Wedlock Pregnancy** line item in the **Family Health cost center write-up in the Department of Health Services.***

**Job Search Stipends** — Monies in this line item provide the state share of allowances paid to Food Stamp recipients searching for a job, as required by federal law. The program provides \$25 per participant for up to 2 months. The approved amount of \$173,900 GF, unchanged from FY 1998, is estimated to be matched with \$173,900 of Federal Funds. The total will fund 4,730 participants for 1 month and 4,591 participants for a total of 2 months.

The approved amount also includes an estimated \$11,300 for Arizona Works, effective January 1, 1999.

**Day Care Subsidy** — This program provides child care subsidies to clients receiving TANF Cash Benefits and participating in the EMPOWER Redesign program, those providing Foster Care services, and other persons meeting financial and other eligibility criteria. The program also provides monies for quality enhancement projects mandated by the 1996 federal welfare reform bill.

The approved amount of \$76,692,300 reflects a decrease of \$2,585,900 from the FY 1998 appropriated level. This adjustment is composed of the following changes:

- A decrease of \$14,738,700 for shifting the funding for the first 12 months of transitional child care to the Transitional Child Care line item,
- An additional \$3,284,700 for providing subsidies to additional clients in FY 1999,
- An additional \$653,100 for additional quality enhancement projects, and
- An additional \$8,215,000 to increase the maximum rates that the Child Care Administration pays to providers accepting DES clients. The increase will

allow the department to increase the maximum rates to the 50<sup>th</sup> percentile of the rates charged by providers in 1996.

*For further details on each category of clients expected to be served, please see the table on the next page.*

The approved amount also includes an estimated \$7,084,900 for Arizona Works, effective January 1, 1999.

The FY 1998 supplemental appropriation shifted \$13,594,300 of funding for Day Care Subsidy from the General Fund to the TANF Block Grant. There was no change in the overall funding level for Day Care Subsidy.

**Transitional Child Care** — This program provides child care subsidies to clients who no longer receive TANF Cash Benefits program due to finding employment. The program provides subsidies for up to 24 months after the client leaves the EMPOWER Redesign program. The name of this line item was changed from **Transitional Child Care Extension Pilot** because the line item now contains funding for the first 12 months of transitional child care in addition to the second 12 months and because the 24-month transitional period was made permanent statutory law by Laws 1997, Chapter 300.

The approved amount of \$26,360,400 reflects an increase of \$19,851,000 from the FY 1998 appropriated level. This increase is composed of the following changes:

- An additional \$14,738,700 for shifting the funding for the first 12 months of transitional child care from the Day Care Subsidy line,
- An additional \$2,378,300 for providing subsidies to additional Empower Redesign and Arizona Works clients in FY 1999, and
- An additional \$2,734,000 to increase the maximum rates that the Child Care Administration pays to providers accepting DES clients. The increase will allow the department to increase the maximum rates to the 50<sup>th</sup> percentile of the rates charged by providers in 1996.

*For further details on each category of clients expected to be served, please see the table on the next page.*

The approved amount also includes \$1,476,200 for Arizona Works, effective January 1, 1999.

**Child Care Legislative Initiatives** — A total of \$13,653,500 was approved in the FY 1998 General Appropriation Act for undetermined child care-related welfare reform purposes. Laws 1997, Chapter 300 reallocated the monies in this line item to other areas in the DERS budget for child care-related items. The approved amount for

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

FY 1999 CHILD CARE PROGRAMS						
Special Line Item	Category	Average # of	Average Monthly	Funding Source		
		Children <sup>1/</sup>	Subsidy <sup>2/</sup>	Federal	State	Total
<i>Day Care Subsidy</i>						
	TANF-related	10,743	\$215.05	\$24,748,700	\$4,638,700	\$29,387,400
	Low-Income Work Related	18,700	222.79	41,164,000	8,000,000	49,164,000
	Quality Set-Aside	--	--	3,655,700	0	3,655,700
	<b>TOTAL Day Care Subsidy</b>	<b>29,443</b>	<b>--</b>	<b>\$69,568,400</b>	<b>\$12,638,700</b>	<b>\$82,207,100</b>
<i>Transitional Child Care</i>						
	1 <sup>st</sup> Year	6,408	\$231.01	\$16,289,600	\$1,126,800	\$17,416,400
	2 <sup>nd</sup> Year	3,213	231.01	7,817,200	1,126,800	8,944,000
	<b>TOTAL Transitional Child Care</b>	<b>9,621</b>	<b>--</b>	<b>\$24,106,800</b>	<b>\$2,253,600</b>	<b>\$26,360,400</b>
	<b>TOTAL - Child Care Programs</b>	<b>39,064</b>	<b>--</b>	<b>\$93,675,200</b> <sup>3/</sup>	<b>\$14,892,300</b>	<b>\$108,567,500</b> <sup>4/</sup>

<sup>1/</sup> Includes number of children in programs July 1, 1998; does not include Arizona Works adjustments.  
<sup>2/</sup> Estimated.  
<sup>3/</sup> Includes \$5,514,800 of non-appropriated federal Social Services Block Grant (SSBG) monies.  
<sup>4/</sup> Consists of \$76,692,300 in Day Care Subsidy line, \$26,360,400 in Transitional Child Care, plus \$5,514,800 of SSBG.

FY 1999 did not include a line item with funds to be reallocated by other bills.

**Vocational Rehabilitation Services** — This program provides individually planned services for the disabled designed to return them to the workforce. Services include personal and social adjustment, rehabilitation technology, physical or mental restoration (e.g., prosthetics), and vocational training and placement. The program provides both direct services to individuals as well as services to benefit groups of individuals.

The federal government matches the state funds at a 78.7% federal / 21.3% state match rate. To maximize the use of available federal dollars, DES has secured other sources of state match through Intergovernmental Agreements and Interagency Service Agreements (ISAs). For direct services, these sources of match include the Industrial Commission of Arizona, City of Phoenix, various school districts, the Department of Health Services (Division of Behavioral Health Services), the Arizona State Schools for the Deaf and the Blind, and the Department of Juvenile Corrections. For services to groups of individuals, these sources of match include the Business Enterprise Program, Arizona Industries for the Blind, and establishment grants with public and non-public community rehabilitation programs.

The approved amount of \$3,655,000 reflects an increase of \$369,900 GF from the FY 1998 appropriation. The increased funds will be used to eliminate the vocational rehabilitation waiting list for developmentally disabled clients by bringing an additional 331 developmentally disabled clients through the program. These services will average 9 months per client. *For further details on the funding increase for these 331 particular clients, please*

*see the Rehabilitation Services Administration Case Management item above and the Developmentally Disabled Employment Support item below.*

For FY 1999, the program is expected to serve 2,531 developmentally disabled clients at an average cost (including all funds) of \$1,860 per client. The program is also expected to serve 18,734 clients who are not developmentally disabled at an average cost of \$1,011 per client. This program is funded by \$3,655,000 GF, \$1,383,900 of match from other non-federal sources, and \$18,617,400 of federal matching funds.

In addition to the direct services described above, the department expects to combine \$551,700 from other state sources with \$2,038,900 of federal matching monies for programs to benefit groups of individuals in these programs.

**Developmentally Disabled Employment Support** — This program provides long-term support services to persons with severe disabilities who need additional assistance (e.g., job coaching) to maintain employment. The name of this line item has changed from **Employment Support Services** to emphasize that state GF monies will only go toward providing employment support to developmentally disabled clients.

The approved amount of \$7,894,600 reflects an increase of \$512,900 GF from the FY 1998 appropriation. The increased funds will be used to provide 3 months of employment support services to the 331 developmentally disabled clients who are currently on the waiting list. Monies for this program will need to be annualized in FY 2000. *For further details on the funding increase for these 331 particular clients, please see the Rehabilitation*

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

*Services Administration Case Management and the Vocational Rehabilitation Services item above.*

For FY 1999, the program is expected to serve 1,681 developmentally disabled clients at an average annual cost (including all funds) of \$6,322 per client. The program is also expected to serve 150 clients who are not developmentally disabled at an average annual cost of \$3,622 per client, using federal Social Services Block Grant funding. 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 employment support services.

**Independent Living Rehabilitation Services** — This program assists severely disabled individuals in living more independently. Funds are used to purchase technology assistance, adaptive aids and devices, home modifications, and independent living skills training. The funds are also used to provide eye exams and glasses to financially needy persons through the Sight Conservation program.

The approved amount of \$575,000 GF reflects no change from the FY 1998 appropriation. The approved amount consists of the following allocations:

- **Services to Individuals:** \$355,700 GF (\$1,752,400 TF, including federal and other non-appropriated funds) to provide independent living services (including case management, counseling or contracted services) to an estimated 6,500 total clients.
- **Medical Services for Clients:** \$219,300 GF to provide 9,000 eye examinations and 6,000 pairs of eyeglasses and other eye appliances at an average cost of \$24.36 per person.

**UI Employer Reimbursement** — This program provides reimbursement to employers who have elected to make payments in lieu of contributions pursuant to A.R.S. § 23-750 in cases of administrative error by the department. The approved amount of \$85,000 of Special Administration Fund monies reflects no change from the FY 1998 appropriation.

**Summer Youth Program** — This program provides summer school youth employment, education and gang prevention programs for youths from economically disadvantaged areas. DES is expected to negotiate an intergovernmental service agreement (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. *For further details on another appropriation targeting summer programs for youth, please see the discussion on Chapter 226 in the Additional Appropriations section below.*

**Project Intervention** — This program provides grants for neighborhood rehabilitation projects, such as housing rehabilitation, community cleanup efforts, graffiti abatement, drug and gang prevention, after-school programs, and job creation programs. The grants 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. DES is expected to negotiate an ISA with the Governor's Office of Community and Family Programs, which will administer the \$1,000,000 worth of grants.

**Additional Appropriations:** Appropriation: Welfare to Work Program (Chapter 208) — Appropriates \$23,225,900 to DES for various welfare-related program, of which \$19,325,900 is allocated to DERS as follows:

- \$1,197,000 TANF for JOBS work participation;
- \$2,000,000 TANF to establish a "Wheels to Work" program;
- \$200,000 TANF for a rural technical business assistance program;
- \$6,090,000 TANF to expand the income eligibility level for child care from 135% of the federal poverty level (FPL) to 165% of FPL;
- \$1,000,000 TANF for additional transportation grants, of which \$500,000 is for rural areas;
- \$400,000 TANF for marketing and promotion of "Wheels to Work" and the charitable tax credit;
- \$1,938,900 TANF for vocational education grants for work training;
- \$1,000,000 TANF for employment retention and personal development skills training;
- \$1,000,000 TANF to provide mentoring and counseling services to fathers aged 16-22; and
- \$1,500,000 GF and \$3,000,000 Welfare to Work Block Grant monies for welfare to work programs for TANF recipients which have the most difficulty transitioning to employment.

Juveniles; Jails; Summer Youth: Appropriations (Chapter 226) — Transfers to DES responsibility for distributing monies to fund summer youth employment and training programs for at-risk youth as specified in A.R.S. § 11-1042. Appropriates \$1,000,000 GF to DES for this purpose.

**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 1997 Actual	FY 1998 Estimate	FY 1999 Approved
<u>Program Summary</u>			
General Services Administration	8,242,800	12,107,700	14,599,300
Assistance to Schools	1,991,936,700	2,147,593,500	2,270,662,600
<b>Total Appropriations</b>	<b>2,000,179,500</b>	<b>2,159,701,200</b>	<b>2,285,261,900</b>
<u>Expenditure Detail</u>			
FTE Positions	198.7	201.7	201.7 <sup>1/</sup>
Personal Services	4,285,800	4,641,600	4,261,000
Employee Related Expenditures	913,000	975,000	852,100
Professional and Outside Services	156,700	91,500	91,500
Travel - In State	45,600	55,800	55,800
Travel - Out of State	24,100	45,200	45,200
Other Operating Expenditures	1,524,400	1,449,600	1,194,300
Equipment	99,100	0	0
<b>Operating Subtotal</b>	<b>7,048,700</b>	<b>7,258,700</b>	<b>6,499,900</b>
Special Line Items	1,993,130,800	2,152,442,500	2,228,572,000
Additional Appropriations	0	0	50,190,000
<b>Total Appropriations</b>	<b>2,000,179,500</b>	<b>2,159,701,200</b>	<b>2,285,261,900</b> <sup>2/</sup>
<u>Fund Summary</u>			
General Fund	1,966,014,600	2,121,661,200	2,210,395,400
Permanent State Common School Fund	34,164,900	38,040,000	73,934,000
Teacher Certification Fund	0	0	932,500
<b>Total Appropriations</b>	<b>2,000,179,500</b>	<b>2,159,701,200</b>	<b>2,285,261,900</b>

**Agency Description** — *The Department of Education is headed by the Superintendent of Public Instruction, an elected constitutional officer. For FY 1999 it is anticipated that the department will oversee 228 school districts and at least 140 charter schools in their provision of public education from preschool through grade 12.*

<sup>1/</sup> Includes 90.3 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> General Appropriation Act appropriation format varies by program.



**DEPARTMENT OF EDUCATION - GENERAL SERVICES ADMINISTRATION**

A.R.S. § 15-201

General Fund and Teacher Certification Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	143.9	143.9	143.9 <sup>1/</sup>
Personal Services	4,285,800	4,641,600	4,261,000
Employee Related Expenditures	913,000	975,000	852,100
Professional and Outside Services	156,700	91,500	91,500
Travel - In State	45,600	55,800	55,800
Travel - Out of State	24,100	45,200	45,200
Other Operating Expenditures	1,524,400	1,449,600	1,194,300
Equipment	99,100	0	0
<b>Operating Subtotal</b>	<b>7,048,700</b>	<b>7,258,700</b>	<b>6,499,900</b>
Achievement Testing	310,200	3,035,200	4,440,100 <sup>2/</sup>
Charter Schools Administration	346,100	203,000	207,900
Education Commission of the States	54,400	56,100	57,700
Special Education Audit	89,500	234,300	311,000
State Board for Charter Schools	0	172,900	0
State Board of Education	144,100	147,500	150,200 <sup>5/</sup>
Student Accountability Information System	249,800	1,000,000	2,000,000 <sup>3/</sup>
Teacher Certification	0	0	932,500 <sup>4/</sup>
<b>Total Appropriations</b>	<b>8,242,800</b>	<b>12,107,700</b>	<b>14,599,300</b>
<b>Fund Summary</b>			
General Fund	8,242,800	12,107,700	13,666,800
Teacher Certification Fund	0	0	932,500
<b>Total Appropriations</b>	<b>8,242,800</b>	<b>12,107,700</b>	<b>14,599,300 <sup>5/</sup></b>

**Program Description** — *The General Services Administration (GSA) program is divided into a number of units, including School Finance, Data Processing, Career Ladders, Teacher Certification and Special Education, which provide for the ongoing operation of the Department of Education. The State Superintendent of Public Instruction is funded through this cost center.*

**Elected Officials Salary Adjustment** — The approved amount for Personal Services includes half-year FY 1999 funding to increase the salary of the Superintendent of Public Instruction from \$54,600 to \$85,000. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. They recommended the \$85,000 salary for the

Superintendent of Public Instruction beginning January 1, 1999.

**Achievement Testing** — The approved amount fully funds anticipated costs for Norm-Referenced Testing (NRT) (estimated at \$2,627,400) and Criterion-Referenced Testing (CRT) (estimated at \$1,629,400) for the year. NRT testing compares achievement of Arizona students to that of students nationwide, while CRT testing assesses

<sup>1/</sup> Includes 32.5 FTE Positions funded from Special Line Items in FY 1999.  
<sup>2/</sup> The appropriated amount includes \$1,629,400 for norm-referenced testing of pupils in grades 2-11. (General Appropriation Act footnote)  
<sup>3/</sup> 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 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)  
<sup>4/</sup> Monies collected by the department for teacher certification fees, as authorized under A.R.S. § 15-531 paragraphs 1 and 2, shall be deposited into a Teacher Certification Fund for use in funding costs of the Teacher Certification program. (General Appropriation Act footnote)  
<sup>5/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program. The State Board of Education is a separate cost center and is not under the administrative jurisdiction of the General Services Administration cost center.

## DEPARTMENT OF EDUCATION - GENERAL SERVICES ADMINISTRATION (Cont'd)

student mastery of Arizona-established "essential skills." Both types of testing are required under A.R.S. § 15-741, and both test reading, language arts, and mathematics. The Stanford 9 is used for NRT testing, while a new set of tests known as AIMS (Arizona's Instrument to Measure Standards) will be used for CRT testing. A.R.S. § 15-741 requires NRT testing of grades 3 through 12 and CRT testing of at least 4 grades designated by the State Board of Education. The board has determined that grades 3, 5, 8 and 12 will be CRT tested once the program is fully implemented, but that only grade 12 will be CRT tested in FY 1999. The FY 1999 Education Omnibus Reconciliation Bill (ORB) notwithstanding the statutory requirement that Grades 3 through 12 be NRT tested during the year, and instead requires that Grades 2 through 11 be tested.

Also included in the appropriated amount is \$183,300 (including \$105,000 Personal Services and \$22,200 ERE) to fund 3 new FTE Positions for administration of the new CRT graduation test for high school students, and for complying with other new statutory requirements. Under A.R.S. § 15-741A 11, the department is now required to 1) establish a fair and consistent method and standard by which NRT test scores may be evaluated taking into consideration demographic data, 2) establish intervention strategies to assist schools with scores below the acceptable standard, and 3) annually review district and school scores and offer assistance to school districts in analyzing data and implementing intervention strategies.

**Charter Schools Administration** — The approved amount provides continued funding for 4 FTE Positions, 3 of which provide state-level oversight of district-sponsored charter schools and state-level administrative support for the charter school program in general. The remaining FTE Position assists the State Board of Education in providing administrative support for and oversight of the charter schools that it sponsors. Charter schools may be sponsored by either a local school district, the State Board of Education, or the State Board for Charter Schools.

**State Board for Charter Schools** — This program is funded as a separate budget unit for FY 1999 (*see agency page for "State Board for Charter Schools."*). Charter schools that are sponsored by the board are accountable to it for charter-specific obligations. They remain accountable to the department, however, for compliance with state and federal mandates of a general nature, including financial accountability requirements.

**Education Commission of the States (ECS)** — The \$57,700 appropriation (an increase of \$1,600) represents dues for Arizona's membership in the ECS. Each participating state appoints commissioners to represent it in the organization. Arizona is represented by 7 commissioners—2 appointed by the President of the Senate, 2 appointed by

the Speaker of the House, and 3 appointed 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]. It also includes \$73,700 for increased contract expenses for the biennial special education cost audit that is required under A.R.S. § 15-236A. The cost study audit is conducted by private sector auditors rather than departmental staff.

**State Board of Education** — The approved amount includes 2 FTE Positions to provide administrative support for the board. Although this amount appears in the summary table for the General Services Administration cost center, it is a separate cost center and is not under the administrative jurisdiction of the General Services Administration (*see footnote 5*).

**Student Accountability Information System** — The \$2,000,000 appropriation (an increase of \$1,000,000) is for 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 for formula funding purposes (*see footnote 3*).

**Teacher Certification** — The approved amount, which is for funding costs of the department's teacher certification unit, includes 21 FTE Positions and all income that the department is expected to collect from teacher certification fees during the year pursuant to A.R.S. § 15-531. FY 1999 will be the first year that the program is funded directly from teacher certification fees. In prior years, it was funded with General Fund monies as part of the general operating budget of this cost center, and teacher certification fees were used instead to offset the state cost of Basic State Aid.

**DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS**

**A.R.S. § 15-231**

<b>General Fund and Permanent State Common School Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	54.8	57.8	57.8 <sup>1/</sup>
<b>Statutory Formula Programs</b>			
Basic State Aid	1,806,302,400	1,920,268,100	1,979,329,900 <sup>2/3/4/</sup>
Additional State Aid	138,660,300	164,871,500	174,255,400
Assistance to School Districts for Children of State Employees	106,700	23,000	114,600
Certificates of Educational Convenience	1,695,800	2,291,500	2,763,900
Permanent Special. Ed. Institutional Voucher Fund	7,339,100	10,269,500	9,818,000 <sup>5/</sup>
Special Ed. Plcmt. & Residential Ed. Voucher Fund	2,245,400	2,606,200	1,505,800 <sup>6/</sup>
<b>Subtotal</b>	<b>1,956,349,700</b>	<b>2,100,329,800</b>	<b>2,167,787,600</b>
<b>Non-Formula Programs</b>			
Academic Contest Fund	50,000	50,000	50,000
Academic Decathlon	85,000	82,400	82,400
Accountability Measures	0	0	5,000,000 <sup>7/</sup>
Adult Education Assistance	3,558,400	4,568,700	4,575,200 <sup>8/9/</sup>
Arizona Geographic Alliance	50,000	50,000	50,000
Arizona Humanities Council	40,000	40,000	40,000
Arizona Principals' Academy	4,100	25,200	25,200
AZ School Service Through Education Technology	234,000	234,000	234,000
Arizona Teacher Evaluation	184,900	194,600	197,200
Career Ladder Administration	78,800	131,100	131,400
Charter Schools Stimulus Fund	1,000,000	1,000,000	1,000,000
Chemical Abuse	849,400	854,900	858,900
Extended School Year	493,800	500,000	500,000
Family Literacy Pilot	978,500	1,000,000	0 <sup>10/</sup>
Gifted Support	1,279,800	1,294,300	1,296,300
Optional Performance Incentive Programs	200,000	300,000	400,000
Project Citizen	0	0	50,000 <sup>11/</sup>
Residential Placement	0	100,000	100,000
School Report Cards	299,300	302,900	486,600 <sup>12/</sup>
School Safety Program	4,840,400	6,000,000	7,000,000
Scotopic Sensitivity Irlen Syndrome	57,700	0	0
State Block Grant - Early Childhood	14,110,600	19,475,300	19,483,200 <sup>13/</sup>
State Block Grant - Vocational Education	7,192,300	11,045,300	11,085,600 <sup>14/</sup>
Youth Support Research	0	15,000	39,000
<b>Subtotal</b>	<b>35,587,000</b>	<b>47,263,700</b>	<b>52,685,000</b>
<b>Total</b>	<b>1,991,936,700</b>	<b>2,147,593,500</b>	<b>2,220,472,600</b>
<b>Additional Appropriations -</b>			
Educ.; Financing; Assistance; Cond. Repeal, Ch. 164	0	0	240,000
Vocational Ed; Adults; Expanded Year, Ch. 166	0	0	600,000
ADM Calculation; Alternative, Ch. 167	0	0	170,000
Parental Choice for Reading Success, Ch. 231	0	0	1,000,000
Healthy Families; Literacy; Health Start, Ch. 295	0	0	1,000,000
Students' FIRST, Ch.1, 3rd Special Session	0	0	47,180,000
<b>Total Appropriations</b>	<b>1,991,936,700</b>	<b>2,147,593,500</b>	<b>2,270,662,600 <sup>15/</sup></b>

**DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS (Cont'd)**

Fund Summary			
General Fund	1,957,771,800	2,109,553,500	2,196,728,600
Permanent State Common School Fund	34,164,900	38,040,000	73,934,000
<b>Total Appropriations</b>	<b>1,991,936,700</b>	<b>2,147,593,500</b>	<b>2,270,662,600</b>

**Program Description** — Assistance to Schools includes the 6 formula programs and 24 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/ 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 \$73,934,000 in expendable income derived from the Permanent State Common School Fund. (General Appropriation Act Footnote)
- 3/ 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)
- 4/ 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 and 15-531, when paid into the State Treasury are appropriated for apportionment to the various counties in accordance with law. No expenditures shall be made except as specifically authorized above. (General Appropriation Act footnote)
- 5/ It is expected that the appropriated amount, when combined with prior year monies of \$1,157,300, will result in total expenditures of \$10,975,300. (General Appropriation Act footnote)
- 6/ It is expected that the appropriated amount, when combined with prior year monies of \$988,100, will result in total expenditures of \$2,493,800. (General Appropriation Act footnote)
- 7/ Of the monies appropriated for accountability measures, not more than \$200,000 shall be for administrative costs. All monies not used for administrative costs shall be used to increase the base level as defined in A.R.S. § 15-901B. (General Appropriation Act footnote)
- 8/ The appropriated amount is for classes in adult basic education, general education development and citizenship on a statewide basis. (General Appropriation Act footnote)
- 9/ It is the intent of the Legislature that no more than 10% of the \$4,574,900 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)
- 10/ FY 1999 funding of \$1,000,000 is appropriated through Laws 1998, Chapter 295.
- 11/ The appropriated amount includes \$50,000 for the Department of Education to provide a grant to the state-coordinating agency for the "We the People-Project Citizen" program. The program is designed to improve public understanding of state and local government and the legislative process. (General Appropriation Act footnote)
- 12/ The appropriated amount includes \$100,000 to report academic productivity data, as required under A.R.S. § 15-746. (General Appropriation Act footnote)
- 13/ 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 1999 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 1999 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)
- 14/ 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 1999 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)
- 15/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

**STATUTORY FORMULA PROGRAMS**

**Basic State Aid** — 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). (Starting in FY 2000, CLRL funds will be referred to as "Soft Capital" under the "Students FIRST" legislation discussed below.) All but the TSL are computed by multiplying a specific dollar amount by a school district's student count (adjusted for various "weights"). The TSL, however, is computed by multiplying a specific dollar amount by a district's pupil transportation route miles. BSL, TSL and CORL funds may be used for M&O or capital expenditures. CLRL funds may be used for capital items only. 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 equalization 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 its local share of formula funding. (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. 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 228 school districts in Arizona, 20 are not expected to receive equalization assistance during FY 1999 because their qualifying levies are expected to exceed their "equalization base" entitlements under the Basic State Aid formula.

Arizona school districts (excluding state board-sponsored charter schools) are projected to receive approximately \$4,642,400,000 in combined state, federal and local funding in FY 1999, including Basic State Aid funding. State funding of approximately \$2,428,300,000 will account for roughly 52% of this total, and will consist of an estimated \$2,118,300,000 in Basic State Aid and other funding from the department plus \$310,000,000 in capital funding from the new Students' FIRST legislation. Local funding of approximately \$1,898,100,000 is expected to account for about 41% of the school district funding total, and will come from an estimated \$884,009,500 in primary property taxes from the qualifying levy (after the "homeowner's rebate" is deducted), \$138,400,000 in county equalization taxes pursuant to A.R.S. § 15-994 (after deductions for miscellaneous county programs), \$673,800,000 in secondary property taxes for school construction and overrides, and \$201,890,500 in primary property taxes for desegregation programs, excess utilities and other miscellaneous costs. Federal funding of approximately \$316,000,000 is expected to make up the remaining 7% in grand total estimated school district funding for the year.

	<u>FY 1999</u> <u>Estimated \$</u>	<u>FY 1999</u> <u>Estimated %</u>
State	\$2,428,300,000	52%
Local	1,898,100,000	41%
Federal	<u>316,000,000</u>	<u>7%</u>
<b>TOTAL</b>	<b>\$4,642,400,000</b>	<b>100%</b>

The appropriation for Basic State Aid for FY 1999 is based on the computations shown in Table 1 on the following page.

**Major Changes to Basic State Aid**

**Student Growth** — The approved amount includes an increase of \$95,103,000 for student growth in school districts and charter in FY 1999. Of this amount, \$55,874,100 is for school district and district-sponsored charter school Average Daily Membership (ADM) growth in academic year 1997-1998, \$7,480,900 is for their estimated ADM growth in academic year 1998-1999 (called "Sudden Growth" funding), and \$31,748,000 is for state-sponsored charter school ADM growth in academic year 1998-1999. Under the Basic State Aid formula, a school district's formula funding entitlement initially is based on its charter plus non-charter ADM count from the

**DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS (Cont'd)**

**Table 1: Basic State Aid Summary (excluding Additional Appropriations)**

Total Equalization Base	\$2,930,253,300
Subtract: Qualifying Levy	<u>(1,058,265,000)</u>
FY 1999 Base Equalization Requirement -	\$1,871,988,300
Add:	
Sudden Growth ("Current Year Funding," A.R.S. § 15-948)	77,425,200
State-sponsored Charter School Operation	120,012,000
Dept. of Corrections and Dept. of Juvenile Corrections Education (A.R.S. § § 15-1371 & 15-1372)	3,921,100
Certificates of Educational Convenience & Transportation-Unorganized Districts (A.R.S. § 15-825)	1,056,200
Other Adjustments	266,600
County Equalization	<u>(141,253,100)</u>
Subtotal - Requirement before Legislative Changes	\$1,933,416,300
Changes in Ch. 8, 3 <sup>rd</sup> SS:	
Base Level Increase	33,869,800
Group B Weight Increases	<u>12,043,800</u>
FY 1999 Basic State Aid Appropriation	<u>\$1,979,329,900</u>
General Fund	\$1,905,395,900
Permanent State School Fund	\$ 73,934,000

prior academic year, but later may be increased with "Sudden Growth" funding if that count increases in the current academic year. Sudden Growth funding, however, is not provided for the capital and transportation portions of the Basic State Aid formula, which are paid on a prior year ADM basis only. Basic State Aid funding for state board-sponsored charter schools is based on current year ADM counts only, but includes full CORL, CLRL and TSL funding.

As shown in Table 2, the approved amount assumes a 3% increase in the total statewide ADM count for academic year 1997-1998 and a 3.3% increase for academic year 1998-1999 (both of which affect the FY 1999 Basic State Aid funding requirement). The estimated statewide total ADM count for academic year 1997-1998 is 776,520, and includes 3,091 district-sponsored charter school students and 20,871 state board-sponsored charter school students.

The estimated total ADM count for academic year 1998-1999 is 802,145, and includes 3,091 (no change) district-sponsored charter school students and 28,093 (an increase of 7,222) state board-sponsored charter school students. Basic State Aid funding for the year will be based on actual ADM counts rather than current estimates.

Student growth plus other funding changes described below (excluding Students' FIRST and Accountability Measures funding) are expected to provide district-sponsored charter schools with \$12,178,500 in total funding for the year, which averages to approximately \$3,940 per pupil. Total funding for state board-sponsored charter schools (again excluding Students' FIRST and Accountability Measures funding) is estimated at \$121,593,100, or approximately \$4,328 per pupil on average. Average per pupil funding is higher for state board-sponsored charter schools because they often qualify

**Table 2: Average Daily Membership (ADM) Students by Academic Year**

Academic Year	School Districts	District-Sponsored Charter Schools	State Board-Sponsored Charter Schools	Grand Total	Increase	% Increase
1990	589,509			589,509	9,545	1.6%
1991	604,763			604,763	15,254	2.6
1992	624,761			624,761	19,998	3.3
1993	646,798			646,798	22,037	3.5
1994	669,742			689,742	22,944	3.5
1995	694,639			694,639	24,897	3.7
1996	716,334	524	6,888	723,746	29,107	4.2
1997	738,017	2,943	13,173	754,133	30,387	4.2
1998 est.	752,558	3,091	20,871	776,520	22,387	3.0
1999 est.	770,961	3,091	28,093	802,145	25,625	3.3



**DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS (Cont'd)**

for the small school weights authorized under A.R.S. § 15-943. District-sponsored charter schools only qualify if the combined charter plus non-charter ADM count of the district that sponsors them is less than 600, which currently is not the case for any district-sponsored charter school.

**Base Level Increase** — The Education ORB increased the per pupil base level amount defined in Subsection B of A.R.S. § 15-901 from \$2,499.53 to \$2,532.60. This amount serves as the starting point for computing BSL entitlements for school districts and charter schools. The JLBC Staff estimates the total cost of this change at \$33,999,400, of which \$32,573,900 is for school districts and district-sponsored charter schools (including \$1,004,400 for Sudden Growth), \$1,295,900 is for state board-sponsored charter schools, and \$129,600 is for special education vouchers that are not funded through the Basic State Aid program.

**Group B Weight Increases** — The Education ORB also increased some of the special education "Group B" weights that are defined in A.R.S. § 15-943. All weights that previously exceeded 3.0 were increased to levels reported in the December 1997 special education cost study. Special education Group B weights are applied to a school district or charter school's unweighted ADM student count prior to its being multiplied by the base level amount discussed above, thereby increasing the district or charter schools equalization funding entitlement. The JLBC Staff estimates the cost of this change at \$13,000,600, of which \$11,758,500 is for school districts and district-sponsored charter schools (including \$463,700 for Sudden Growth), \$285,200 is for state board-sponsored charter schools, and \$956,900 is for special education vouchers.

**6.2% 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 \$80,807,000, which includes \$9,146,300 attributable to the county equalization tax, based upon a projected 6.2% increase in school district valuation for FY 1999.

**Endowment Earnings** — The approved amount includes an estimated \$73,934,000 in endowment earnings from the Permanent State Common School Fund (PSCSF) - an increase of \$35,894,000 over the amount assumed in the FY 1998 appropriation. Endowment earnings consist of interest on securities held in the fund and receipts from leases of state lands, and are used to reduce the General Fund cost of Basic State Aid. The estimated \$35,894,000 increase for FY 1999 includes \$5,894,000 in projected earnings growth plus \$30,000,000 in freed up monies due to elimination of the State Board for School Capital Facilities under the Students' FIRST legislation. The State Board for School Capital Facilities received a \$30,000,000 appropriation from the PSCSF in FY 1998. The replacement board that is established under Students' FIRST is funded instead with General Fund monies, which frees up all \$73,934,000 in estimated endowment earnings for use in funding Basic State Aid in FY 1999.

Starting in FY 2000, however, Students' FIRST dedicates endowment earnings to the payment of debt service on any revenue bonds that may be issued under that law (see Laws 1998, Chapter 164, Section 25). If endowment earnings for the year exceed revenue bond debt service requirements, the remaining monies are subject to legislative appropriation to the New School Facilities Fund. Any endowment earnings monies still available after first being used for revenue bond debt service

**Table 3: Special Education Group B Weight Summary**  
(weights changed for FY 1999 are in bold print)

<b>Funding Category</b>	<b>FY 1998 Weight</b>	<b>FY 1999 Weight</b>	<b>Cost Study Weight</b>
Hearing Impairment	3.169	<b>3.341</b>	3.341
Severe Mental Retardation-Resource	1.995	1.995	NA*
Severe Mental Retardation-Self Contained	3.550	<b>5.015</b>	5.015
Multiple Disabilities-Severe Sensory Impairment	4.923	<b>6.025</b>	6.025
Orthopedic Impairment-Resource	1.744	1.744	3.868
Orthopedic Impairment-Self Contained	3.951	<b>5.641</b>	5.641
Preschool Severe Delay	3.398	<b>4.979</b>	4.979
Emotional Disabilities-Separate Facility, Private School	2.633	2.633	4.127
Moderate Mental Retardation	2.808	2.808	4.244
Visual Impairment	3.315	<b>4.832</b>	4.832

\* Schools audited did not have any SMR-R pupils.

Note: Cost study weights for combined categories have been imputed by JLBC Staff based on cost study data.

**DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS (Cont'd)**

payments or transfers to the New School Facilities Fund are appropriated to fund Basic State Aid.

**Career Ladders** — The approved amount includes an additional \$25,800 for Career Ladder programs. This additional funding will be used to cover step increases as districts move to higher phases of the program, and is relatively small because most participating districts already are at the highest (most expensive) phase. 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:

Phase	Increase
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 \$45,243,200, with \$30,674,000 funded from State Aid and \$14,569,200 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.

**Transportation Formula Funding** — The Education ORB makes permanent the FY 1998 session law provision that requires that school district transportation formula funding be based on route mileage from the prior fiscal year rather than the highest route mileage of the prior 3 fiscal years. It also makes permanent the session law provision from FY 1997 and FY 1998 that funded district-sponsored charter school transportation at a flat rate of \$174 per pupil. Neither provision results in additional Basic State Aid savings for FY 1999, since both were reflected in the FY 1998 Basic State Aid appropriation.

Under the Students' FIRST legislation, charter schools will not receive separate funding for student transportation starting in FY 2000. Instead their equalization formula funding will consist only of Base Support Level monies plus "Additional Assistance." Additional Assistance will replace now-separate CORL, CLRL, transportation, and Additional Capital Assistance funding. This new provision will affect charter schools only.

**Students' FIRST** — The Students' FIRST school capital funding legislation (Laws 1998, Chapter 164, and Laws 1998, Chapter 1, 3<sup>rd</sup> Special Session) increased Basic State Aid funding for certain components of the Basic State Aid formula for FY 1999. *This funding is discussed below under "Additional Appropriations."*

**Accountability Measures** — The General Appropriation Act includes funding for a new Accountability Measures program that will increase Basic State Aid funding in FY 1999. *This funding is described below under narrative for the new Accountability Measures Special Line Item program.*

**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 \$172,689,200 of the total appropriation (an increase of \$8,732,900), while projected costs of the 1% constitutional cap account for \$1,566,100 of the total (an increase of \$651,000). These estimates are based on a projected increase of 8.5% in class 5 NAV and a decrease of 0.5% in the average primary tax rate.

**Assistance to School Districts for Children of State Employees** — Supplements Basic State Aid 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. The approved amount represents an increase of \$91,600 and equals the department's estimated cost to fully fund the program.

**Certificates of Educational Convenience (CEC's)** — Increases by \$472,400 the amount appropriated for projected cost of CEC's, based on department projections. 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 Department of Economic Security (DES) or the Department of Health Services (DHS), or 3) a residential facility operated or supported by DES or DHS [A.R.S. § 15-825]. They also provide supplemental special education funding for school districts that provide special education services to out-of-district children.

**Permanent Special Education Institutional Voucher Fund** — The appropriated amount represents a decrease of \$451,500 from the FY 1998 appropriation for the program. This decrease consists of a \$380,700 reduction in the total estimated funding requirement for the program based on department projections, a \$1,157,300 estimated decrease due to the anticipated availability of carry-forward funds, and a \$1,086,500 increase due to increases in the formula funding base level and special education "Group B" weights pursuant to Sections 2 and 5 of the Education ORB. The program provides funding for special education

## DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS (Cont'd)

costs of students from 1) Arizona State Schools for the Deaf and the Blind, 2) Arizona State Hospital (ASH), or 3) developmentally disabled programs operated by DES [A.R.S. § 15-1202].

**Special Education Placement and Residential Education Voucher Fund** — The appropriated amount includes 1 FTE Position and a total of \$1,505,800 (\$60,300 - operating; \$1,445,500 - pass through funding to schools) for the program - a \$1,100,400 decrease. Of this decrease, \$988,100 is attributable to estimated carry-forward funds, \$113,000 is due to reduced program requirements according to department estimates, and \$700 is due to standard changes accounted for elsewhere. The program funds costs of residential education for students who require a private residential special education placement, or who are placed in a residential education facility by a state placing agency (Department of Juvenile Corrections, DES, DHS, or the Administrative Office of the Courts) [A.R.S. § 15-1182].

**Academic Contest Fund** — Maintains funding at the FY 1998 level for sending state level winners of academic contests, and their chaperons to the national levels of these contests.

**Academic Decathlon** — Maintains funding at the FY 1998 level for administrative and material costs incurred in support of the Academic Decathlon and other such academic events.

**Accountability Measures** — The General Appropriation Act provides \$5,000,000 in funding for this new program in FY 1999. The program, as defined in Sections 14 and 15 of the Education ORB, will make increased Basic State Aid funding available to all school districts and charter schools statewide in an amount to be determined based on 2 aspects of statewide school performance during the year. These aspects are 1) the percentage of students in a representative sample that achieves an "excellent" overall rating on the standardized norm-referenced achievement test, and 2) the percentage of parents in a representative sample that give their oldest school-age child's public school an "A+" rating on a school quality survey. Both types of sampling are to be conducted twice during the year. The funding formula for the program guarantees a minimum statewide school performance "composite score" for the first year, which assures that school districts and charter schools statewide will collectively receive at least \$4,591,700 in additional Basic State Aid funding during the year, according to JLBC Staff estimates. This amount could be exceeded if test score and parental quality rating samples yield a composite score that is higher than the default minimum score established for the program for the year. This is considered unlikely, however, given current statewide average test score levels and the parental quality

ratings levels that are anticipated by the program's designers. Of the approved amount, the department may use up to \$200,000 for program administration.

**Adult Education Assistance** — The approved amount includes 5.8 FTE Positions and \$4,575,200 (\$333,100-operating; \$4,242,100-Assistance to Schools), an increase of \$6,500, for immigrant education and adult basic education programs offered by school districts.

**Arizona Geographic Alliance** — Maintains funding at the FY 1998 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 1998 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 1998 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 1998 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 \$197,200 (all for operating expenditures; an increase of \$2,600) for administration of the following programs: 1) the Arizona Teacher Proficiency 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 \$131,400 (an increase of \$300) for state-level administration of the Career Ladder program, pursuant to Laws 1990, Chapter 319.

**Charter Schools Stimulus Fund** — Maintains funding at the FY 1998 level for charter school start-up costs, including

## DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS (Cont'd)

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 \$858,900 (\$190,900 - operating; \$668,000 - Assistance to Schools), an increase of \$4,000, to fund chemical abuse prevention programs for students in grades K-12 [A.R.S. § 15-712].

**Extended School Year** — Maintains funding at the FY 1998 level to pay for extended school year programs for handicapped students, as required by A.R.S. § 15-881.

**Family Literacy Pilot** — FY 1999 funding for this program is discussed below under "Additional Appropriations."

**Gifted Support** — The approved amount includes 2 FTE Positions and an increase of \$2,000, resulting in total funding of \$1,296,300 (\$103,800 - 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.

**Project Citizen** — Appropriates \$50,000 in first-time funding to enable the department to provide a grant to the state-coordinating agency for the "We the People-Project Citizen" program, which is designed to improve public understanding of state and local government and the legislative process.

**Residential Placement** — Maintains funding at the FY 1998 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** — The approved amount includes 3 FTE Positions and \$486,600 (an increase of \$183,700) for costs associated with the School Report Card program [A.R.S. § 15-746]. Under this program each school supplies annual information to the department regarding school goals and student achievement, and the department compiles and publishes that information in both paper and electronic form. The \$183,700 funding increase includes

\$80,000 for increased paper costs due to expanded reporting requirements, \$100,000 for the reporting of academic productivity data pursuant to A.R.S. § 15-746, and \$3,700 for standard changes.

**School Safety Program** — Increases funding by \$1,000,000 to a total of \$7,000,000. The program funds the placement of peace officers and juvenile probation officers in schools pursuant to A.R.S. § 15-155.

**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. No funding is appropriated for the program for FY 1999.

**State Block Grant for Early Childhood Education** — The approved amount includes 5.7 FTE Positions and \$19,483,200 (an increase of \$7,900 due to standard changes) for block grants for programs related to early childhood education. For FY 1999, Section 7 of the Education ORB establishes administrative requirements for the program in permanent law for the first time, most of which were prescribed in session law in FY 1998. One new requirement is that school districts or charter schools that devote block grant monies to preschool programs must allow participation in the program by any eligible child care provider that is located within the school district's boundaries or within 10 miles of the charter school. Also new for FY 1999 is the elimination of program funding for large school districts that do not participate in the federal free and reduced lunch program. 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.

**State Block Grant for Vocational Education** — The approved amount includes 34.3 FTE Positions and \$11,085,600 (an increase of \$40,300 due to standard changes) for programs related to vocational education. It includes \$1,834,300 for operating expenditures of the program and \$9,251,300 in pass-through monies for school districts and charter schools. The Education ORB requires that 90% of allocations under the program be based on student counts in vocational education programs and 10% be based on placement of vocational education program completers in jobs or higher education programs that are directly related to the vocational education program that they completed. In FY 1998, 95% of allocations were based on student counts and 5% on placement data.

**Youth Support Research** — The approved amount includes a \$24,000 increase -- \$14,000 from consolidating program funding into one agency only for FY 1999, and \$10,000

## DEPARTMENT OF EDUCATION - ASSISTANCE TO SCHOOLS (Cont'd)

from a funding increase. For FY 1998, the program received a \$14,000 appropriation through the Department of Economic Security and a \$15,000 appropriation through the Department of Education (ADE). Only ADE receives an appropriation for the program for FY 1999. The goal of the program is to increase school performance and reduce gang activity through the use of various student incentives.

**Additional Appropriations: Students' FIRST (Chapter 1, 3<sup>rd</sup> Special Session)** — The Students' FIRST legislation replaces the current system of funding school construction with a new state-funded system. Since most of the \$360,380,000 in Students' FIRST funding for FY 1999 is appropriated to the new School Facilities Board that is established under that law, details regarding it are mainly discussed in the narrative for that new budget unit. The ADE, however, does receive \$47,180,000 in Students' FIRST funding for FY 1999 — \$36,500,000 for increased Capital Levy Revenue Limit (CLRL) funding for school districts and \$10,680,000 for increased Additional Capital Assistance for charter schools. Starting in FY 2000 under Students' FIRST, school districts will receive "Soft Capital" rather than CLRL funding, and charter schools will receive "Additional Assistance" rather than CORL, CLRL, transportation, and Additional Capital Assistance funding. For FY 1999, however, school districts and charter schools will receive their increased Students' FIRST capital funding through existing components of the equalization funding formula. This will provide a one-year transition period for phasing in the new budget structure required under Students' FIRST. Students' FIRST Soft Capital funding is intended to be used for the purchase of computers, school buses and other non-facility types of capital purchases. *The Arizona Supreme Court ruled on June 16, 1998, that portions of the Students' FIRST act are unconstitutional. This caused the entire act to be repealed in accordance with a provision of Laws 1998, Chapter 164.*

**Education; Financing; Assistance; Conditional Repeal (Chapter 164)** — This bill, commonly referred to as the Students' FIRST "trailer bill," primarily makes technical changes needed in order to implement the Students' FIRST bill (Laws 1998, Chapter 1, 3<sup>rd</sup> Special Session). It does include, however, a \$240,000 appropriation for FY 1999 to increase "additional capital assistance" funding for charter schools pursuant to Section 86B of the Students' FIRST legislation.

**Vocational Education; Adults; Expanded Year (Chapter 166)** — This bill appropriates \$600,000 to the department for distribution to joint vocational education districts for expenses associated with serving full and part-time high school students who attend extended year and summer school programs. Currently the only joint vocational education district in the state is the East Valley Institute of

Technology, which serves students from several school districts in the east valley side of metropolitan Phoenix.

**ADM Calculation; Alternative (Chapter 167)** — This bill appropriates \$170,000 for increased Basic State Aid resulting from an alternative ADM calculation method that is established under the bill. Under this method, any school district or charter school that operates on a 200-day (or longer) school year basis may increase its formula funding base level amount by 3%. Currently most school districts and charter schools operate on a 175-day school year basis (the minimum school year length required in order to receive Basic State Aid funding), although some charter schools voluntarily operate for more than 175 school days per year. The JLBC Staff estimates the cost of this provision at \$228,500, which assumes that only charter schools that currently operate on a 190+ day school year basis will take advantage of the alternative ADM calculation method. Other charter schools and school districts would have to increase their school year by at least 5% in order to receive the 3% allowable funding increase, which would probably increase their costs by more than the amount of additional funding received.

**Parental Choice for Reading Success (Chapter 231)** — Chapter 231 requires all school districts and charter schools that instruct pupils in grades K-3 to offer a program of research based systematic phonics instruction by FY 2001. It appropriates \$1,000,000 to the State Board of Education in FY 1999 to assist school districts in the initial training and continued development of teachers in methods of research based systematic phonics instruction.

**Healthy Families; Literacy; Health Start (Chapter 295)** — This bill converts the Healthy Families and Family Literacy pilot programs to permanent status starting in FY 1999 and appropriates funding for them. The amount appropriated to the ADE for the Family Literacy program is \$1,000,000. The bill also appropriates \$3,000,000 to DES for the Health Families program. Both programs initially were established on a pilot basis by Laws 1994, Chapter 1. The Family Literacy program seeks to increase the basic academic and literacy skills of undereducated low-income parents and their preschool children.

**Capital Outlay: Appropriation; Space Flight Center, Chapter 7** — Appropriates from the General Fund \$500,000 in FY 1999 and \$700,000 in FY 2000 to the department for grants to develop two learning laboratory and space flight simulator centers in Arizona. One-half of the monies shall be allocated to a center in southern Arizona and one-half to a center in central Arizona. The centers will be used to implement a hands-on, interactive educational program involving children in mathematics, science, and technological research. The appropriations are exempt from A.R.S. § 35-190, relating to the lapsing of appropriations.

**DEPARTMENT OF HEALTH SERVICES - SUMMARY**

A.R.S. § 36-103

James R. Allen, M.D., M.P.H., Director

JLBC Analyst: Jennifer Vermeer

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
<u>Program Summary</u>			
Administration	17,767,300	19,211,000	19,947,900
Public Health	16,023,100	16,817,200	32,960,500
Family Health	22,995,100	24,537,000	27,613,000
Behavioral Health	136,210,700	150,847,900	149,786,200
Arizona State Hospital	29,195,000	35,677,500	40,372,500
<b>Total Appropriations</b>	<b>222,191,200</b>	<b>247,090,600</b>	<b>270,680,100</b>
<u>Expenditure Detail</u>			
FTE Positions	1,167.1	1,197.1	1,317.6 <sup>1/</sup>
Personal Services	26,010,700	28,296,900	29,223,600
Employee Related Expenditures	5,798,900	5,984,800	6,578,800
Professional and Outside Services	7,419,300	11,826,200	9,980,200
Travel - In State	269,900	328,300	305,300
Travel - Out of State	88,500	51,200	47,900
Other Operating Expenditures	8,000,800	8,475,700	8,120,800
Equipment	55,900	189,900	189,900
<b>Operating Subtotal</b>	<b>47,644,000</b>	<b>55,153,000</b>	<b>54,446,500</b>
Special Line Items	174,547,200	191,937,600	201,441,600
Additional Appropriations	0	0	14,792,000
<b>Total Appropriations</b>	<b>222,191,200</b>	<b>247,090,600</b>	<b>270,680,100</b> <sup>2/3/4/5/</sup>
<u>Fund Summary</u>			
General Fund	206,302,500	230,719,800	232,855,700
Newborn Screening Fund	0	0	2,997,900
Emergency Medical Services Operating Fund	2,251,800	2,893,800	2,932,600
Poison Control Fund	937,500	1,550,000	1,550,000
Tobacco Tax and Health Care Fund - Medically Needy Account	0	0	9,700,000
Tobacco Tax and Health Care Fund - Health Research Account	0	0	5,000,000
Child Fatality Review Fund	92,000	100,000	100,000
Temporary Assistance to Needy Families Block Grant	0	0	2,000,000
Alcohol and Other Drug Screening, Education, and Treatment Fund	0	800,000	950,000
Alcohol and Drug Abuse Services Fund	0	500,000	600,000
Disproportionate Share Fund	11,935,300	0	0
Special Revenue Fund	672,100	0	0
Arizona State Hospital Fund	0	10,127,000	11,993,900
ASH Land Earnings Fund	0	400,000	0
<b>Total Appropriations</b>	<b>222,191,200</b>	<b>247,090,600</b>	<b>270,680,100</b>

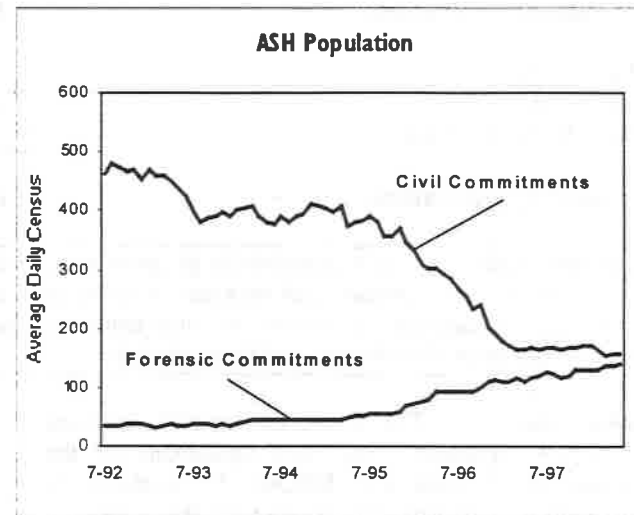
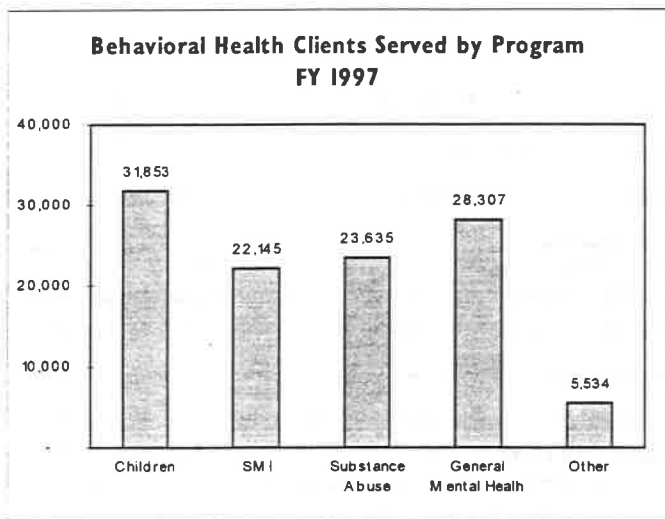
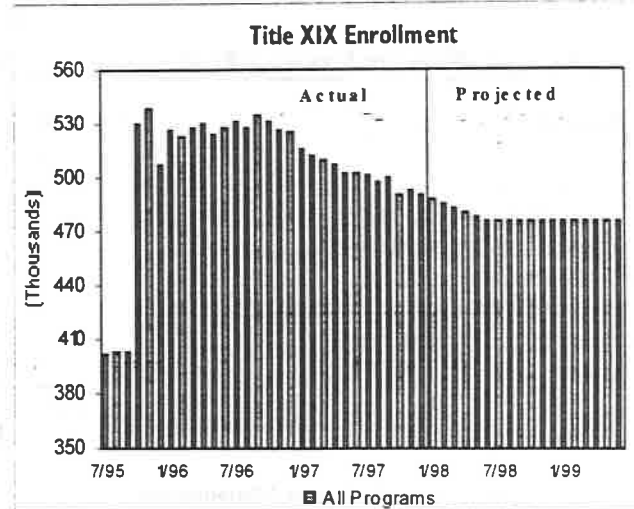
**Agency Description** — *The Department of Health Services (DHS) is responsible for the provision of most public health programs not administered by AHCCCS, most behavioral health programs, the Arizona State Hospital (ASH), emergency medical services, state laboratory support, vital records maintenance, disease control, and epidemiological monitoring.*



## DEPARTMENT OF HEALTH SERVICES - SUMMARY (Cont'd)

**Caseload Information** — The approved DHS budget includes a General Fund increase of \$15,400,100 (7.2%) for FY 1998 and \$17,536,000 (8.1%) for FY 1999. Almost all of the increased funding for both years is for Behavioral Health Services and ASH, which represent 70% of the department's budget. The increases provide funding for a capitation rate increase in the Title XIX behavioral health programs and for increased staffing and contract services at ASH.

The following graphs show the number of clients served in the behavioral health programs and the projected number of AHCCCS clients that will be eligible for behavioral health services in FY 1999. The third chart shows the changes in the average daily census at ASH following downsizing efforts begun in FY 1996 pursuant to the *Arnold v. Sarn* lawsuit. For more information on these programs, see the *Behavioral Health Services and Arizona State Hospital sections*.



1/ Includes 329.7 FTE Positions funded from Special Line Items in FY 1999.

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 Senate and House 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 XIX, Mental Health Non-Title XIX, Substance Abuse Non-Title XIX, Children's Respite Care, Geriatric Residential Beds, Psychotropic Drugs, Seriously Emotionally Handicapped Children, and Children's Rehabilitative Services. (General Appropriation Act footnote)

4/ Notwithstanding A.R.S. § 35-173C, any transfer to or from the amounts appropriated for Seriously Mentally Ill State Match for Title XIX, Seriously Mentally Ill Non-Title XIX, Children's Behavioral Health Services, Children's Behavioral Health State Match for Title XIX, Mental Health Non-Title XIX, Substance Abuse Non-Title XIX, Mental Health and Substance Abuse State Match for Title XIX, 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, Tuberculosis Quarantine, Kidney Program, Adult Cystic Fibrosis, Adult Sickle Cell Anemia, Regional Contamination, High Risk Perinatal Services, County Prenatal Services Grant, Nutrition Services, Community Placement Treatment, Sexually Violent Persons, University of Arizona Poison Control Center Funding, and the 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 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)

**DEPARTMENT OF HEALTH SERVICES - ADMINISTRATION**

A.R.S. § 36-103

General Fund and Newborn Screening Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	348.3	347.3	342.3 <sup>1/</sup>
Personal Services	6,424,300	7,209,400	7,337,900
Employee Related Expenditures	1,407,500	1,564,100	1,577,200
Professional and Outside Services	502,700	475,700	579,600
Travel - In State	52,800	66,200	58,900
Travel - Out of State	33,600	13,900	13,900
Other Operating Expenditures	4,876,600	5,162,100	5,125,100
Equipment	0	141,400	141,400
<b>Operating Subtotal</b>	<b>13,297,500</b>	<b>14,632,800</b>	<b>14,834,000</b>
Morton and Black Canyon Buildings Management	180,600	0	0
Assurance and Licensure	4,289,200	4,578,200	4,693,700
Newborn Screening Fund - Indirect Costs	0	0	420,200
<b>Total Appropriations</b>	<b>17,767,300</b>	<b>19,211,000</b>	<b>19,947,900</b> <sup>2/</sup>
<u>Fund Summary</u>			
General Fund	17,767,300	19,211,000	19,527,700
Newborn Screening Fund	0	0	420,200
<b>Total Appropriations</b>	<b>17,767,300</b>	<b>19,211,000</b>	<b>19,947,900</b>

**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 \$141,400 for replacement computer equipment for the Administration division and \$92,500 for replacement computer equipment and a photocopier for the Assurance and Licensure program. The approved amount also includes a decrease of \$46,700 in one-time Professional and Outside Services costs and \$55,900 in one-time Other Operating Expenditures, for a total decrease of \$102,600. These changes reflect the scheduled budget adjustments associated with the department's conversion from a mainframe to a wide area network computer system, which was begun in FY 1996. Including the above changes, \$158,200 remains in the base budget for the scheduled completion of the project by the end of FY 1999.

**Privatization of Advocacy Services** — The approved amount includes a reduction of 5 FTE Positions, \$135,300 for Personal Services, \$31,300 for Employee Related Expenditures, \$7,300 for Travel - In State, and \$29,300 for Other Operating Expenditures and an increase of \$150,600 for Professional and Outside Services to reflect the

privatization of advocacy services for the Seriously Mentally Ill (SMI). The department is required to provide advocacy services for the SMI by the *Arnold v. Sarn* lawsuit. These services typically involve assisting SMI clients with filing grievances and treatment appeals with the behavioral health system. Privatizing the services to an outside contractor will diminish a conflict of interest within the department and will ensure the provision of services to SMI clients in rural areas. The privatization results in a net savings of \$52,600.

**Morton and Black Canyon Buildings Management** — Previously, this line item provided funding for the operations and maintenance of 2 lease-purchase buildings the department occupies. In FY 1998, funding for this function was transferred to the Other Operating Expenditures line item.

**Assurance and Licensure** — Provides licensure services which include the monitoring and enforcement of statutes and rules intended to assure health and safety standards for

<sup>1/</sup> Includes 114.8 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> General Appropriation Act funds are appropriated as a Modified Lump Sum for the Program.

## DEPARTMENT OF HEALTH SERVICES - ADMINISTRATION Cont'd)

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home and community-based adult health care facilities, nursing homes, residential behavioral health facilities, and child care facilities. The approved amount includes 114.8 FTE Positions and \$4,693,700.

**Newborn Screening Fund - Indirect Costs** — Laws 1997, Chapter 210 transferred the Newborn Screening Fund to appropriated status beginning in FY 1999. The approved amount includes an appropriation of \$420,200 from the Newborn Screening Fund for the indirect costs of administering the Newborn Screening Program, such as accounting, procurement, and personnel services. *(See the Family Health program for more information on the Newborn Screening Program.)*

**Additional Legislation: Vulnerable Adults; Appropriation (Chapter 161)** — Amends statutes relating to the protection of vulnerable adults and to the licensure of residential care institutions, nursing care institutions, and home health agencies to protect vulnerable adults, especially the elderly, from theft and abuse. The bill requires owners and employees of these facilities to submit fingerprints to DHS for a state and federal criminal history check. The bill also appropriates \$698,400 from the General Fund to DES for a public awareness campaign, referral line, and 24-hour elderly abuse hotline. *(See the Aging and Community Services program within the DES section for more information on this legislation.)*

**Residential Care Institutions (Chapter 178)** — Consolidates 5 licensure classifications for residential care facilities into 1 universal assisted living license.

**Fingerprinting (Chapter 270)** — Employees that work with children and vulnerable adults in state and private facilities are required by state law to have their fingerprints processed to check for criminal convictions. Certain convictions specified in law prevent the employee from working in the facility. Previously, several agencies processed these fingerprints. This legislation consolidates fingerprint processing within the Department of Public Safety (DPS) and transfers 4 FTE Positions and \$101,900 General Fund from DHS to DPS in FY 2000 for this purpose.

**DEPARTMENT OF HEALTH SERVICES - PUBLIC HEALTH**

**A.R.S. § 36-103**

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	214.2	218.2	218.2 <sup>1/</sup>
Personal Services	3,264,000	3,537,200	3,645,500
Employee Related Expenditures	744,600	798,200	821,800
Professional and Outside Services	120,200	157,400	157,400
Travel - In State	82,100	102,400	102,400
Travel - Out of State	16,900	15,100	15,100
Other Operating Expenditures	686,300	699,500	716,800
Equipment	11,600	24,500	24,500
<b>Operating Subtotal</b>	<b>4,925,700</b>	<b>5,334,300</b>	<b>5,483,500</b>
Tuberculosis Provider Care and Control	771,600	1,082,000	1,082,000
Direct Grants	578,000	578,000	578,000 <sup>2/</sup>
Vaccines	1,584,500	1,915,100	1,915,100
Reimbursement to Counties	396,300	396,300	396,300 <sup>3/</sup>
Loan Repayment Services	68,200	100,000	100,000
TCE Contamination	247,200	250,000	250,000
Kidney Program	101,000	101,000	101,000
STD Control Subventions	52,400	52,500	52,500
AIDS Reporting and Surveillance	124,900	125,000	1,825,000
Border Health Office	40,700	0	0
Laboratory Services	2,560,000	2,696,200	2,751,500
Tuberculosis Quarantine	0	0	200,000
Disease Control Research Commission	1,383,300	0	0
U of A Poison Center Funding	562,500	900,000	900,000 <sup>4/</sup>
Poison Control Center Funding	375,000	650,000	650,000 <sup>5/</sup>
EMS Operations	1,490,900	1,637,400	1,676,200
EMS Provider Contracts	327,200	481,200	481,200
State EMS Special Projects	61,500	170,000	170,000
Ambulance Replacement	142,600	0	0
EMS Regional Coordinating System	73,600	98,200	98,200
Trauma Advisory Board	156,000	250,000	250,000
<b>Total</b>	<b>16,023,100</b>	<b>16,817,200</b>	<b>18,960,500 <sup>6/</sup></b>
<b>Additional Appropriations -</b>			
Children's Health Insurance Program, Ch. 4, 4th Special Session	0	0	8,000,000
Appropriation; Anticancer Drug Discovery, Ch. 237	0	0	5,000,000
Alzheimer Disease Research; Appropriation, Ch. 245	0	0	1,000,000
<b>Total Appropriations</b>	<b>16,023,100</b>	<b>16,817,200</b>	<b>32,960,500</b>
<b>Fund Summary</b>			
General Fund	12,833,800	12,630,400	14,034,900
Emergency Medical Services Operating Fund	2,251,800	2,636,800	2,675,600
Poison Control Fund	937,500	1,550,000	1,550,000
Tobacco Tax and Health Care Fund - Medically Needy Account	0	0	9,700,000
Tobacco Tax and Health Care Fund - Health Research Account	0	0	5,000,000
<b>Total Appropriations</b>	<b>16,023,100</b>	<b>16,817,200</b>	<b>32,960,500</b>

## DEPARTMENT OF HEALTH SERVICES - PUBLIC HEALTH (Cont'd)

**Program Description** — *The Public Health program provides funding for both state and local emergency medical services programs and poison control centers. In addition, the program provides funding for some county health programs, epidemiology and disease control, 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 \$12,000 for replacement computer equipment and \$12,500 for a photocopier 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** — Provides funding for the purchase of vaccines from the federal government 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** — Provides funding for health care services for patients living in areas affected by trichlorethylene 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 \$125,000 from the General Fund for a database system to track the incidence of Acquired Immune Deficiency Syndrome (AIDS) and AIDS-related conditions. The approved amount also includes an allocation of \$1,700,000 one-time funding from the Tobacco Tax and Health Care Fund Medically Needy Account pursuant to Laws 1998, Chapter 5, 4<sup>th</sup> Special Session to supplement the federally funded Arizona Drug Assistance Program (ADAP). ADAP provides AIDS fighting medications to uninsured, low-income persons with Human Immunodeficiency Virus (HIV). In FY 1999, the state's estimated share of federal Ryan White Care Act funding will not be sufficient to serve all eligible clients. The approved amount will provide state funding to supplement the program on a one-time basis.

**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. In FY 1998 this funding was moved from a Special Line Item to the operating budget.

**Laboratory Services** — Provides laboratory testing for other state agencies, water testing, contagious disease testing and other public health related testing. The laboratory also

1/ Includes 90.5 FTE Positions funded from Special Line Items in FY 1999.

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 General Fund. (General Appropriation Act footnote)

3/ The \$396,300 appropriated for reimbursement to counties is to provide 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 more than 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 United States 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)

monitors and evaluates the quality of private laboratory testing statewide. The approved amount includes 56.5 FTE Positions and \$2,751,500.

**Tuberculosis Quarantine** — The approved amount includes \$200,000 for reimbursement to counties for the costs of tuberculosis treatment for persons who refuse to comply with treatment, pose a danger to the community and are confined for treatment pursuant to Laws 1997, Chapter 184.

### POISON CONTROL FUND

The programs below are funded entirely through Poison Control Fund monies. Laws 1996, Chapter 5, 5<sup>th</sup> 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, 1<sup>st</sup> 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. 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.

### 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 Operations** — Provides funding for the operating costs of programs funded through the EMS Operating Fund. The approved amount includes 34 FTE Positions and \$1,676,200.

**EMS Provider Contracts** — Provides state grants for emergency receiving facilities, ambulance services, rescue services, and the purchase of ambulances.

**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 rural areas through the purchase of new ambulances. In FY 1998, the funding was consolidated with the Provider Contracts Special Line Item.

**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 Appropriations: Children's Health Insurance Program (Chapter 4, 4<sup>th</sup> Special Session)** — For FY 1999, appropriates from the Tobacco Tax and Health Care Fund Medically Needy Account to DHS \$5,000,000 for grants to contracting qualifying health centers and \$3,000,000 for grants to contracting hospitals. The grants provide funding for health care services for children eligible for the Children's Health Insurance Program who elect to receive direct, sliding fee scale medical and health care services rather than insurance coverage. (*See the AHCCCS section for more information on the Children's Health Insurance program.*)

**Appropriation; Anticancer Drug Discovery (Chapter 237)** — Appropriates \$5,000,000 in FY 1999, \$2,000,000 in FY 2000, \$2,000,000 in FY 2001, and \$1,000,000 in FY 2002 from the Health Research Account of the Tobacco Tax and Health Care Fund to the Disease Control Research Commission. The \$10,000,000 appropriation is for the support of cancer research projects directed at all phases of drug discovery, application, development, and clinical trials.

**Alzheimer's Disease Research; Appropriation (Chapter 245)** — Appropriates \$1,000,000 from the General Fund to DHS for distribution to universities, hospitals, and research centers in this state for dollar-for-dollar matching grants for Alzheimer's disease research.



## DEPARTMENT OF HEALTH SERVICES - PUBLIC HEALTH (Cont'd)

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**Additional Legislation: Omnibus Budget Reconciliation: Health (Chapter 5, 5<sup>th</sup> Special Session)** — Requires DHS to implement a pilot program for anti-smoking advertising on school buses beginning in FY 1999. The bill allocates at least \$550,000 from the Tobacco Tax and Health Care Fund Health Education Account for this purpose. The legislation also repeals Laws 1997, Chapter 5, 1<sup>st</sup> Special Session, Section 8 which transferred \$14,800,000 from the balance of the Medically Needy Account of the Tobacco Tax and Health Care Fund to DHS for use in the construction of a health laboratory. The legislation also transfers \$1,700,000 from the Medically Needy Account of Tobacco Tax and Health Care Fund to DHS for AIDS medications. *(See the AIDS Reporting and Surveillance description above for more information on this issue.)*

**Tobacco Tax; Capital Project Grants (Chapter 238)** — For FY 1999, transfers \$2,500,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund to DHS for capital project grants to public and non-profit entities that provide health services in rural or medically underserved areas. Also specifies that the \$111,200 appropriated from the Medically Needy Account in Laws 1997, Chapter 157 for a rural private primary care provider loan repayment program is exempt from lapsing.

**Tobacco Tax; Transplants; Medication (Chapter 256)** — For FY 1999, transfers up to \$500,000 for pilot programs providing detoxification services in counties with 500,000 or less persons. For FY 1999, transfers up to \$250,000 for telemedicine pilot programs designed to facilitate the provision of medical services to persons living in medically underserved areas. Beginning in FY 1999, transfers \$200,000 annually to DHS for contracts with hospitals that perform nonrenal organ transplant operations.

**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)**

<b>Tobacco Tax and Health Care Fund – DHS Allocations</b>			
	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>DHS Medically Needy Account</b>			
<u>Funds Available</u>			
Balance Forward	0	0	0
Transfer In – AHCCCS Medically Needy	18,560,900	36,410,400	33,542,200
<b>Total Funds Available</b>	<b>\$18,560,900</b>	<b>\$36,410,400</b>	<b>\$33,542,200</b>
<u>Allocation</u>			
Primary Care Programs	4,134,700	6,240,000 <sup>1/</sup>	6,240,000 <sup>1/</sup>
Qualifying Community Health Centers	4,404,100	5,200,000 <sup>1/</sup>	5,200,000 <sup>1/</sup>
Telemedicine	255,000	260,000 <sup>1/</sup>	260,000 <sup>1/</sup>
Mental Health Programs for Non-Title 19	5,000,000	5,200,000 <sup>1/</sup>	5,200,000 <sup>1/</sup>
Detoxification Services	500,000	520,000 <sup>1/</sup>	520,000 <sup>1/</sup>
Renal Disease Management	150,000	260,000 <sup>1/</sup>	260,000 <sup>1/</sup>
Basic Children's Medical Services Program	1,429,600	5,200,000 <sup>1/</sup>	2,600,000 <sup>1/</sup>
Evaluations	282,000	854,200	854,200
Public Health Education	0	7,500,000	0
Rural Private Primary Care Provider Loan Repay Pgms	0	111,200	0
Community Health Center Grants	0	2,500,000	0
Primary Care Capital Construction Projects	0	2,500,000	2,500,000
Salome Health Services	0	65,000	0
HIV/AIDS Treatment	0	0	1,700,000
Nonrenal Disease Management	0	0	208,000 <sup>1/</sup>
SCHIP Direct Services from Qualifying Health Centers	0	0	5,000,000
SCHIP Direct Hospital Services	0	0	3,000,000
<b>Total Allocation</b>	<b>\$16,155,400</b>	<b>\$36,410,400</b>	<b>\$33,542,200</b>
Revertment from DHS to AHCCCS Medically Needy Account	\$2,405,500	\$0	\$0
<b>DHS Health Crisis Fund</b>			
<u>Funds Available</u>			
Transfer In – Medically Needy Account	0	1,000,000	600,000
<u>Allocation - HIV/AIDS Treatment</u>	0	600,000	0
<b>Balance Forward</b>	<b>\$0</b>	<b>\$400,000</b>	<b>\$1,000,000</b>
<b>DHS Health Education Account</b>			
<u>Funds Available</u>			
Balance Forward	32,424,400	43,596,900	43,111,000
Transfer In – Tobacco Tax and Health Care Fund	27,215,300	27,077,500	27,075,900
Interest Revenue	2,145,800	2,167,700	2,264,000
<b>Total Funds Available</b>	<b>\$61,785,500</b>	<b>\$72,842,100</b>	<b>\$72,450,900</b>
<u>Allocation - Administration &amp; Program Costs</u>	18,188,600	29,731,100	25,000,000 <sup>2/</sup>
<b>Balance Forward</b>	<b>\$43,596,900</b>	<b>\$43,111,000</b>	<b>\$47,450,900</b>
<b>DHS Health Research Account</b>			
<u>Funds Available</u>			
Balance Forward	7,996,100	11,994,300	10,898,800
Transfer In – Tobacco Tax and Health Care Fund	5,916,300	5,886,400	5,886,100
Interest Revenue	452,400	572,300	420,000
<b>Total Funds Available</b>	<b>\$14,364,800</b>	<b>\$18,453,000</b>	<b>\$17,204,900</b>
<u>Allocation</u>			
Disease Control Research Commission	2,370,500	7,054,200	6,304,100
Transfer to U of A – Liver Research Institute	0	500,000	0
Anticancer Drug Discovery	0	0	5,000,000
<b>Total Allocation</b>	<b>\$2,370,500</b>	<b>\$7,554,200</b>	<b>\$11,304,100</b>
<b>Balance Forward</b>	<b>\$11,994,300</b>	<b>\$10,898,800</b>	<b>\$5,900,800</b>

<sup>1/</sup> Pursuant to § A.R.S. 36-2921C, these amounts include an additional 4% for administrative costs associated with each program.

<sup>2/</sup> Includes \$550,000 for anti-smoking advertising on school buses pursuant to Laws 1998, Chapter 5, 4<sup>th</sup> Special Session.

**DEPARTMENT OF HEALTH SERVICES - FAMILY HEALTH**

**A.R.S. § 36-103**

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	68.6	68.6	77.1 <sup>1/</sup>
Personal Services	1,746,600	1,944,000	2,003,100
Employee Related Expenditures	397,000	432,200	444,100
Professional and Outside Services	182,400	144,200	144,200
Travel - In State	47,200	70,900	70,900
Travel - Out of State	8,100	2,400	2,400
Other Operating Expenditures	345,600	368,700	376,000
<b>Operating Subtotal</b>	<b>2,726,900</b>	<b>2,962,400</b>	<b>3,040,700</b>
Children's Rehabilitative Services	6,471,000	5,351,800	5,111,800 <sup>2/</sup>
AHCCCS-Children's Rehabilitative Services (SA)	8,430,600	8,551,400	8,551,400 <sup>2/</sup>
(TF)	24,749,000	26,565,900	25,065,900 <sup>2/</sup>
Adult Cystic Fibrosis	223,600	223,600	223,600
Adult Sickle Cell Anemia	70,100	70,100	70,100
High Risk Perinatal Services	2,675,400	4,016,500	4,016,500
Nutrition Services	299,100	330,100	390,100
County Prenatal Services Grant	873,600	1,281,100	1,281,100 <sup>3/</sup>
Teenage Pregnancy Prevention Task Force	152,400	250,000	250,000
Health Start	980,400	1,400,000	0
Child Fatality Review Team	92,000	100,000	100,000
Newborn Screening Program	0	0	2,577,700
Out of Wedlock Pregnancy Prevention	0	0	2,000,000
<b>Total Appropriations (SA)</b>	<b>22,995,100</b>	<b>24,537,000</b>	<b>27,613,000 <sup>4/</sup></b>
<b>(TF)</b>	<b>39,313,500</b>	<b>42,551,500</b>	<b>44,127,500</b>
<b>Fund Summary</b>			
General Fund	22,903,100	24,180,000	22,678,300 <sup>5/</sup>
Emergency Medical Services Operating Fund	0	257,000	257,000 <sup>5/</sup>
Child Fatality Review Fund	92,000	100,000	100,000 <sup>5/</sup>
Newborn Screening Fund	0	0	2,577,700 <sup>5/</sup>
Temporary Assistance for Needy Families Block Grant	0	0	2,000,000 <sup>5/</sup>
Federal Title XIX Funds	16,318,400	18,014,500	16,514,500
<b>Total Appropriations</b>	<b>39,313,500</b>	<b>42,551,500</b>	<b>44,127,500</b>

SA = State Appropriations, and consists of General Fund and monies from other appropriated state funds.

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

<sup>1/</sup> Includes 10.5 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> 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)

<sup>3/</sup> 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)

<sup>4/</sup> General Appropriation Act funds are appropriated as a Modified Lump Sum for the Program.

<sup>5/</sup> These amounts represent direct appropriations. All other expenditures are part of total expenditure authority.

**DEPARTMENT OF HEALTH SERVICES - FAMILY HEALTH (Cont'd)**

**Program Description** — *The Division of Family Health Services provides public health programs primarily targeted toward women, children and the elderly. 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, out-of-wedlock pregnancy prevention programs, nutrition services, and targeted care for specific diseases.*

**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 following table depicts funding for this program:

	<u>FY 1999</u>	
CRS (Non-Title XIX)	\$ 5,111,800	GF
	480,000	FF <sup>1/</sup>
AHCCCS CRS - State Match	8,551,400	GF
AHCCCS CRS - Federal Funds	<u>16,514,500</u>	FF
<b>Total</b>	<b>\$13,663,200</b>	<b>GF</b>
	<b>\$30,657,700</b>	<b>TF</b>

<sup>1/</sup> Funding provided by the non-appropriated Maternal and Child Health Block Grant.

**Children's Rehabilitative Services** — Provides funding for uninsured children in the CRS program who are not eligible for Title XIX coverage. The approved amount 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 to complete the transition begun in FY 1998. 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's contract for the CRS data system expired half-way through FY 1998; and rather than lease a new system, the department chose to 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 approved amount reflects the shift of the remaining \$240,000 from the General Fund to the MCH Block Grant.

**AHCCCS-Children's Rehabilitative Services** — Provides the General Fund share of the cost of providing CRS services to Title XIX eligible children. State monies provide a 34.62% match to the federal monies received. The total program cost (General Fund and Federal Funds) is shown in the Total Funds (TF) line.

**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.

**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. Of the approved amount, \$257,000 for the emergency transport function is supported by the Emergency Medical Services (EMS) Operating Fund. See the Public Health section for further description of the EMS Operating Fund.

**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. The approved amount includes an increase of \$60,000.

**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

## DEPARTMENT OF HEALTH SERVICES - FAMILY HEALTH (Cont'd)

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communities to develop teenage pregnancy prevention programs and strategies. *See the Out-of-Wedlock Pregnancy Prevention Special Line Item for more discussion of pregnancy prevention activities.*

**Health Start** — Laws 1996, Chapter 247 appropriated \$1,400,000 from the General Fund for FY 1998 to continue the Health Start pilot program begun in February 1995. The program provided 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. Legislation that would have continued the program in FY 1999 did not pass.

### 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 4 FTE Positions and \$100,000, the maximum level of expenditure statute allows for this program.

### NEWBORN SCREENING FUND

The program below is funded entirely from the Newborn Screening Fund. The fund receives a fee of \$20 for every child born in Arizona. The fee is collected as part of the hospital charges when the infant is born. Laws 1997, Chapter 210 transferred the fund to appropriated status beginning in FY 1999.

**Newborn Screening Program** — Provides for the centralized testing of all newborns in the state for a standard set of metabolic disorders. If these disorders are detected and treated at birth, serious disabilities can be avoided. The program also provides for follow-up counseling for the parents of affected newborns. The department is required to contract for the laboratory-testing portion of the program at least once every 4 years. Currently, the State Health Laboratory holds the contract. The approved amount includes 8.5 FTE Positions and \$2,577,700.

### TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT

The program below is funded entirely from the Temporary Assistance for Needy Families (TANF) Block Grant. The TANF Block Grant was created in 1996 by the Federal Welfare Reform legislation and funds welfare-related

activities within the Department of Economic Security (DES).

**Out-of-Wedlock Pregnancy Prevention** — Provides funding for abstinence-only education programs intended to prevent out-of-wedlock pregnancy. The approved amount of \$2,000,000 was transferred to the Department of Health Services (DHS) from DES to consolidate all pregnancy prevention funding within DHS. DHS also receives funding from the MCH Block Grant for out-of-wedlock pregnancy prevention.

**DEPARTMENT OF HEALTH SERVICES - BEHAVIORAL HEALTH**

**A.R.S. § 36-103**

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	69.5	69.5	69.5 <sup>1/</sup>
Personal Services	1,531,700	1,956,100	1,572,700
Employee Related Expenditures	363,800	436,300	387,000
Professional and Outside Services	406,700	1,875,500	1,256,100
Travel - In State	62,800	70,000	54,300
Travel - Out of State	26,000	15,000	11,700
Other Operating Expenditures	639,700	565,800	281,300
Equipment	20,300	0	0
<b>Operating Subtotal</b>	<b>3,051,000</b>	<b>4,918,700</b>	<b>3,563,100</b>
Client Satisfaction Incentive Program	28,900	100,000	100,000
RBHA Client Encounter Reports	1,734,000	1,848,900	1,848,900
Data Processing Debt Retirement	1,499,600	595,100	0
Computer Hardware Lease	671,400	996,000	750,000
Managed Care and Actuarial Services	1,008,600	0	0
HUD Grants Compliance	70,000	0	0
Children's Behavioral Health Services	13,110,200	13,264,400	13,516,900 <sup>2/3/4/</sup>
CBH State Match for Title XIX (SA)	16,623,400	24,318,800	23,776,000 <sup>4/</sup>
(TF)	47,835,600	69,601,200	67,752,500
Seriously Emotionally Handicapped Children	4,375,300	4,375,300	4,375,300
Children's Respite Care	252,500	252,500	0 <sup>5/</sup>
Seriously Mentally Ill Services (SA)	58,189,800	60,638,100	0 <sup>5/</sup>
(TF)	89,082,300	95,198,800	0 <sup>5/</sup>
Seriously Mentally Ill State Match (SA)	0	0	17,128,000 <sup>3/</sup>
for Title XIX (TF)	0	0	50,941,400 <sup>5/</sup>
Seriously Mentally Ill Non-Title XIX	0	0	54,308,800 <sup>6/</sup>
Geriatric Residential Beds	2,211,800	2,211,800	0
Regional Residential/Psychiatric Beds	5,770,300	5,770,300	0 <sup>5/</sup>
Psychotropic Drugs	1,257,100	1,257,100	0 <sup>5/</sup>
Court Monitoring	253,000	205,700	205,700
Mental Health Non-Title XIX	9,849,400	9,862,100	9,862,100
Substance Abuse Non-Title XIX	10,894,300	13,235,400	15,185,400
Mental Health and Substance Abuse State Match for Title XIX (SA)	3,612,300	5,217,300	5,083,300 <sup>3/</sup>
(TF)	10,968,900	15,480,800	15,118,500
Community Therapeutic Substance Abuse Treatment	1,700,000	1,700,000	0 <sup>5/</sup>
Psychiatric Review Board	47,800	80,400	82,700
<b>Total Appropriations (SA)</b>	<b>136,210,700</b>	<b>150,847,900</b>	<b>149,786,200 <sup>7/</sup></b>
<b>(TF)</b>	<b>205,672,000</b>	<b>240,954,500</b>	<b>237,611,300</b>
<b>Fund Summary</b>			
General Fund	136,210,700	149,547,900	148,236,200 <sup>8/</sup>
Alcohol and Other Drug Screening, Education, and Treatment Fund	0	800,000	950,000 <sup>8/</sup>
Alcohol and Drug Abuse Services Fund	0	500,000	600,000 <sup>8/</sup>
Federal Title XIX Funds	69,461,300	90,106,600	87,825,100
<b>Total Appropriations</b>	<b>205,672,000</b>	<b>240,954,500</b>	<b>237,611,300</b>

SA = State Appropriations, and consists of General Fund and monies from other appropriated state funds.  
 TF = Total Funds, and represents the sum of the state appropriations and Federal Funds.



## 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 services, substance abuse treatment 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).

**RBHA Client Encounter Reports** — Provides partial reimbursement to the RBHAs for the cost of data systems which provide claims processing and encounter data showing service utilization and the composition of behavioral health clients. This function was formerly provided by DHS, but was transferred to the RBHAs in FY 1998. The cost of this new administrative function is not included in the capitation rate.

**Data Processing Debt Retirement** — Previously, provided funding to make required payments on outstanding debts charged to purchase the Client Information System (CIS). The CIS is used to store and analyze data on behavioral health services by category of clients and type of service encounters by each RBHA and statewide. The \$595,100 funding for this Special Line Item was eliminated because the final payment was made in FY 1998 and no future payments are required.

**Computer Hardware Lease** — Provides funds to lease hardware to operate the CIS in the Behavioral Health program. The approved amount includes a decrease of \$246,000 to reflect the actual cost of the lease.

**Managed Care and Actuarial Services** — Previously, provided funding for contracts with private consultants to perform projects required by the federal Health Care Financing Administration (HCFA), such as reviews of capitation rates, operational and financial reviews of RBHAs, and quality reviews of case files. In FY 1998, funding for these projects was transferred to the Professional and Outside Services line item.

**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. In FY 1998, funding for this program was transferred to the Department of Commerce in order to consolidate all assisted housing and community development programs within that agency.

**Children's Behavioral Health (CBH)** — The funding provided by the Special Line Items shown below represents the appropriations for CBH programs. The goal of these programs is to provide comprehensive behavioral

1/ Includes 2 FTE Positions funded from Special Line Items in FY 1999.

2/ The amount appropriated for Children's Behavioral Health Services shall be used to provide services for Non-Title XIX eligible children. The amount shall not be used to pay for either federally or non-federally reimbursed services for Title XIX eligible children, unless a transfer of monies is approved by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

3/ Monies in the Children's Behavioral Health State Match for Title XIX, Seriously Mentally Ill State Match for Title XIX and Mental Health and Substance Abuse State Match for Title XIX Special Line Items are appropriated for capitation rates approved in September, 1997. No monies may be expended for a change in these capitation rates unless an expenditure plan is reviewed by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

4/ If Senate Bill 1059 or similar legislation is passed by the Legislature and signed by the Governor, and responsibility for providing behavioral health services to children in the Comprehensive Medical and Dental Program is transferred from the Department of Health Services to the Department of Economic Security, the Department of Health Services and the Department of Economic Security shall sign an interagency agreement to transfer funding equivalent to the cost of providing behavioral health services to this population on the date provided in Senate Bill 1059. The amount shall be based on amounts expended in prior years, anticipated costs, and shall reflect current capitation rates. In the event the agencies do not reach an agreement on the transfer amount, both amounts shall be submitted to the Joint Legislative Budget Committee for consideration. (General Appropriation Act footnote)  
Note: This legislation did not pass.

5/ Funding has been transferred to a different line item.

6/ It is the intent of the Legislature that of the amount appropriated for Seriously Mentally Ill Non-Title XIX, \$2,000,000 is for new generation psychotropic medications. The Department of Health Services shall submit a quarterly report no later than 25 days after the end of the quarter to the Joint Legislative Budget Committee. The report shall include the number of Title XIX and Non-Title XIX clients that have received typical and atypical antipsychotic medications and the total paid for the medications. The report shall also include the value of medical monitoring services associated with the medications. ~~Of the total \$2,000,000 appropriated for psychotropic medications, the department shall use \$50,000 for a study that shall be completed by June 30, 1999. The study shall select a random sample of seriously mentally ill clients taking psychotropic medications to examine their clinical status and level of functioning 6 months prior and 6 months after beginning use of the atypical antipsychotic medications. The study shall specifically address usage of residential or inpatient services and involvement in the criminal justice system over the time period studied.~~ (General Appropriation Act footnote. The stricken language reflects language vetoed by the Governor.)

7/ General Appropriation Act funds are appropriated as a Modified Lump Sum for the Program.

8/ These amounts represent direct appropriations. All other expenditures are part of total expenditure authority.

**DEPARTMENT OF HEALTH SERVICES - BEHAVIORAL HEALTH (Cont'd)**

health care to all eligible children. The following table depicts funding for this program:

	FY 1999	
CBH Services (Non-Title XIX)	\$13,516,900	GF
Seriously Emotionally Handicapped Children	4,375,300	GF
CBH State Match for Title XIX	23,776,000	GF
	43,976,500	FF
<b>TOTAL</b>	<b>\$41,668,200</b>	<b>GF</b>
	<b>\$85,644,700</b>	<b>TF</b>

**Children's Behavioral Health Services** — Provides funding for prevention programs and for treatment of Non-Title XIX eligible children. The monies are not available to serve Title XIX eligible children unless a transfer of monies is approved by the Joint Legislative Budget Committee. The approved amount includes an increase of \$252,500 transferred from the Children's Respite Care Special Line Item. The Special Line Items were consolidated to create a more flexible pool of resources for uninsured children who are not eligible for Title XIX coverage.

**Children's Behavioral Health State Match for Title XIX** — Provides the General Fund (GF) share of the cost of providing behavioral health treatment to Title XIX eligible children. State monies provide a 34.62% match to the Federal Funds (FF) received. The total program cost (GF and FF) is shown in the Total Funds (TF) line. The approved amount includes an increase of \$5,626,200 GF and \$10,908,600 TF for FY 1998 and an increase of \$5,083,400 GF and \$9,059,900 TF for FY 1999 to fund a capitation rate increase approved by HCFA during FY 1998.

For FY 1998 and FY 1999 DHS will receive a capitation rate of \$23.89 from AHCCCS for every child eligible for Title XIX behavioral health services, although only a portion of the eligible population will utilize services. The children's Title XIX population has been declining since FY 1997, and as a result, the approved amount assumes that caseloads will continue to decline slightly in FY 1998 and level off in FY 1999. The budget provides funding for 242,898 AHCCCS member years in FY 1998 and 235,753 member years in FY 1999.

The approved amount also includes \$1,300,000 GF in FY 1998 and \$1,500,000 GF in FY 1999 for non-federally reimbursed services for Title XIX eligible children.

**Seriously Emotionally Handicapped Children** — Provides funding for a portion of the cost of residential treatment and educational services for children referred by school districts. Referrals are based on an 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.

**Children's Respite Care** — Previously, provided temporary in-home counseling and supervision of clients with the goal of keeping children with the family and avoiding residential care. Funding for this Special Line Item was transferred to the Children's Behavioral Health Special Line Item. See the description above for more information.

The total expenditures by the state for Children's Behavioral Health programs 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 XIX services, the expenditures for Non-Title XIX, 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 ongoing 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.

	FY 1999	
SMI State Match for Title XIX	\$ 17,128,000	GF
	33,813,400	FF
SMI Non-Title XIX	54,308,800	GF
<b>TOTAL</b>	<b>\$ 71,436,800</b>	<b>GF</b>
	<b>\$105,250,200</b>	<b>TF</b>

**Seriously Mentally Ill Services** — Previously, provided funding for treatment for both Title XIX and Non-Title XIX eligible adults who enter the state mental health system. Funding in this Special Line Item has been transferred to the new Seriously Mentally Ill State Match for Title XIX and Seriously Mentally Ill Non-Title XIX Special Line Items to separate the Title XIX and Non-Title XIX funding. Separating the funding will make it easier to identify the costs associated with each program.

**DEPARTMENT OF HEALTH SERVICES - BEHAVIORAL HEALTH (Cont'd)**

**Seriously Mentally Ill State Match for Title XIX** — Provides the GF share of the cost of providing behavioral health treatment to Title XIX eligible adults who have been diagnosed SMI. State monies provide a 34.62% match to the Federal Funds (FF) received. The approved amount includes an increase of \$144,500 GF and a decrease of \$294,800 TF for FY 1998 and a decrease of \$296,000 GF and \$1,492,600 TF for FY 1999. The approved amount includes funding for a capitation rate increase approved by HCFA during FY 1998.

Under the new rate, DHS will receive a capitated payment of \$34.42 from AHCCCS for every adult eligible for Title XIX behavioral health services, of which only a small percentage will be diagnosed SMI and utilize services. Like the children's population, the adult Title XIX population has been declining since FY 1997, and as a result, the approved amount assumes that caseloads will continue to decline slightly in FY 1998 and level off in FY 1999. The decline in population offset the increases for the capitation rate increase resulting in a net GF decrease for FY 1999. The budget provides funding for 129,876 AHCCCS member years in FY 1998 and 127,115 member years in FY 1999.

**Seriously Mentally Ill Non-Title XIX** — Provides funding for treatment for clients that have been diagnosed as SMI according to the SMI checklist, but are not eligible for Title XIX coverage. Previously, funding for these Non-Title XIX clients was spread across several Special Line Items. The approved amount reflects the transfer of funding from these Special Line Items into a single consolidated SMI Non-Title XIX Special Line Item. Consolidating the funding will provide a larger more flexible pool of resources for Non-Title XIX services. The table below shows the transfers.

	<u>FY 1999</u>	
<b>Transfer From:</b>		
SMI Services	\$(43,069,600)	GF
Geriatric Residential Beds	(2,211,800)	GF
Regional Residential/ Psychiatric Beds	(5,770,300)	GF
Psychotropic Drugs	(1,257,100)	GF
<b>TOTAL</b>	<b>\$(52,308,800)</b>	<b>GF</b>
<b>Transfer To:</b>		
SMI Non-Title XIX	\$52,308,800	GF

In addition to the amounts transferred from other Special Line Items, the approved amount also includes an increase of \$2,000,000 GF for psychotropic medications, for a total appropriation of \$54,308,800. Atypical psychotropics are a category of new medications shown to produce dramatic results in patients suffering from long-term schizophrenia without the severe, permanent side effects of the older

drugs. These new medications are also significantly more expensive than the older drugs. The approved amount provides funding for approximately 800 Non-Title XIX clients in FY 1999.

A footnote in the General Appropriation Act requires the funding to be expended for "new generation psychotropic medications" and requires DHS to provide a monthly report on expenditures for these medications. The footnote also allocated \$50,000 of the \$2,000,000 for a study to evaluate the clinical status of a random sample of SMI clients 6 months before and 6 months after beginning use of atypical psychotropic medications. The Governor line item vetoed that provision.

**Geriatric Residential Beds** — Previously, provided approximately 42 community geriatric psychiatric treatment beds. Funding for this Special Line Item has been transferred to the new SMI Non-Title XIX Special Line Item to consolidate all SMI Non-Title XIX funding. *See the description above for more information.*

**Regional Residential/Psychiatric Beds Program** — Previously, provided 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. Funding for this program has been transferred to the new SMI Non-Title XIX Special Line Item to consolidate all SMI Non-Title XIX funding. *See the description above for more information.*

**Psychotropic Drugs** — Previously, provided funding for psychotropic or atypical antipsychotic medications shown to produce dramatic results in certain patients who suffer from long-term schizophrenia. Funding for this program has been transferred to the new SMI Non-Title XIX Special Line Item to consolidate all SMI Non-Title XIX funding. In addition, \$2,000,000 in new funding was appropriated for atypical psychotropic medications for FY 1999 in the Seriously Mentally Ill Non-Title XIX Special Line Item. *See the description above for more information.*

**Court Monitoring** — Provides funding for the state share of the expenses incurred by the Office of the Court Monitor, which was established as a result of the *Arnold v. Sarn* lawsuit.

**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 expend significant amounts for services which are not included in the table.

**General Mental Health and Substance Abuse Funding** — 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 1999	
Mental Health (Non-Title XIX)	\$ 9,862,100	GF
Substance Abuse (Non-Title XIX)	13,635,400	GF
	1,550,000	OF
Mental Health/Substance Abuse	5,083,300	GF
State Match for Title XIX	10,035,200	FF
General Mental Health Block Grant	3,870,300	FF
Substance Abuse Block Grant	19,196,500	FF
<b>TOTAL</b>	<b>\$28,580,800</b>	<b>GF</b>
	<b>\$63,232,800</b>	<b>TF</b>

**Mental Health - Non-Title XIX** — Provides funding for mental health treatment services for adults who require treatment but are not diagnosed SMI and are not eligible for the Title XIX program.

**Substance Abuse - Non-Title XIX** — Provides funding for drug and alcohol abuse services for adults who are not eligible for the Title XIX program. The approved amount includes an increase of \$1,700,000 transferred from the Community Therapeutic Substance Abuse Treatment Special Line Item. The Special Line Items were consolidated to create a more flexible pool of resources for adults who need substance abuse treatment and are not eligible for Title XIX coverage.

The approved amount also includes \$950,000 from the Alcohol and Other Drug Screening, Education and Treatment Fund, and \$600,000 from the Alcohol and Drug Abuse Services Fund for a total of \$1,550,000 in Other Appropriated Funds (OF). The funds provide monies for drug and alcohol abuse treatment for Non-Title XIX 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 XIX** — Provides GF share of the cost of providing mental health and substance abuse treatment to Title XIX eligible individuals. State monies provide a 34.62% match to the Federal Funds (FF) received. The approved amount includes an increase of \$1,013,800 GF and \$3,277,300 TF in FY 1998 and an increase of \$879,800 GF and \$2,914,900 FF in FY 1999 to fund a capitation rate increase approved by HCFA during FY 1998.

For FY 1998 and FY 1999, DHS will receive a capitation rate of \$11.30 from AHCCCS for every adult eligible for Title XIX behavioral health services, of which only a portion will utilize services. The adult Title XIX population has been declining since FY 1997, and as a result, the approved amount assumes that caseloads will continue to decline slightly in FY 1998 and level off in FY 1999. The budget provides funding for an average of 115,768 AHCCCS member years in FY 1998 and 113,055 member years in FY 1999.

**Community Therapeutic Substance Abuse Treatment** — Previously, provided funding for 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. Funding for this program has been transferred to the Substance Abuse Non-Title XIX Special Line Item. *See the description above for more information.*

**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.

## **DEPARTMENT OF HEALTH SERVICES - BEHAVIORAL HEALTH (Cont'd)**

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**Psychiatric Review Board** — Includes 2 FTE Positions and \$82,700 for operating costs to review the cases of persons committed to ASH as “Not Guilty by Reason of Insanity.”

**Capital Outlay:** (Chapter 7, 4<sup>th</sup> Special Session) — Appropriates \$66,300 from the Southern Arizona Mental Health Center (SAMHC) Building Renewal Fund to the department for building renewal at the SAMHC facility in Tucson. Of this amount, up to 25% may be used for infrastructure replacement and repair, or for building modifications to comply with the Americans with Disabilities Act.

**Additional Legislation:** Perinatal Substance Abuse: Integrated Services (Chapter 176) — Establishes the Implementation Oversight Committee on Perinatal Substance Abuse and allocates \$83,000 annually for FY 2000, FY 2001, and FY 2002 to DHS to implement models of integrated services identified by the Committee. The funding is allocated from \$7,500,000 from the Medically Needy Account to the Tobacco Tax and Health Care Fund, which was transferred to DHS by Laws 1997, Chapter 123.

**DEPARTMENT OF HEALTH SERVICES - ARIZONA STATE HOSPITAL**

**A.R.S. § 36-103**

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate <sup>1/</sup></b>	<b>FY 1999 Approved</b>
FTE Positions	466.5	493.5	610.5 <sup>2/</sup>
Personal Services	13,044,100	13,650,200	14,664,400
Employee Related Expenditures	2,886,000	2,754,000	3,348,700
Professional and Outside Services	6,207,300	9,173,400	7,842,900
Travel - In State	25,000	18,800	18,800
Travel - Out of State	3,900	4,800	4,800
Other Operating Expenditures	1,452,600	1,679,600	1,621,600
Equipment	24,000	24,000	24,000
<b>Operating Subtotal</b>	<b>23,642,900</b>	<b>27,304,800</b>	<b>27,525,200</b>
Community Placement Treatment	5,552,100	7,303,000	7,848,000
ASH Contingency	0	0 <sup>3/</sup>	0
ASH Information System	0	0	883,600
Sexually Violent Persons	0	1,069,700	3,323,700
<b>Total</b>	<b>29,195,000</b>	<b>35,677,500</b>	<b>39,580,500</b>
<b>Additional Appropriations - Sexual Predators, Ch. 136</b>	<b>0</b>	<b>0</b>	<b>792,000</b>
<b>Total Appropriations</b>	<b>29,195,000</b>	<b>35,677,500</b>	<b>40,372,500 <sup>4/</sup></b>
<b>Fund Summary</b>			
General Fund	16,587,600	25,150,500	28,378,600
Disproportionate Share Fund	11,935,300	0	0
Special Revenue Fund	672,100	0	0
Arizona State Hospital Fund	0	10,127,000	11,993,900
ASH Land Earnings Fund	0	400,000	0
<b>Total Appropriations</b>	<b>29,195,000</b>	<b>35,677,500</b>	<b>40,372,500</b>

**Program Description** — Provides inpatient psychiatric hospitalization services for adolescent and adult seriously mentally ill residents. For FY 1999, ASH is projected to have an average daily census of 305 patients. Based on an average of the previous 6 months, the census will consist of 164 civilly committed (non-forensic) patients, 129 patients committed through the criminal justice system (forensic), and 12 adolescent patients.

**Technical Issues** — The approved amount includes \$24,000 for replacement computer equipment.

**ASH Clinical Staffing** — On June 3, 1997, ASH voluntarily withdrew from the Medicare program to avoid decertification due to staffing shortages and lack of active treatment for ASH patients. To date, ASH has not regained certification. ASH's staffing shortage was

caused, in part, by high rates of staff turnover and a large number of vacant clinical positions following the scheduled downsizing of ASH's civilly committed population during FY 1997. ASH has continued to have difficulty hiring and retaining staff throughout FY 1998, and as a result, has increased the use of contract nursing services to fill vacant positions.

<sup>1/</sup> The FY 1998 amounts have been adjusted to reflect supplemental appropriations made by Laws 1998, Chapter 1, 4<sup>th</sup> Special Session and transfers approved by the Joint Legislative Budget Committee on June 4, 1998. See the "ASH Contingency" discussion for further detail.

<sup>2/</sup> Includes 76 FTE Positions funded from Special Line Items in FY 1999.

<sup>3/</sup> Monies in the Arizona State Hospital Contingency Special Line Item shall not be expended without the prior review of the Joint Legislative Budget Committee. (General Appropriation Act footnote as amended by Laws 1998, Chapter 1, 4<sup>th</sup> Special Session)

<sup>4/</sup> General Appropriation Act funds are appropriated as a Modified Lump Sum for the Program.



**DEPARTMENT OF HEALTH SERVICES - ARIZONA STATE HOSPITAL (Cont'd)**

In addition, throughout FY 1998 ASH's average daily census has exceeded budgeted levels. The original budget assumed an average daily census of 250. However, ASH's average daily census has averaged 305 throughout FY 1998. The approved amount includes an increase of 97 FTE Positions and \$7,867,100 for FY 1998 and 165 FTE Positions and \$7,728,000 for FY 1999 to address the increased operating costs associated with the higher than projected census and to increase the number of clinical staff. The following table reflects the total appropriations for ASH's operating budget for FY 1997 through FY 1999. See the *Arizona State Hospital Fund* section for more information on the impact of decertification and the *Community Placement Treatment* section for more information on the downsizing.

	<u>Actual FY 1997</u>	<u>Estimate FY 1998</u>	<u>Approved FY 1999</u>
Average Daily Census	318	305	305
FTE Positions	466.5	493.5	534.5
Total Operating Expenditures	\$23,642,900	\$27,304,800	\$27,525,200
Average cost per patient per day	\$203.70	\$245.27	\$247.25

**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. Sarn* 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. One of the requirements of the Exit Criteria is downsizing the ASH population through funding an increased number of treatment beds located within patients' communities.

Beginning in FY 1996, funding was moved from the ASH operating budget to the Community Placement Treatment Special Line Item to reflect the decreasing census at ASH and the increased number of former ASH patients receiving treatment in the community. The funding provides housing, transportation, clinical support and meaningful day activities for this population in the community. Since FY 1996, ASH's average daily census has decreased from 450 patients to 305 patients. For FY 1999, the approved amount includes funding for 145 patients in the community.

The original appropriation for FY 1998 assumed that the average daily census would be further reduced to 250

during FY 1998. Funding for 55 patients was transferred from the ASH budget to the Community Placement Treatment Special Line Item accordingly. However, the average daily census for FY 1998 did not decrease as projected. Instead, ASH's daily census has averaged 305 throughout FY 1998. As a result, the approved amount for the Community Placement Treatment Special Line Item includes a decrease of \$3,102,500 for FY 1998 and a decrease of \$2,557,500 for FY 1999 because the additional 55 patients will remain at ASH rather than being placed in the community.

**ASH Contingency** — This Special Line Item was added by Laws 1998, Chapter 1, 4<sup>th</sup> Special Session to provide \$945,000 contingency funding for FY 1998 for the ASH operating budget. The monies were placed in a contingency line item rather than added directly to the operating budget due to uncertainties in several areas of the ASH budget, such as the use of contract nursing services, at the time the budget was adopted. A footnote prevents DHS from expending the monies unless a transfer is approved by the Joint Legislative Budget Committee. On June 4, 1998 the Committee approved a transfer of \$945,000 from the ASH Contingency Special Line Item, \$120,000 from Personal Services, and \$13,000 from Employee Related Expenditures, for a total transfer of \$1,078,000 for FY 1998. Of this total transfer, \$1,020,000 was transferred to the Professional and Outside Services line item and \$58,000 was transferred to the Other Operating Expenditures line item to address increased expenditures for contract nursing services and other operating costs.

**ASH Information System** — The approved amount includes an increase of \$883,600 from the General Fund for a new hospital information system at ASH. The system will be implemented over 5 years with an estimated total cost of \$2,768,200. The current system does not provide adequate tracking of expenditures, such as costs by unit, and will be phased out as part of the department's overall information technology project begun in FY 1996 (See the *Administration program for more information*).

**Sexually Violent Persons** — Pursuant to A.R.S. § 13-4601 through § 13-4618, individuals defined as "Sexually Violent Persons" (SVPs) shall be committed to ASH for treatment. SVPs are persons who have been convicted of or found guilty but insane of a sexually violent offense and who have a mental disorder that makes the person likely to engage in acts of sexual violence. ASH received its first SVP in September 1997 and the Department of Corrections estimates that approximately 5 new SVPs per month will be referred to ASH, for a total census of 105 by the end of FY 1999. The approved amount includes 35.9 FTE Positions and \$1,069,700 for FY 1998 and 76 FTE Positions and \$3,323,700 for FY 1999 for the operating costs of this new program.

**DEPARTMENT OF HEALTH SERVICES - ARIZONA STATE HOSPITAL (Cont'd)**

**ARIZONA STATE HOSPITAL FUND**

A.R.S. § 36-545.08 establishes the Arizona State Hospital (ASH) Fund to replace the ASH Disproportionate Share (DSH) Fund and the Special Revenue Fund. The fund consists of federal DSH payments, Title XIX monies paid to ASH for eligible clients served at ASH, and monies collected from the RBHAs for clients served at ASH over the established RBHA cap. The monies are used to offset ASH's operating costs.

As discussed above, ASH was not HCFA certified throughout FY 1998. Due to the loss of certification, ASH was not eligible to receive its full DSH payment for FY 1998. As a result, the approved amount for FY 1998 includes a decrease in the ASH Fund appropriation of \$3,366,900 and an increase in the General Fund appropriation of \$3,366,900 for FY 1998. The ASH Fund appropriation for FY 1998 now totals \$10,127,000, which includes \$8,627,000 from 100% state-funded DSH monies and \$1,500,000 from Title XIX reimbursements.

For FY 1999, the appropriation assumes that HCFA certification will be regained and ASH will be eligible for the full federal DSH payment. However, due to a decrease in the number of Title XIX eligible patients at ASH, estimated collections from the Title XIX program are projected to decrease. Thus, the approved amount for FY 1999 includes \$11,993,900 from DSH monies and \$200,000 from Title XIX reimbursements. To compensate for the loss of Title XIX collections, the General Fund appropriation was increased by \$1,300,000. It is important to note that if ASH does not regain HCFA certification by September 30, 1998, ASH will not be eligible to receive any of the federal share of Disproportionate Share funding for FY 1998, resulting in a higher cost to the General Fund.

The total DSH payments to the state are shown in a table in the AHCCCS section. The portion allocated to ASH is shown in the following table. Of the total amount allocated to ASH, some of the payment is appropriated to ASH and the remainder is transferred to the General Fund and is used to offset the General Fund contribution toward ASH's costs.

<b>ASH Disproportionate Share (DSH) Payments</b>	
<b>FY 1997</b>	<b>Net Change</b>
DSH Payments to ASH <sup>1/</sup>	\$28,159,700
Less: ASH Appropriation	(11,993,900)
Transfer to General Fund	\$16,165,800
<b>FY 1998</b>	
DSH Payments to ASH <sup>1/</sup>	\$10,265,900
Less: ASH Appropriation	(8,627,000)
Transfer to General Fund	\$1,638,900
<b>FY 1999</b>	
DSH Payments to ASH <sup>1/2/</sup>	\$24,072,600
Less: ASH Appropriation	(11,993,900)
Transfer to General Fund	\$12,078,700
<sup>1/</sup> Includes both State and Federal Funds.	
<sup>2/</sup> These amounts are subject to change and are ultimately based on the actual Disproportionate Share award received by Arizona.	

**Additional Appropriations: Sexual Predators (Chapter 136)** — The legislation makes a number of changes to the statutes governing the Sexually Violent Persons program, including clarifying that persons awaiting court action are to be detained at ASH, enabling the court to commit SVPs to less restrictive treatment as an alternative to inpatient treatment at ASH, and requiring DHS to supervise SVPs committed to less restrictive treatment. For FY 1999, the bill appropriates \$792,000 for the increased costs associated with implementing the above changes.

**Capital Outlay: Supplemental Appropriations; Adjustments (Chapter 1, 4<sup>th</sup> Special Session)** — Appropriates \$1,650,000 in FY 1998 for capital improvements at ASH for the Sexually Violent Persons program. The amount includes \$425,000 from the General Fund and \$1,225,000 re-appropriated from General Fund monies initially appropriated by Laws 1995, Chapter 2, 1<sup>st</sup> Special Session for the study and design of a new Arizona State Hospital facility. Prior to the expenditure of any monies, the department shall present an expenditure plan to the Joint Committee on Capital Review for its review.

**Additional Legislation: Omnibus Budget Reconciliation; Health (Chapter 5, 4<sup>th</sup> Special Session)** — Amends the ASH Fund statute to require any disproportionate share monies remaining in the ASH Fund at the end of a fiscal year to revert to the General Fund.

**JUDICIARY - SUMMARY**

Arizona Constitution Article VI

A.R.S. § 12-101

JLBC Analyst: Brad Regens

Honorable Thomas A. Zlaket, Chief Justice

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
<b>Program Summary</b>			
Court of Appeals - Division I	6,174,700	6,479,500	6,715,600
Court of Appeals - Division II	2,958,500	3,078,400	3,127,200
Superior Court	94,680,300	112,243,200	125,493,700
Supreme Court - Judicial and Administrative	10,991,900	18,590,300	22,332,200
Supreme Court - Foster Care Review Board	3,064,500	3,493,600	3,856,700
Unallocated Classification Salary Adjustments (CSA)	0	0	230,700
<b>Total Appropriations</b>	<b>117,869,900</b>	<b>143,885,000</b>	<b>161,756,100</b>
<b>Expenditure Detail</b>			
FTE Positions	487.3	508.8	548.9 <sup>1/</sup>
Personal Services	19,140,900	20,909,300	21,910,300
Employee Related Expenditures	2,589,600	2,583,700	2,640,000
Professional and Outside Services	119,800	312,400	347,400
Travel	244,500	243,300	258,900
Other Operating Expenditures	7,250,500	6,465,900	6,101,500
Equipment	399,300	147,900	333,300
<b>Operating Subtotal</b>	<b>29,744,600</b>	<b>30,662,500</b>	<b>31,591,400</b>
Special Line Items	88,125,300	113,222,500	129,032,000
Additional Appropriations	0	0	902,000
Unallocated Classification Salary Adjustments	0	0	230,700
<b>Total Appropriations</b>	<b>117,869,900</b>	<b>143,885,000</b>	<b>161,756,100</b> <sup>2/</sup>
<b>Fund Summary</b>			
General Fund	116,469,400	129,381,700	140,326,900
Criminal Justice Enhancement Fund	0	536,400	536,400
Defensive Driving Fund	0	0	3,301,900
Case Processing Assistance Fund	0	2,184,700	2,303,400
Confidential Intermediary and Private Fiduciary Fund	0	203,800	242,200
Arizona Department of Administration			
Lease-Purchase Payment Fund	0	138,000	0
Juvenile Crime Prevention Fund	0	3,400,800	3,905,000
Judicial Collection Enhancement Fund	0	6,458,200	9,457,800
Court Appointed Special Advocate	1,400,500	1,581,400	1,674,700
Unallocated Other Funds (for CSA)	0	0	7,800
<b>Total Appropriations</b>	<b>117,869,900</b>	<b>143,885,000</b>	<b>161,756,100</b>

**Judicial Department Summary** — *The Arizona Judiciary consists of the Supreme Court, the Court of Appeals, and the Superior Court.*

<sup>1/</sup> Includes 112.6 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> 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

JLBC Analyst: Brad Regens

Honorable Philip E. Toci, Chief Judge

General Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	101.0	101.5	102.5 <sup>1/</sup>
Personal Services	5,028,000	5,351,500	5,575,500
Employee Related Expenditures	732,200	757,100	722,800
Professional and Outside Services	1,300	800	800
Travel	81,300	82,400	82,800
Other Operating Expenditures	313,900	273,700	317,100
Equipment	18,000	14,000	16,600
<b>Total Appropriations</b>	<b>6,174,700</b>	<b>6,479,500</b>	<b>6,715,600 <sup>2/</sup></b>

**Agency Description** — *The Court of Appeals has jurisdiction in all proceedings appealable from the Superior Court except criminal death penalty cases which are automatically appealed to the Supreme Court. Division I also has statewide responsibility for reviewing appeals from the 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.*

**Judicial Salary Adjustment** — The approved FY 1999 amount includes half-year funding to increase the salary of Appellate Court Judges from \$111,500 to \$115,500. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. They recommended the \$115,500 salary for Appellate Court Judges beginning January 1, 1999.

The approved FY 1998 amount reflects a supplemental appropriation of \$65,200 to annualize the Appellate Court Judges' salary increase effective January 1, 1997.

**Computer Support** — The approved FY 1999 amount includes an increase of \$49,500 and 1 FTE Position to support the division's computer network system. The FTE Position will manage all desktop computer support, including software enhancements and staff training. The approved amount includes \$6,600 in one-time funding for equipment.

**New Telephone System** — The approved FY 1999 amount includes an additional \$41,300 to convert the division's telephone system to the state system operated by the Arizona Department of Administration. The approved amount includes \$6,900 for one-time installation costs.

<sup>1/</sup> Of the 138.5 FTE Positions, 102.5 FTE Positions are for Division I and 36 FTE Positions are for Division II. (General Appropriation Act footnote)

<sup>2/</sup> 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

JLBC Analyst: Brad Regens

Honorable William E. Druke, Chief Judge

General Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	36.0	36.0	36.0 <sup>1/</sup>
Personal Services	1,754,800	2,009,800	2,078,400
Employee Related Expenditures	252,500	281,000	262,700
Professional and Outside Services	0	1,000	1,000
Travel	37,500	36,400	36,400
Other Operating Expenditures	874,600	740,200	738,700
Equipment	39,100	10,000	10,000
<b>Total Appropriations</b>	<b>2,958,500</b>	<b>3,078,400</b>	<b>3,127,200 <sup>2/</sup></b>

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

**Judicial Salary Adjustment** — The approved FY 1999 amount includes half-year funding to increase the salary of Appellate Court Judges from \$111,500 to \$115,500. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. They recommended the \$115,500 salary for Appellate Court Judges beginning January 1, 1999.

The approved FY 1998 amount reflects a supplemental appropriation of \$24,400 to annualize the Appellate Court Judges' salary increase effective January 1, 1997.

<sup>1/</sup> Of the 138.5 FTE Positions, 102.5 FTE Positions are for Division I and 36 FTE Positions are for Division II. (General Appropriation Act footnote)  
<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

# JUDICIARY - SUPERIOR COURT

Arizona Constitution Article VI

A.R.S. § 12-121

JLBC Analyst: Brad Regens

Dave Byers, Director

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	178.0	189.0	223.1 <sup>1/2/</sup>
Personal Services	6,606,800	7,190,600	7,509,600
Employee Related Expenditures	627,700	494,800	533,900
Other Operating Expenditures	2,021,800	1,295,300	1,296,200
<b>Operating Subtotal</b>	<b>9,256,300</b>	<b>8,980,700</b>	<b>9,339,700</b>
<b>Juvenile</b>			
Family Counseling	540,100	583,300	610,700
Juvenile Standard Probation	4,906,800	5,764,300	8,089,400
Juvenile Intensive Probation	9,674,200	12,237,300	13,298,200
Juvenile Treatment Services	28,646,700	22,845,000	23,692,300 <sup>3/</sup>
Progressively Increasing Consequences (PIC-Act)	0	9,409,400	9,513,300 <sup>3/</sup>
Juvenile Crime Reduction Fund	0	3,400,800	3,905,000
<b>Adult</b>			
Adult Standard Probation	18,687,400	20,548,400	24,182,600 <sup>4/</sup>
Adult Intensive Probation	17,440,400	19,962,900	20,468,800
Community Punishment	3,507,800	4,217,400	4,283,800
Interstate Compact - Adult Probation	1,065,100	1,134,400	1,383,600 <sup>5/</sup>
<b>Other</b>			
Child Support Enforcement	955,500	974,600	987,000
Case Processing Assistance Fund	0	2,184,700	2,303,400
Defensive Driving Fund	0	0	3,301,900
<b>Total</b>	<b>94,680,300</b>	<b>112,243,200</b>	<b>125,359,700</b>
<b>Additional Appropriations -</b>			
Domestic Violence, Ch. 303	0	0	134,000
<b>Total Appropriations</b>	<b>94,680,300</b>	<b>112,243,200</b>	<b>125,493,700 <sup>6/7/</sup></b>
<b>Fund Summary</b>			
General Fund	94,680,300	106,121,300	115,447,000
Criminal Justice Enhancement Fund	0	6,121,900	6,744,800
Defensive Driving Fund	0	0	3,301,900
<b>Total Appropriations</b>	<b>94,680,300</b>	<b>112,243,200</b>	<b>125,493,700</b>

<sup>1/</sup> Includes 87.1 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> Of the 223.1 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)

<sup>3/</sup> 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)

<sup>4/</sup> It is the intent of the Legislature to require the Arizona Judiciary to eliminate the remaining adult probation officer shortfall with county funds, probation services fees and existing resources within the Adult Intensive Probation Special Line Item. (General Appropriation Act footnote)

<sup>5/</sup> The Arizona Judiciary shall report by September 30, 1998 to the Joint Legislative Budget Committee on methods to strengthen the notification and grievance process of the interstate compact. The report shall include methods to enable Arizona to receive monetary compensation from states that do not properly notify Arizona of incoming interstate compact probationers. (General Appropriation Act footnote)

<sup>6/</sup> Receipt of state probation monies by the counties is contingent upon the county maintenance of FY 1995 expenditure levels for each probation program. State probation monies are not intended to supplant county dollars for probation programs. (General Appropriation Act footnote)

<sup>7/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.



## JUDICIARY - SUPERIOR COURT (Cont'd)

**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.*

**Judicial Salary Adjustment** — The approved FY 1999 amount includes half-year funding to increase the salary of Superior Court Judges from \$108,800 to \$113,000. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. They recommended the \$113,000 salary for Superior Court Judges beginning January 1, 1999.

The approved FY 1998 amount reflects a supplemental appropriation of \$323,500 to annualize a judicial salary increase effective January 1, 1997.

**Family Counseling** — Family Counseling monies provide funding to the Juvenile Division of the Superior Courts for prevention of delinquency and incorrigibility among juvenile offenders by strengthening their family relationships. These monies are predominately for non-adjudicated juveniles and their families, and require a 25% county match. The approved FY 1999 appropriation includes an increase of \$27,400 from the General Fund to allow 211 additional families to receive counseling.

### Summary of Probation Program Appropriations

The state General Fund appropriation provides funding for regular and intensive probation programs and related treatment services for both the juvenile and adult population. The adult programs are Adult Standard Probation, Adult Intensive Probation, Interstate Compact - Adult, and Community Punishment. The juvenile programs are Juvenile Standard Probation, Juvenile Intensive Probation, Juvenile Treatment Services, and PIC-Act. 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 following table shows the state and county share of funding for probation programs. While the estimated county FY 1999

dollar amounts are greater than the FY 1995 level, there has been a shift in monies from one probation program to another. Some counties have shifted case-carrying probation officers (a position funded both by the state and the county but with the state paying for 100% of growth in recent years) to pre-sentence investigators (a 100% county funded position). Such a shift results in a shortfall of case-carrying officers and a corresponding need for more officers to be funded by the state. The maintenance of effort footnote has been modified to require counties to maintain the FY 1995 expenditure level for each probation program instead of a total dollar amount.

### State and County Shares of Probation Funding

	Actual FY 1995	Estimated FY 1999
<b>Juvenile Programs</b>		
State <sup>1/</sup>	\$34,376,200	\$55,203,900
County <sup>2/</sup>	36,438,300	39,800,000
Total Juvenile	\$70,814,500	\$95,003,900
<b>Adult Programs</b>		
State <sup>3/</sup>	\$34,962,900	\$50,452,800
County <sup>2/</sup>	16,645,600	17,600,000
Total Adult	\$51,608,500	\$68,052,800
Total State \$	\$69,339,100	\$105,656,700
State %	57%	65%
Total County \$	\$53,083,900	\$57,400,000
County %	43%	35%

<sup>1/</sup> State juvenile probation programs include Family Counseling, Juvenile Standard Probation, Juvenile Intensive Probation, Juvenile Treatment Services, and PIC-Act.

<sup>2/</sup> County funding for FY 1995 are county appropriated funds, as reported by the Administrative Office of the Courts (AOC). The FY 1999 amount is the AOC's FY 1998 estimate of county contributions rounded to the nearest 100,000 and thus assumes essentially constant funding from FY 1998 to FY 1999.

<sup>3/</sup> State adult probation programs include Adult Standard Probation, Adult Intensive Probation, Community Punishment and Interstate Compact. The FY 1999 amount reflects both General Appropriation Act and Chapter 303.

The following table displays the number of new state-funded probation slots.

## JUDICIARY - SUPERIOR COURT (Cont'd)

### State-Funded Probationer Slots, FY 1999

Program	Increase		Total Slots
	Number	%	
<b>Juvenile</b>			
Standard Probation	1,680	42.1%	5,675
Intensive Probation	125	6.4	2,087
Total Juvenile	1,805		7,762
<b>Adult</b>			
Standard Probation	3,360	13.1	29,022
Intensive Probation	(225)	(5.7)	3,695
Interstate Compact	240	26.7	1,140
Total Adult	3,375		33,857

**Juvenile Standard Probation** — Juvenile Standard Probation monies provide community services for juveniles placed on standard probation by the Juvenile Division of the Superior Court. Probation supervision is intended to monitor the juvenile's compliance with the terms and conditions of probation imposed by the court. A.R.S. § 8-203B requires that a juvenile probation officer shall not supervise more than an average of 35 juveniles on probation at one time. To meet this requirement, the approved FY 1999 appropriation includes an increase of \$1,746,400 to add 35 officers at full-year funding to eliminate a caseload capacity deficit in FY 1998. The approved amount also adds an additional \$390,200 from the General Fund to add 13 officers, 1 supervisor and 2 support staff at 6-month funding based on a estimated 5.7% growth in the number of juveniles on standard probation in FY 1999. Additionally, the approved FY 1999 appropriation includes an increase of \$50,800 to annualize the 6-month funding of 2 officers and an 0.6 related field staff position added in FY 1998. These changes will increase the number of state-funded juvenile standard probation slots by 1,680, or 42.1%, for a total of 5,675 state-funded slots. The FY 1999 average annual state cost per juvenile standard probation slot is \$1,425.

**Juvenile Intensive Probation (JIPS)** — Juvenile Intensive Probation is more structured and closely supervised than juvenile standard probation. JIPS emphasizes surveillance, treatment, work, education, and home detention. JIPS was created to divert serious, non-violent juvenile offenders from incarceration or residential care and to provide intensive supervision for high-risk offenders already on probation. The approved FY 1999 appropriation includes an increase of \$376,800 to add 5 JIPS teams (1 probation officer and 1 surveillance officer per team), 1 supervisor and 2 support staff positions at 6-month funding for this 100% state-funded probation program. Also included in the approved amount is \$98,000 in one-time funding to purchase 5 new alternatively fueled vehicles. Additionally, the approved appropriation includes an increase of \$378,200 to annualize the 6-month funding of 5.5 teams, 1.1 supervisors and 2.2 support staff positions approved for FY 1998. The addition of 5 teams will increase the number of juvenile intensive probation slots

by 125, or 6.4%, for a total of 2,087 slots by the end of FY 1999. The FY 1999 average annual state cost per juvenile standard probation slot is \$6,372.

**Juvenile Treatment Services** — Juvenile Treatment Services monies allow the juvenile courts to meet the requirements of A.R.S. § 8-230.01 and A.R.S. § 8-230.02, relating to the assignment of youths referred for delinquency or incorrigibility to treatment programs, residential treatment centers, counseling, shelter care and other programs. The approved FY 1999 appropriation includes an increase of \$812,900 from the General Fund based on an anticipated 6% increase in the number of juveniles placed on probation in FY 1999.

**Progressively Increasing Consequences (PIC-Act)** — The PIC-Act program was created in 1984 to divert youth from formal court proceedings in order to reduce court costs and prevent re-offending. Juveniles who admit wrongdoing are eligible for this program. A PIC-Act probation officer assigns consequences for the juvenile to complete, such as substance abuse education, graffiti abatement or other counseling or community service.

**Juvenile Crime Reduction Fund** — The Juvenile Crime Reduction Fund monies are used to design and implement community-based strategies for reducing juvenile crime. Strategies include prevention, early intervention, effective intermediate sanctions, and rehabilitation. Monies consist of an allocation from the Criminal Justice Enhancement Fund. The approved FY 1999 appropriation includes an additional \$499,200, which represents the estimated available fund balance above the FY 1998 appropriation.

**Adult Standard Probation** — Adult Standard Probation monies provide community supervision services for adults placed on standard probation by the Adult Division of the Superior Court. A.R.S. § 12-251A states that an adult probation officer shall not supervise more than an average of 60 adults on probation at one time. The Judiciary was projecting a 62 case-carrying officer shortfall at the time the Judiciary budget was adopted by the Appropriation Subcommittees. The approved FY 1999 appropriation adopted by the Appropriation Subcommittees includes an additional \$349,300 to provide full-year funding for 7 additional adult standard probation officers to address some of the officer shortfall. The subcommittees also added a footnote requiring the Judiciary to eliminate the remaining officer shortfall with county funds, probation services fees, and existing resources. In addition, the approved FY 1999 appropriation includes \$1,376,900 to add 42 officers, 5 supervisors and 10 support staff at 6-month funding for a 7.6% growth in the caseload for FY 1999. Additionally, the approved amount includes an increase of \$856,100 to annualize the 6-month funding of 32 officers, 6.4 supervisors and 3.2 support staff positions approved for FY 1998.

## JUDICIARY - SUPERIOR COURT (Cont'd)

Since adoption of the Judiciary's FY 1999 budget, the projected case-carrying officer shortfall has been reduced to 39.5 officers, instead of 62. In addition, the estimated number of officers needed to address caseload growth in FY 1999 has been reduced from 42 to 39 officers. The Judiciary's FY 1999 appropriation includes sufficient monies to add 56 adult standard probation officers at half-year funding, yet the projected need is for 39 additional officers. The Judiciary has an excess of approximately \$750,000 in the Adult Standard Probation Special Line Item as a result of the new projections.

The addition of 56 officers increases the number of state-funded adult standard probation slots by 3,360, or 13.1%, for a total of 29,022 state-funded slots. The FY 1999 average annual state cost per adult standard probation slot is \$833.

**Adult Intensive Probation** — Adult Intensive Probation (AIPS) is a sentencing alternative intended to divert serious, non-violent offenders from prison. The approved FY 1999 appropriation includes an increase of \$1,149,300 to annualize the 6-month funding of 21.8 teams (1 probation officer and 1 surveillance officer per team), 4.4 supervisors and 8.7 support staff positions approved for FY 1998 for this 100% state-funded probation program.

The approved amount also includes a transfer of \$873,200 from AIPS to Juvenile Standard Probation. Laws 1997, Chapter 220 appropriated \$989,000 to AIPS to provide supervision for an anticipated increase in juveniles transferred to adult court due to the implementation of Proposition 102 (Juvenile Justice Reform). To date, county attorneys are applying the third strike provision (a third felony petition results in the juvenile being transferred to adult court) prospectively. As a result, juveniles are remaining on juvenile standard or juvenile intensive probation rather than being added to AIPS.

The approved appropriation also includes a transfer of \$249,500 from AIPS to Adult Standard Probation. Monies were available in the AIPS Special Line Item because the number of adult probationers on AIPS declined by 3.5% in FY 1997 (from 2,642 to 2,549). If the AIPS population continues to decline or does not increase significantly, there may be additional resources available in the AIPS Special Line Item that can be transferred to other probation programs if necessary.

These changes will decrease the number of state-funded juvenile standard probation slots by 225, or 5.7%, for a total of 3,695 state-funded slots. The FY 1999 average annual state cost per adult intensive probation slot is \$5,540.

**Community Punishment Program** — This program receives both General Fund and Criminal Justice Enhancement Fund monies to provide behavioral treatment services for

adult probationers and for enhanced supervision, such as electronic monitoring and specialized probation caseloads. The funding is intended to provide for diversion of offenders from prison and jail, as well as to enhance probation programs. The approved FY 1999 appropriation includes \$536,400 from the Criminal Justice Enhancement Fund.

**Interstate Compact - Adult Probation** — This funding provides for the administration and supervision of adult probationers transferred from other states to adult probation in Arizona. The approved FY 1999 appropriation includes an increase of \$199,600 from the General Fund to provide full-year funding for 4 additional probation officers. The approved amount also includes an additional \$21,000 to annualize the 6-month funding of 1 probation officer approved for FY 1998.

**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 on-stop shop pilot, and preparing annual statements of non-custodial parents' child support payments and outstanding balances.

**Case Processing Assistance Fund** — The Case Processing Assistance Fund monies are used for salaries for judges pro tempore, as well as for other costs of expediting court case processing and reducing case backlogs. Monies consist of an allocation from the Criminal Justice Enhancement Fund. The approved FY 1999 appropriation includes an additional \$115,400, which represents the estimated available fund balance above the FY 1998 appropriation.

**Defensive Driving Fund** — The Defensive Driving Fund monies are used to monitor defensive driving schools for compliance with claims and court policy, to supervise their use by the courts in Arizona, and to expedite the processing of traffic offenses prescribed in A.R.S. Title 28, Chapter 6, Articles 2 through 15. Defensive Driving Fund monies are also used to automate municipal and justice of the peace courts, the caseloads of which are largely traffic-related. The approved appropriation includes a base adjustment of \$3,301,900 and 34.1 FTE Positions to reflect the first-time appropriation of the Defensive Driving Fund.

<b>Expected FY 1999 Utilization of Defensive Driving Fund</b>	
Administration	\$ 558,800
Statewide Automation	1,309,000
Local Court Automation	350,000
Local Court Traffic Projects	350,000
Miscellaneous Projects	734,100
<b>TOTAL</b>	<b>\$3,301,900</b>

## **JUDICIARY - SUPERIOR COURT (Cont'd)**

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**Additional Appropriations: Domestic Violence, (Chapter 303)** — Appropriates \$134,000 from the General Fund for the purpose of providing supervised probation for persons convicted of misdemeanor domestic violence offenses. By June 30, 1999, the Supreme Court shall report to the Legislature on the number of persons placed on supervised probation for conviction of misdemeanor domestic violence offenses.

**Capital Outlay: Juvenile Detention Centers; Jails; Funding (Chapter 226)** — Appropriates \$6,600,000 from the General Fund to the State Aid to Detention Fund, which is administered by the Supreme Court. Monies in the fund shall be used to provide grants to counties for maintaining, expanding, or operating juvenile detention centers. Counties must contribute to the funded projects in a substantial way through cash or in-kind contributions.

**JUDICIARY - SUPREME COURT - JUDICIAL AND ADMINISTRATIVE**

Arizona Constitution Article VI

A.R.S. § 12-101

Honorable Thomas A. Zlaket, Chief Justice

JLBC Analyst: Brad Regens

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	123.8	135.8	138.8 <sup>1/</sup>
Personal Services	4,687,200	5,192,900	5,478,300
Employee Related Expenditures	771,300	829,200	876,400
Professional and Outside Services	55,200	236,000	271,000
Travel	65,700	71,000	81,400
Other Operating Expenditures	3,798,700	3,922,500	3,512,100
Equipment	313,000	113,900	199,900
<b>Operating Subtotal</b>	<b>9,691,100</b>	<b>10,365,500</b>	<b>10,419,100</b>
Judicial Assistance	63,200	87,400	87,400
Judicial Education	240,000	242,700	242,700
State Grand Jury	432,000	576,300	440,000
Judicial Performance Review	310,800	347,300	352,300
Commission on Judicial Conduct	254,800	312,900	364,900
Post Conviction Relief	0	150,000	150,000
Judicial Collection Enhancement Fund (JCEF)	0	810,400	858,800
JCEF - Assistance to Courts	0	2,123,600	4,446,300
JCEF - AZ Court Automation Project	0	3,524,200	4,152,700
Private Fiduciary	0	50,000	50,000
<b>Total</b>	<b>10,991,900</b>	<b>18,590,300</b>	<b>21,564,200</b>
<b>Additional Appropriations -</b>			
Covenant Marriages, Ch. 135	0	0	10,000
Juvenile Offenders; Notice to Schools, Ch. 151	0	0	39,000 <sup>2/</sup>
State Aid; Criminal Justice System, Ch. 182	0	0	350,000 <sup>2/</sup>
Appropriation; Elder Law Representation, Ch. 207	0	0	100,000 <sup>2/</sup>
Temporary Custody; Preliminary Protective Hearing, Ch. 276	0	0	269,000 <sup>2/</sup>
<b>Total Appropriations</b>	<b>10,991,900</b>	<b>18,590,300</b>	<b>22,332,200 <sup>3/4/</sup></b>
<b>Fund Summary</b>			
General Fund	10,991,900	11,944,100	12,824,400
Judicial Collection Enhancement Fund	0	6,458,200	9,457,800
Confidential Intermediary and Private Fiduciary Fund	0	50,000	50,000
Arizona Department of Administration Lease-Purchase Payment Fund	0	138,000	0
<b>Total Appropriations</b>	<b>10,991,900</b>	<b>18,590,300</b>	<b>22,332,200</b>

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

<sup>1/</sup> Includes 14 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

<sup>3/</sup> Included in the Lump Sum appropriation is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)

<sup>4/</sup> 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)

**Judicial Salary Adjustment** — The approved FY 1999 amount includes half-year funding to increase the salary of Supreme Court Associate Judges from \$114,300 to \$118,000 and the Supreme Court Chief Justice's salary from \$117,000 to \$120,500. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. They recommended the \$118,000 salary for Supreme Court Associate Judges and the \$120,500 salary for the Supreme Court Chief Justice beginning January 1, 1999.

The approved FY 1998 amount reflects a supplemental appropriation of \$21,300 to annualize a judicial salary increase effective January 1, 1997.

**Automation Support** — The approved FY 1999 amount includes an increase of 2 FTE Positions and \$254,100 from the General Fund to provide additional automation support to the Supreme and Appellate courts. The approved amount includes \$51,000 in one-time funding.

**Deputy Clerk Specialist** — The approved FY 1999 amount includes an increase of 1 FTE Position and \$44,900 from the General Fund to support the court's steadily rising caseload. The position will assist in maintaining case files, producing copies of the court's opinions, decisions and rules for distribution to the justices and staff attorneys. Included in the approved amount is \$6,600 in one-time equipment funding.

**Replacement Equipment** — The approved FY 1999 amount includes an additional \$84,300 from the General Fund to replace equipment throughout the State Courts Building.

**State Court Building** — The approved FY 1998 amount includes a supplemental appropriation of \$138,000 from the Arizona Department of Administration Lease-Purchase Payment Fund for tenant improvements to the State Courts Building.

**Judicial Assistance** — The approved amount provides: 1) payment of judges pro tempore salaries when 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 approved 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 approved FY 1998 amount reflects a supplemental of \$136,300 from the General Fund to meet actual expenses.

**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 FY 1999 amount includes an additional \$44,300 in one-time funding to replace the commission's photocopy machine.

**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)** — JCEF has 2 purposes: to improve collection and management of monies owed the court, and to improve case processing through automation projects. The approved FY 1999 appropriation for all JCEF-related Special Line Items includes an increase of \$2,999,600, which represents the estimated available fund balance above the FY 1998 appropriation. This Special Line Item is for administrative staff and operating expenses.

**JCEF Assistance to Courts** — This portion of JCEF consists of monies passed through the AOC to the various Superior and Municipal Courts for general fiscal management and collections improvement.

**JCEF AZ Courts Automation Project** — This portion of JCEF is for automation projects.

### Expected FY 1999 Utilization of JCEF Monies

Administration	\$ 251,300
Statewide Automation	5,591,300
Local Court Automation	2,000,000
Cash Management Projects	350,000
Miscellaneous Projects	665,200
Transfer to Public Defender	
Training Fund	600,000
<b>TOTAL</b>	<b>\$9,457,800</b>



## **JUDICIARY - SUPREME COURT - JUDICIAL AND ADMINISTRATIVE (Cont'd)**

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**Private Fiduciary** — Confidential Intermediary and Private Fiduciary Fund monies are used to regulate private fiduciaries, professionals that manage the affairs of persons incapacitated by age or illness.

total number of dependency petitions filed in Arizona for the most recently reported fiscal year.

**Additional Appropriations: Covenant Marriages, (Chapter 135)** — Establishes an optional covenant marriage contract which couples may enter into when applying for a marriage license. Appropriates \$10,000 from the General Fund to the Supreme Court to publish a pamphlet describing the requirements for entering into a covenant marriage and the grounds necessary to obtain a decree of dissolution.

**Juvenile Offenders; Notice to Schools, (Chapter 151)** — Requires the court to notify the school district in which a juvenile resides that the juvenile has been placed on probation for a sexual or violent offense. Appropriates \$39,000 from the General Fund for the purpose of providing notice to school districts.

**State Aid; Criminal Justice System (Chapter 182)** — Establishes the Criminal Case Processing Improvement Fund for the purpose of improving the processing of criminal cases in the Superior Court and the Justice Courts. Appropriates \$350,000 from the General Fund to the Criminal Case Processing Improvement Fund for the purpose of developing and implementing county criminal case processing improvement projects. At a minimum, each project shall involve the County Attorney, County Public Defender, County Legal Defender, County Contract Indigent Defense Council, Superior Court, Clerk of the Superior Court, County Manager, and Justice Courts in the county. By December 1, 1998, the Supreme Court shall report to the Governor, the Legislature, each County Board of Supervisors, and the Arizona Criminal Justice Commission on the progress of the criminal case processing projects.

**Appropriation; Elder Law Representation, (Chapter 207)**— Appropriates \$100,000 from the General Fund to the Supreme Court for the purpose of establishing an elder law statewide telephone hotline.

**Temporary Custody; Preliminary Protective Hearing, (Chapter 276)** — Establishes a preliminary protective custody hearing process to review the temporary custody of children. The bill requires the protective hearing to be held within 5 to 7 working days after the child is taken into custody. Appropriates \$215,200 from the General Fund to the Supreme Court for additional juvenile court judicial and administrative staff. Appropriates an additional \$53,800 from the General Fund to the Supreme Court for indigent legal representation. By October 1, 1998, the Supreme Court shall distribute the monies to each county proportionately based on the county's percentage of the

# JUDICIARY - SUPREME COURT- FOSTER CARE REVIEW BOARD

Honorable Thomas A. Zlaket, Chief Justice

A.R.S. § 8-515.04  
 JLBC Analyst: Brad Regens

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	48.5	46.5	48.5 <sup>1/</sup>
Personal Services	1,064,100	1,164,500	1,268,500
Employee Related Expenditures	205,900	221,600	244,200
Professional and Outside Services	63,300	74,600	74,600
Travel	60,000	53,500	58,300
Other Operating Expenditures	241,500	234,200	237,400
Equipment	29,200	10,000	106,800
<b>Operating Subtotal</b>	<b>1,664,000</b>	<b>1,758,400</b>	<b>1,989,800</b>
Court Appointed Special Advocate	1,400,500	1,581,400	1,674,700
Confidential Intermediary	0	153,800	192,200
<b>Total Appropriations</b>	<b>3,064,500</b>	<b>3,493,600</b>	<b>3,856,700</b> <sup>2/</sup>
<b>Fund Summary</b>			
General Fund	1,664,000	1,758,400	1,989,800
Court Appointed Special Advocate Fund	1,400,500	1,581,400	1,674,700
Confidential Intermediary Fund	0	153,800	192,200
<b>Total Appropriations</b>	<b>3,064,500</b>	<b>3,493,600</b>	<b>3,856,700</b>

**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.*

**FCRB Program Specialists** — A.R.S. § 8 - 515.01 requires the establishment of a Foster Care Review Board (FCRB) for each 100 children, or fraction thereof, who are in out-of-home placement and who are the subject of a dependency action. Based on a 7.4% average annual caseload growth since 1987, 10 additional FCRB's will be added by the end of FY 1999. The approved FY 1999 amount includes 2 FTE Positions and \$101,200 from the General Fund to handle the expected caseload growth. Included in the approved amount is \$15,300 in one-time funding for equipment associated with the new positions.

**Replacement Equipment** — The approved FY 1999 amount includes \$91,500 from the General Fund to replace equipment associated with the administration of the FCRB, including the program's photocopy machine.

**Court Appointed Special Advocate (CASA)** — The CASA program trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings. The program is entirely supported by the CASA Fund, which consists of 30% of unclaimed state lottery prize money.

The approved FY 1999 amount includes an increase of \$59,600 for volunteer recruitment and for a training conference.

**Confidential Intermediary** — The Confidential Intermediary (CI) program trains and certifies confidential intermediaries to facilitate contact between adoptee or adoptive parents and birth parents, while protecting court and agency records and anonymity of those who desire it. The program is funded by adoption filing surcharges and by a birth certificate surcharge. The approved FY 1999 amount includes an additional \$34,200 in one-time funding for an advertising campaign to increase the number of individuals requesting to be certified as confidential intermediaries by educating the public regarding the program's services.

<sup>1/</sup> Includes 11.5 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**DEPARTMENT OF JUVENILE CORRECTIONS**

Dave Gasper, Acting Director

**A.R.S. § 41-2802**

JLBC Analyst: Phil Case/Brad Mortensen

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
<b>Program Summary</b>			
Administration	4,804,600	4,559,800	4,692,600
Secure Care	28,255,000	35,645,000	46,050,600
Community Care	13,240,800	13,677,300	14,073,900
Education	4,082,700	5,233,700	6,567,100
<b>Total Appropriations</b>	<b>50,383,100</b>	<b>59,115,800</b>	<b>71,384,200</b>
<b>Expenditure Detail</b>			
FTE Positions	895.5	1,078.5 <sup>1/</sup>	1,362.0 <sup>2/</sup>
Personal Services	22,780,300	27,321,100	35,527,600
Employee Related Expenditures	6,354,600	7,540,500	9,683,700
Professional and Outside Services	713,500	782,500	1,487,400
Travel - In State	364,000	387,800	492,600
Travel - Out of State	20,900	16,300	16,300
Other Operating Expenditures	5,425,000	6,258,500	7,379,600
Equipment	155,200	661,100	448,000
<b>Operating Subtotal</b>	<b>35,813,500</b>	<b>42,967,800</b>	<b>55,035,200</b>
Due Process	303,700	315,300	0
Youth Rights	262,900	267,100	0
Court Monitors	73,100	0	0
Classification/Risk Assessment	29,000	77,000	0
Staff Training and Certification	102,400	103,200	0
Food	553,500	667,400	880,600
Special Treatment Programs	395,500	397,300	0
Work Incentive Pay Plan	161,700	225,100	329,100
Boot Camp	2,620,600	3,174,400	3,174,400
Outcome Evaluations	29,300	110,000	110,000
Community Services Contracts	9,717,100	9,854,800	9,999,300
Family Transition	125,900	131,600	0
Community Work Program	194,900	203,700	0
Rincon Beds	0	621,100 <sup>1/3/</sup>	1,855,600 <sup>3/</sup>
<b>Total Appropriations</b>	<b>50,383,100</b>	<b>59,115,800</b>	<b>71,384,200 <sup>4/</sup></b>
<b>Fund Summary</b>			
General Fund	48,204,300	56,243,800	67,061,600
Juvenile Education Fund	1,577,700	2,272,000	3,722,600 <sup>5/</sup>
Land Endowment Fund	300,000	300,000	300,000 <sup>6/</sup>
Criminal Justice Enhancement Fund	300,000	300,000	300,000
Parental Assessment & Restitution Fund	1,100	0	0
<b>Total Appropriations</b>	<b>50,383,100</b>	<b>59,115,800</b>	<b>71,384,200</b>

**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.*

## DEPARTMENT OF JUVENILE CORRECTIONS (Cont'd)

**Annualize Funding for 100 Beds** — The approved amount includes a total of \$4,829,400 and 130.5 FTE Positions to annualize the cost of the first 100 beds at the department's new secure care complex near the Town of Buckeye. Of the amount, \$4,044,100 is from the General Fund and \$785,300 is from the Juvenile Education Fund. Start-up costs for the beds were funded in FY 1998. The beds are expected to be occupied in August, with a second 100 beds to be occupied in November (*see the "Additional 100 New Beds" write-up below for more information*). The Legislature also appropriated a total of \$8,600,000 over FY 1998 and FY 1999 to construct an additional 200 beds at the complex (*see the "Capital Outlay" write-up below for more information*.)

**Additional 100 New Beds** — The approved amount includes a total of \$4,134,500 and 130 FTE Positions to start-up and operate the second 100 beds at the department's new secure care complex near the Town of Buckeye. Of the amount, \$3,413,900 is from the General Fund and \$720,600 is from the Juvenile Education Fund. The FY 2000 annualization costs are estimated to be \$1,131,600. The beds are expected to be occupied in November.

**Parole Positions** — Laws 1997, Chapter 220 appropriated \$4,000,000 to the department in FY 1998 to expand its Adobe Mountain School (AMS) by 96 beds. Of this amount, \$300,000 was for one-time start-up costs. The approved FY 1999 amount includes \$300,000 and 3 FTE Positions to provide parole services for juveniles associated with these beds. Of the amount, \$144,500 funds the positions and \$155,500 is placed in the Community Services Contracts Line Item. The remainder of the \$4,000,000 appropriation is retained in the department's operating budget for the continued operation of the 96 beds.

**Special Line Items** — With the exception of the 5 Special Line Items discussed below, all of the prior year Special Line Items have been combined into the department's operating budget.

**Food** — The approved amount of \$880,600 represents the General Fund portion of raw food costs for the secure care juvenile offender population and some eligible staff.

Additional monies are expected from the National School Breakfast and Lunch Program.

**Work Incentive Pay Plan** — The Work Incentive Pay Plan provides wages of 25¢ to 75¢ per hour to youth offenders who are assigned to various work details.

**Boot Camp** — The 24-bed Boot Camp program is operated by a contractor at Black Canyon School. The program provides 3 months of secure supervision and 9 months of aftercare for participating youth.

**Outcome Evaluations** — The approved amount shall be used for an outside contract to measure the short-term (less than 1 year) and long-term (at least 2 years) impacts of various treatment programs.

**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. 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.

**Rincon Beds** — The approved FY 1999 amounts include a FY 1998 supplemental appropriation of \$621,100 and 67.5 FTE Positions to open and operate 200 temporary beds at the Rincon Unit at ASPC-Tucson. Of the amount, \$321,100 is from the General Fund and \$300,000 is from the Juvenile Education Fund. These monies are contained in the Rincon Special Line Item and may not be expended unless the population of juveniles committed to the department exceeds 950 for a period of 14 consecutive days. This condition has already been met.

1/ Laws 1998, Chapter 1, 4<sup>th</sup> Special Session appropriated a total of \$621,100 and 67.5 FTE Positions to the department in FY 1998 supplemental funding.

2/ Includes 87.5 FTE Positions funded from Special Line Items in FY 1999.

3/ The amounts appropriated to implement the Rincon bed plan shall not be expended unless the population of committed juveniles within the Department of Juvenile Corrections exceeds 950 for a continuous period of 14 days. (General Appropriation Act footnote)

4/ General Appropriation Act funds are appropriated a Modified Lump Sum by Agency.

5/ Prior to the expenditure of any Juvenile Education Fund receipts in excess of the \$3,718,800 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 Reformatories Land Fund shall be distributed to the Department of Juvenile Corrections, in compliance with Section 25 of the Enabling Act and with the Constitution, to be used for the support of state juvenile institutions and reformatories. (General Appropriation Act footnote)

## DEPARTMENT OF JUVENILE CORRECTIONS (Cont'd)

Until now, the Rincon Unit has been utilized by the Department of Corrections (DOC) to house minors convicted as adults. DJC intends to use the beds as a reception and diagnostic facility until additional permanent beds can be constructed at the department's new complex. Language in the Omnibus Reconciliation Bill for Public Finances (Chapter 6, 4<sup>th</sup> Special Session), permits DOC to expend monies in its budget for the safe and secure operation of the unit while it is being occupied by juveniles committed to DJC.

The approved FY 1999 amounts also include a total of \$2,987,200 and 87.5 FTE Positions to operate the Rincon beds in FY 1999. Of this amount, \$1,855,600 is contained in the Rincon Beds Special Line Item which also may not be expended unless the population of juveniles committed to the department exceeds 950 for a period of 14 consecutive days. If the 950 population figure had not been achieved, the monies in the operating budget could have been spent to address overcrowding at existing facilities.

**Capital Outlay:** Chapter 7, 4<sup>th</sup> Special Session — Appropriates \$1,558,000 from the Corrections Fund to the Department of Administration to partially fund the construction of an additional 200 beds and all related support facilities at the Department of Juvenile Corrections' new secure care complex near the town of Buckeye. In conjunction with a FY 1998 supplemental appropriation of \$7,042,000 from the General Fund (*see below*), the approved amount provides a total of \$8,600,000.

Chapter 1, 4<sup>th</sup> Special Session — Appropriates \$7,042,000 from the General Fund to the Department of Administration in FY 1998 to partially fund the construction of an additional 200 beds and all related support facilities at the Department of Juvenile Corrections' new secure complex near the town of Buckeye. In conjunction with a FY 1999 appropriation of \$1,558,000 from the Corrections Fund (*see above*), the approved amount provides a total of \$8,600,000.

**Other Issues:** Population — The department's population has been difficult to forecast accurately. Reasons for the forecasting difficulty include statutory changes and the impact of the *Johnson v. Upchurch* consent decree, which may have impacted the sentencing behavior of the juvenile courts. The FY 1999 appropriation is based upon a projected total department capacity of 2,510. Included in this total are 1,158 secure care beds and 1,352 parole slots as shown in Table 1.

In the table, the FY 1998 original column reflects the population capacity originally funded by the Legislature. The FY 1998 population column reflects the actual

population as of May 30, 1998. The FY 1999 numbers include the opening of 200 temporary beds at the ASPC-Rincon Unit and 200 new beds to be opened at the new secure care complex near the Town of Buckeye.

**Table 1**  
**SECURE CARE AND PAROLE CAPACITY**

	FY 1998 Original Funded Capacity	FY 1998 Population as of 5/30/98	FY 1999 Funded Capacity
<b>SECURE CARE BED CAPACITY</b>			
Adobe Mountain School	408	548	408
Black Canyon School	168	215	168
Catalina Mountain School	124	167	124
Boot Camp	24	18	24
Arizona State Hospital	34	28	34
Rincon Unit	N/A	N/A	200
New Complex	N/A	N/A	200
Total Secure Beds	758	976	1,158
<b>PAROLE CAPACITY</b>			
Boot Camp - Aftercare	96	27	96
Residential Treatment	160	145	160
All Other Case Management	1,000	1,174	1,096
Non-Institution Capacity	1,256	1,346	1,352
TOTAL DJC YOUTH	2,014	2,322	2,510

**Additional Bed Capacity** — Table 2 shows the recent growth in DJC's bed capacity, but in reality the population within DJC institutions has usually exceeded funded capacity. Recognizing that pressure on DJC's population may continue, the Legislature has approved a total of \$8,600,000 in funding for the construction of an additional 200 beds at the new secure care complex (*see Capital Outlay write-up*). The new beds would be available sometime in FY 2000.

**Table 2**  
**GROWTH IN DJC BED CAPACITY**

Month/Year	Additional Beds	Total Secure Capacity
9-12/1995	72 beds re-opened at Adobe Mountain	522
9/1995	20 beds re-opened at Black Canyon	542
5/1996	24 Boot Camp Beds	566
7/1996	24 new beds at Arizona State Hospital	590
9/1996	14 beds re-opened at Catalina Mountain	604
10/1996	48 new beds at Black Canyon	652
4/1997	10 new beds at Arizona State Hospital	662
7/1997	96 beds re-opened at Adobe Mountain	758
6/1998	200 temporary beds at Rincon Unit	958
8-11/1998	200 new beds at New Complex	1,158
	(Site capacity will be 400.)	
2000	200 new beds at New Complex	1,158
	(With closure of Rincon beds.)	

**DEPARTMENT OF TRANSPORTATION - SUMMARY**

A.R.S. § 28-101

Mary Peters, Director

JLBC Analyst: Bob Hull/Jim Rounds

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
<u>Program Summary</u>			
Administration	43,977,900	43,508,400	75,393,800
Highways	39,481,700	41,607,600	42,503,200
Highway Maintenance	69,657,500	76,562,700	78,981,300
Aeronautics Division	1,424,400	1,658,100	1,677,000
Motor Vehicle Division	29,575,500	61,632,700	69,882,100
<b>Total Appropriations</b>	<b>184,117,000</b>	<b>224,969,500</b>	<b>268,437,400</b>
<u>Expenditure Detail</u>			
FTE Positions	3,021.0	3,683.0	3,888.0 <sup>1/</sup>
Personal Services	80,691,500	104,665,600	106,097,400
Employee Related Expenditures	20,015,000	26,268,800	25,624,900
Professional and Outside Services	1,565,500	3,145,200	1,863,800
Travel - In State	1,732,600	1,716,000	1,708,400
Travel - Out of State	176,900	156,900	154,500
Other Operating Expenditures	26,562,600	31,843,300	31,786,400
Equipment	767,900	1,200,100	1,490,100
<b>Operating Subtotal</b>	<b>131,512,000</b>	<b>168,995,900</b>	<b>168,725,500</b>
Special Line Items	52,605,000	55,973,600	99,711,900
<b>Total Appropriations</b>	<b>184,117,000</b>	<b>224,969,500</b>	<b>268,437,400</b> <sup>2/3/</sup>
<u>Fund Summary</u>			
General Fund	291,200	578,000	579,600
State Highway Fund	179,889,600	221,192,000	234,659,900
Transportation Department Equipment Fund	0	0	30,715,200
State Aviation Fund	1,424,400	1,658,100	1,677,000
Air Quality Fund	35,400	37,900	38,500
Arizona Clean Air Fund	50,000	0	0
Safety Enforcement and Transportation Infrastructure Fund	1,909,400	759,000	767,200
Abandoned Vehicle Administration Fund	377,900	463,800	0
Dealer Enforcement Fund	139,100	280,700	0
<b>Total Appropriations</b>	<b>184,117,000</b>	<b>224,969,500</b>	<b>268,437,400</b>

<sup>1/</sup> Includes 28 FTE Positions funded from Special Line Items in FY 1998.

<sup>2/</sup> Before spending more than \$300,000 of the \$1,174,600 departmentwide for replacement personal computer equipment in FY 1999, the department shall present to the Joint Legislative Budget Committee its expenditure plan for the \$1,174,600 as approved by the Government Information Technology Agency. The department shall explain how the \$1,174,600 of personal computer equipment addresses its departmentwide automation plan for personal computer equipment and software. (General Appropriation Act footnote) (See footnote regarding a similar reporting requirement for an additional \$2,552,000 in the Motor Vehicle Division's Desktop Computer Replacement Special Line Item)

<sup>3/</sup> General Appropriation Act appropriation format varies by program.



## DEPARTMENT OF TRANSPORTATION - SUMMARY (Cont'd)

**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.*

**Highway User Revenue Fund (HURF)** — The following table summarizes HURF distributions.

	\$ In Thousands		
	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999 ESTIMATE
Total HURF Collections	\$896,962	\$925,800	\$941,770
Less: Economic Strength Fund <sup>1/</sup>	1,000	1,000	1,000
Dept of Public Safety Transfer from HURF	17,500	15,000	12,500
Commerce and Economic Development Commission Fund <sup>2/</sup>	0	0	4,000
Net HURF Collections	\$878,462	\$909,800	\$924,270
Less: Cities <sup>3/</sup>	267,930	277,489	281,902
Counties <sup>3/</sup>	166,908	172,862	175,611
Controlled Access <sup>4/</sup>	67,431	69,836	70,947
Net State Highway Fund (Discretionary)	\$376,193	\$389,613	\$395,810
Plus: Other Income <sup>5/</sup>	28,441	59,061	57,518
Less: Operating Budget	179,890	221,192	234,660
Operating Carryovers, Adjustments and Transfer <sup>6/</sup>	2,519	2,922	12
Capital Outlay and Building Renewal	7,696	13,226	8,427
Capital Non-Lapsing Carryovers	0	0	7,084
Dept of Public Safety Transfer from Highway Fund	19,600 <sup>7/</sup>	15,000	12,500
Year 2000 Computer Projects	0	6,364	4,228
Dept of Emergency and Military Affairs - 1993 Flood Relief	574	800	0
Debt Service <sup>8/</sup>	31,595	29,430	46,059 <sup>9/10/</sup>
Net Highway Fund Available for Statewide Highway Construction (5-Year Plan) <sup>10/</sup>	\$162,760	\$159,740	\$140,358

- 1/ Provides monies for economic strength highway projects recommended by the Commerce and Economic Development Commission and approved by the State Transportation Board.
- 2/ Laws 1998, Chapter 7, 4<sup>th</sup> Special Session, capital appropriation for FY 1999.
- 3/ A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.
- 4/ 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.
- 5/ Includes interest and rental income, transfers including from the Public Roads Fund, 2% of the vehicle license tax, revenue from 5 formerly non-appropriated funds beginning in FY 1998, and miscellaneous sales and other income.
- 6/ Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement beginning FY 1998 by Laws 1997, Chapter 183.
- 7/ Includes an additional \$2,100,000 transfer to DPS as maximum final payment for Maricopa County's title and registration facilities.
- 8/ Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.
- 9/ Includes debt service on a planned bond issue of \$212,000,000 in FY 1999.
- 10/ Excludes Maricopa and Pima County controlled access funds, and bond, federal carryover, and miscellaneous funds available for construction.

### Key Statistics

Lane Miles	25,722
Licensed Drivers	3,400,000
Registered Vehicles	3,600,000

**Capital Outlay: Chapter 7, 4<sup>th</sup> Special Session** — Appropriates a total of \$305,111,800 (\$289,510,500 from the State Highway Fund and \$15,601,300 from Other Funds) to the department for the following capital projects in the following amounts:

### State Highway Fund

- Building Renewal \$ 2,041,500  
Of this amount, up to 25% may be used for infrastructure replacement or repair, or for building modifications to comply with the Americans with Disabilities Act.
- Underground Storage Tanks Upgrades 860,000
- Spreader Racks 1,045,000  
The appropriated amount shall be used to construct racks to store spreaders which are carried on the backs of utility trucks in order to salt and sand roads.

**DEPARTMENT OF TRANSPORTATION - SUMMARY (Cont'd)**

- Southeast Regional MVD Service Center - Land Purchase 900,000  
The appropriated amount shall be used to purchase land in the Mesa/Chandler area for the future construction of a Motor Vehicle Division service center.
- De-icer Building - Jacob's Lake 180,000
- Water Systems Improvements 800,000  
The approved amount shall be used for improvements to water systems at 7 remote facilities.
- North Central Regional MVD Service Center 2,100,000  
Prior to the acquisition of land or buildings for a new north central regional MVD service center in the Phoenix metropolitan area, the department must receive approval from the Joint Committee on Capital Review. If savings are available as a result of the Motor Vehicle Division negotiating the purchase of a facility for a new north central regional service center, those savings shall be used to accelerate the construction of the new southeast regional service center. The savings will result in offsetting the requirement for \$2,100,000 in FY 2000 for the building construction of the southeast regional service center.
- Tucson Traffic Operations Office 500,000  
The approved amount will fund the purchase of a building and improvements to replace the existing, outdated facility.
- Highway Construction 281,084,000  
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 \$27,812,500 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, 1998 to the Joint Legislative Budget Committee and the Joint Committee on Capital Review for review.

**Subtotal - State Highway Fund \$ 289,510,500**

State Aviation Fund

- Building Renewal \$ 46,900  
Of this amount, up to 25% may be used for infrastructure replacement or repair, or for building modifications to comply with the Americans with Disabilities Act.
- Airport Planning and Development 14,554,400  
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 \$ 14,601,300**

Safety Enhancement and Transportation Infrastructure Fund

- Nogales Port-of-Entry \$ 1,000,000  
The approved amount will fund the first phase of a project to expand and develop the Nogales port-of-entry facility. The Governor line item vetoed a footnote which in addition would also have appropriated to this project any monies remaining in the Safety Enforcement and Transportation Infrastructure Fund in FY 1999 after the distribution of legislative appropriations. In response to this veto, the department has been asked to clarify the scope and estimated cost of this project.

**Total - Capital Outlay \$ 305,111,800**

**DEPARTMENT OF TRANSPORTATION - ADMINISTRATION**

A.R.S. § 28-101

Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	475.0	498.0	716.0
Personal Services	15,100,500	16,995,700	16,224,900
Employee Related Expenditures	3,368,200	3,898,800	3,655,200
Professional and Outside Services	1,089,100	990,600	985,600
Travel - In State	188,500	159,300	154,800
Travel - Out of State	72,000	41,400	34,400
Other Operating Expenditures	13,957,100	12,938,600	12,305,300
Equipment	279,500	218,000	218,000
<b>Operating Subtotal</b>	<b>34,054,900</b>	<b>35,242,400</b>	<b>33,578,200</b>
Risk Management Premium	9,276,300	8,266,000	9,024,400
Regional Area Road Fund Rent	646,700	0	0
Transportation Department Equipment Fund	0	0	30,715,200
Computer Network Upgrade	0	0	138,600
Mainframe Peripherals Upgrade	0	0	101,700
Attorney General Legal Services	0	0	1,835,700
<b>Total Appropriations</b>	<b>43,977,900</b>	<b>43,508,400</b>	<b>75,393,800</b> <sup>1/</sup>
<u>Fund Summary</u>			
State Highway	43,942,500	43,470,500	44,640,100
Transportation Department Equipment	0	0	30,715,200
Air Quality	35,400	37,900	38,500
<b>Total Appropriations</b>	<b>43,977,900</b>	<b>43,508,400</b>	<b>75,393,800</b>

**Program Description** — Administration establishes and provides policy, guidance and overall direction to the department. It provides financial, data processing and administrative support for the department, including audit and analysis, community relations, affirmative action, and legal assistance.

**FTE Positions** — The approved amount includes an increase of 247 FTE Positions for the initial appropriation of the Transportation Department Equipment Fund, transfers of 26 FTE Legal Services Positions to the Attorney General and 1 FTE Tax Administrator Position to the Motor Vehicle Division, and a decrease of 2 FTE Positions by the department to fund reclassifications.

**Mainframe Downgrade** — The approved amount includes a decrease of \$422,300 to downgrade mainframe computer capacity, which was not needed after the Enterprise project failed to materialize.

**Risk Management Premium** — The approved amount is for the payment of the Arizona Department of Administration's Risk Management premium.

**Regional Area Road Fund Rent** — The amount is the expenditure to rent Maricopa Regional Area Road Fund-owned space, which was transferred to the Motor Vehicle Division in FY 1998 to align the expenditure with the user.

**Transportation Department Equipment Fund** — The approved amount represents the initial appropriation of 247 FTE Positions and \$30,715,200 from the formerly non-appropriated Transportation Department Equipment Fund, as specified by Laws 1997, Chapter 210. The fund is used to maintain and replace the department's fleet of vehicles, trucks and specialty equipment.

**Computer Network Upgrade** — The approved amount of \$138,600 is the first of 3 equal annual installment/purchase payments, to upgrade the department's wide area computer network. Government Information Technology Agency approval is required before the project proceeds.

<sup>1/</sup> 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 - ADMINISTRATION (Cont'd)**

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**Mainframe Peripherals Upgrade** — The approved amount of \$101,700 is the first of 3 equal annual installment/purchase payments, to upgrade the department's mainframe computer peripheral equipment and its uninterruptible power supply. Government Information Technology Agency approval is required before the project proceeds.

**Attorney General Legal Services** — The approved amount of \$1,835,700 is to be transferred to the Attorney General's Intergovernmental Service Agreement Fund, for the costs of transportation attorneys and related staff which are supervised by the Attorney General but have historically been included in the department's budget.

**DEPARTMENT OF TRANSPORTATION - HIGHWAYS**

**A.R.S. § 28-101**

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	839.0	839.0	831.0
Personal Services	26,825,500	29,041,600	29,799,100
Employee Related Expenditures	6,137,300	6,643,500	6,625,800
Professional and Outside Services	208,700	110,500	110,500
Travel - In State	637,800	725,300	724,600
Travel - Out of State	54,500	73,500	73,500
Other Operating Expenditures	4,924,700	3,628,000	3,584,500
Equipment	221,300	462,500	462,500
<b>Operating Subtotal</b>	<b>39,009,800</b>	<b>40,684,900</b>	<b>41,380,500</b>
Radio Communications	405,600	405,900	405,900
Regional Public Transportation	50,000	0	0
Other Transit Planning	16,300	16,800	16,800
Traffic Signal Synchronization	0	500,000	500,000 <sup>1/</sup>
Transportation Research	0	0	200,000
<b>Total Appropriations</b>	<b>39,481,700</b>	<b>41,607,600</b>	<b>42,503,200</b> <sup>2/3/</sup>
<b>Fund Summary</b>			
General Fund	68,100	578,000	579,600
State Highway Fund	39,363,600	41,029,600	41,923,600
Arizona Clean Air Fund	50,000	0	0
<b>Total Appropriations</b>	<b>39,481,700</b>	<b>41,607,600</b>	<b>42,503,200</b>

**Program Description** — Highways plans the statewide transportation system, including highways and airports. It is responsible for the location, design, right-of-way acquisition and construction of new highways for the state highway system. It coordinates a variety of services on a statewide basis, including: Federal Section 18 funds for general public transit services in rural areas; Federal Section 16(b)(2) funds for elderly and handicapped transportation; technical transit planning and training to rural public bodies and social service agencies; and urban transit projects demonstrating potential air quality benefits.

**FTE Positions** — The approved amount is a decrease of 8 FTE Positions, including decreases of 2 FTE Positions by the department to fund reclassifications, and 6 FTE Transportation Planning Positions and \$262,600 which were performing transportation planning functions for the Pima Association of Governments.

**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** — This was 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.

<sup>1/</sup> Appropriated by Laws 1997, Chapter 269.

<sup>2/</sup> Of the \$41,923,600 appropriated from the State Highway Fund, \$100,000 shall be transferred on July 1, 1998 to the state university that is participating in establishing the Arizona Transportation Research and Learning Center for the purposes of establishing an Automated Highway System Research Center to study the feasibility of automated highway system technology in improving traffic capacity, air quality and traffic safety along Interstate 10 between Phoenix and Tucson, to acquire a fully-automated "smart car," and to maintain a demonstration test track. The \$100,000 transfer is exempt from A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote) Note: This amount is in addition to \$200,000 appropriated for this purpose in a separate Special Line Item.

<sup>3/</sup> 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 (Cont'd)

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**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.

**Traffic Signal Synchronization** — The approved amount is for distribution to cities and counties for synchronization of traffic control signals within and across jurisdictional boundaries. Laws 1997, Chapter 269 appropriated \$500,000 for this purpose in both FY 1998 and FY 1999.

**Transportation Research** — The approved amount provides \$200,000 for first year startup costs of the Arizona Transportation Research and Learning Center, which the department is to establish with a participating state university. In addition to this \$200,000, another \$100,000 is transferred from the department's operating budget on July 1, 1998 to the same state university to establish a separate Automated Highway System Research Center to specifically study the feasibility of automated highway system technology (*see footnote for details.*)



**DEPARTMENT OF TRANSPORTATION - HIGHWAY MAINTENANCE**

**A.R.S. § 28-101**

State Highway Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	951.0	951.0	951.0 <sup>1/</sup>
Personal Services	21,727,600	23,095,300	23,080,800
Employee Related Expenditures	6,095,700	6,248,200	5,918,800
Professional and Outside Services	149,700	20,000	20,000
Travel - In State	672,300	340,000	340,000
Travel - Out of State	2,400	0	0
Other Operating Expenditures	2,551,500	3,718,800	3,659,100
Equipment	224,300	0	300,000
<b>Operating Subtotal</b>	<b>31,423,500</b>	<b>33,422,300</b>	<b>33,318,700</b>
Landscape Maintenance	0	0	5,666,300
Central Maintenance	1,151,000	1,274,900	1,274,900
Contract Maintenance	5,284,600	8,600,000	3,649,600
Materials	13,339,000	15,962,700	15,783,700
Equipment Rentals	18,062,900	16,452,800	18,438,100
Right-of-Way Vegetative Treatment	396,500	850,000 <sup>2/3/</sup>	850,000 <sup>2/3/</sup>
<b>Total Appropriations</b>	<b>69,657,500</b>	<b>76,562,700</b>	<b>78,981,300 <sup>4/5/</sup></b>

**Program Description** — *Highway Maintenance is responsible for the management and maintenance of the state highway system.*

**Transfers** — The approved amount represents \$0 net change resulting from transfers between line items to better reflect actual expenditures, including increases of \$1,750,000 for Equipment Rentals and \$300,000 for Equipment, and decreases of \$1,300,000 for Contract Maintenance and \$750,000 for Materials.

**Level of Highway Maintenance** — The approved amount includes an increase of \$1,600,000 for increasing highway maintenance needs as additional miles of roadway come online, including increases of \$800,000 for Materials and \$800,000 for Equipment Rentals.

**Landscape Maintenance** — The approved amount includes an increase of \$270,000 to improve landscape maintenance, and the transfer of 36 FTE Positions and a total of \$5,396,300 of resources currently performing landscape maintenance, to this new special line item. The transfers include \$739,900 from Personal Services, \$212,300 from Employee Related Expenditures, \$564,700 from Equipment Rentals, \$229,000 from Materials, and \$3,650,400 from Contract Maintenance. The Landscape

Maintenance Special Line is to increase the visibility and legislative oversight of landscape maintenance.

**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, mowing, rest and picnic areas, debris and litter pickup and removal, and contract administration. The approved amount includes the transfer of \$3,650,400 to the Landscape Maintenance Special Line.

**Materials** — The approved amount is for materials for the maintenance of roadway, and includes the transfer of \$229,000 to the Landscape Maintenance Special Line.

<sup>1/</sup> Includes 36 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> Appropriated by Laws 1996, Chapter 365.

<sup>3/</sup> 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.

<sup>4/</sup> This appropriation is exempt from 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, 1999. (General Appropriation Act footnote)

<sup>5/</sup> General Appropriation Act funds are appropriated as a Lump Sum for the Program.

## **DEPARTMENT OF TRANSPORTATION - HIGHWAY MAINTENANCE (Cont'd)**

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**Equipment Rentals** — The approved amount is for equipment rentals for the maintenance of roadway, and includes the transfer of \$564,700 to the Landscape Maintenance Special Line.

**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 each of FY 1997, FY 1998, and FY 1999.

**DEPARTMENT OF TRANSPORTATION - AERONAUTICS DIVISION**

A.R.S. § 28-170

State Aviation Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	33.0	33.0	33.0 <sup>1/</sup>
Personal Services	716,500	894,200	625,800
Employee Related Expenditures	184,000	229,800	145,400
Professional and Outside Services	12,600	58,600	58,600
Travel - In State	19,300	29,900	27,500
Travel - Out of State	15,600	11,000	10,100
Other Operating Expenditures	433,600	415,000	174,600
Equipment	42,800	9,600	9,600
<b>Operating Subtotal</b>	<b>1,424,400</b>	<b>1,648,100</b>	<b>1,051,600</b>
Reimbursement to Highway Fund	0	10,000	10,000
Grand Canyon Airport	0	0	615,400 <sup>2/</sup>
<b>Total Appropriations</b>	<b>1,424,400</b>	<b>1,658,100</b>	<b>1,677,000 <sup>3/</sup></b>

**Program Description** — *The Aeronautics Division registers and licenses all general aviation aircraft in the state, administers the airports development grant and airports loan programs, and operates the Grand Canyon National Park Airport.*

**Grand Canyon Airport** — The approved amount includes 14 FTE Positions and \$615,400 to continue operating the airport if privatization is not effective by July 1, 1998. Before the expenditure of any Grand Canyon Airport Special Line monies for FY 1999, the department must report to the Joint Legislative Budget Committee on its progress in privatizing the airport. One FTE Position currently associated with the airport and related monies are retained in the operating budget to act as a liaison with the proposed independent airport authority.

installation of an air traffic control tower cab to be placed at the Laughlin/Bullhead International Airport.

The Grand Canyon National Park Airport Commission was appointed by the Governor in June 1995 to make a recommendation regarding ownership and management options for the airport. The commission engaged Price Waterhouse LLP, which recommended either an independent airport authority or a long-term lease, and prepared strategic business plans for each option. In July 1996, the commission recommended that an independent airport authority (non-profit civic corporation structure) be created to operate and manage the airport.

**Capital Outlay:** Appropriation; Air Traffic Control Tower (Chapter 156) — Appropriates \$250,000 from the General Fund in FY 1999 to the Mohave County Airport Authority for the purchase, restoration, transportation, and

<sup>1/</sup> Includes 14 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> Before expending any of the \$615,400 of the FY 1999 appropriation for the Grand Canyon Airport Special Line, the department shall report to the Joint Legislative Budget Committee on the status and projected date of the privatization of the airport. (General Appropriation Act footnote)

<sup>3/</sup> 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 - MOTOR VEHICLE DIVISION**

**A.R.S. § 28-101**

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	723.0	1,362.0	1,357.0 <sup>1/</sup>
Personal Services	16,321,400	34,638,800	36,366,800
Employee Related Expenditures	4,229,800	9,248,500	9,279,700
Professional and Outside Services	105,400	1,965,500	689,100
Travel - In State	214,700	461,500	461,500
Travel - Out of State	32,400	31,000	36,500
Other Operating Expenditures	4,695,700	11,142,900	12,062,900
Equipment	0	510,000	500,000
<b>Operating Subtotal</b>	<b>25,599,400</b>	<b>57,998,200</b>	<b>59,396,500</b>
Abandoned Vehicle Administration	377,900	463,800	405,600
Safety Enforcement and Infrastructure	1,909,400	759,000	767,200
Medical Advisory Board	84,200	0	0
Mobile Home Administration	115,100	0	0
License Plates and Tabs	1,266,400	1,275,300	1,275,300
Number Plate Replacement	0	1,020,000	1,020,000
Attorney General Legal Services	0	116,400	123,200
Auto Salvage, Theft Prevention	223,100	0	0
Special Projects	0	0	4,342,300 <sup>2/ 3/ 4/</sup>
Desktop Computer Replacement	0	0	2,552,000 <sup>5/</sup>
<b>Total Appropriations</b>	<b>29,575,500</b>	<b>61,632,700 <sup>6/</sup></b>	<b>69,882,100 <sup>7/ 8/ 9/ 10/ 11/</sup></b>
<b>Fund Summary</b>			
General Fund	223,100	0	0
State Highway Fund	26,926,000	60,129,200	69,114,900
Abandoned Vehicle Administration Fund	377,900	463,800	0
Dealer Enforcement Fund	139,100	280,700	0
Safety Enforcement and Transportation Infrastructure Fund	1,909,400	759,000	767,200
<b>Total Appropriations</b>	<b>29,575,500</b>	<b>61,632,700</b>	<b>69,882,100</b>

1/ Includes 27 FTE Positions funded from Special Line Items in FY 1999. The Special Line Items are displayed for information purposes.

2/ The \$4,342,300 in the Special Projects Special Line includes \$3,054,300 for one-time costs and \$1,288,000 for FY 1999 operating costs for 6 special projects. The total one-time and FY 1999 operating budget expenditures for each special project is as follows: \$105,000 for Biennial Registration Phase III, \$1,732,000 for Registration Compliance, \$1,689,000 for Customer Based Driver License and Title and Registration Systems, \$109,300 for Automated Vehicle Valuation Project, \$262,000 for National Motor Vehicle Title Information System, and \$445,000 for Expansion of Service Alternatives such as the internet and interactive voice response. (General Appropriation Act footnote) Note: monies available for Registration Compliance will be reduced by \$500,000 (See footnote 3).

3/ Prior to the expenditure of monies for any specific special project in the Special Projects Special Line, the department must submit its proposal to the Government Information Technology Agency for review and receive approval for that specific special project. In addition, monies in the Special Project Special Line shall not be expended for any special project that requires legislation to implement, if the implementing legislation is not enacted into law during the 43<sup>rd</sup> Legislature, 2<sup>nd</sup> Regular Session. Special projects requiring implementing legislation include the National Motor Vehicle Title Information System and a portion of the Registration Compliance project. All monies appropriated for both one-time and FY 1999 operating budget expenditures will revert to the State Highway Fund on June 30, 1999 for any special project for which the department has not received Government Information Technology Agency approval or implementing legislation has not been enacted into law during the 43<sup>rd</sup> Legislature, 2<sup>nd</sup> Regular Session. In addition, any FY 1999 operating budget monies that are unencumbered and unexpended on June 30, 1999 for any special projects that are underway or approved by the Government Information Technology Agency will revert to the State Highway Fund on June 30, 1999. If S.B. 1248 or similar legislation to create a Motor Vehicle Fund is not enacted into law during the 43<sup>rd</sup> Legislature, 2<sup>nd</sup> Regular Session, the sum of \$500,000 for the Registration Compliance Project shall revert to the State Highway Fund. Monies appropriated for one-time costs for any special project approved by the Government Information Technology Agency and for which required implementing legislation was enacted into law during the 43<sup>rd</sup> Legislature, 2<sup>nd</sup> Regular Session are exempt from 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 June 30, 2000. (General Appropriation Act footnote) Subsequent to enactment of the General Appropriation Act, the Legislature did not enact S.B. 1248 or similar legislation so the \$500,000 for the Registration Compliance project will revert to the State Highway Fund. This amount remains in the table above.

## 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.*

**Customer Service** — The approved supplemental appropriation adds \$700,000 from the Highway Fund in Personal Services and ERE in FY 1998 to hire additional customer service representatives to reduce customer wait times in field offices in FY 1998.

Furthermore, the approved FY 1999 amount includes an increase of \$933,300 in Personal Services and ERE to hire additional customer service representatives to reduce customer wait time in field offices from 36.5 minutes to less than 30 minutes in FY 1999.

**Operating Costs** — The approved amount includes an increase of \$1,000,000 to be used on Other Operating Expenditures.

**FTE Positions** — The approved amount includes the transfer of 1 FTE Tax Administrator Position from Administration and a reduction of 6 FTE Positions by the department to fund reclassifications.

**Consolidation of Funds** — Laws 1997, Chapter 58, provides that the Dealer Enforcement Fund and the Abandoned Vehicle Fund be merged into the State Highway Fund beginning in FY 1999. The approved budget reflects this consolidation.

**Abandoned Vehicle Administration** — The approved amount provides funds for administrative functions concerning abandoned vehicles including maintaining records, mailing notices, and paying towing fees for vehicles on public land.

**Safety Enforcement and Infrastructure** — The approved amount provides funds for the enforcement of vehicle safety requirements at the Mexican border.

**Medical Advisory Board** — The board consists of 9 medical experts, who help the department formulate standards for mental and physiological limitations relative to drivers licensing. Monies in this Special Line Item were moved to the operating budget in FY 1998.

**Mobile Home Administration** — This staff maintains a list of outstanding delinquent personal property taxes on mobile homes and performs related functions involving title transfers of mobile homes. Monies in this Special Line Item were moved to the operating budget in FY 1998.

**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.

- 4/ The department shall report to the Joint Legislative Budget Committee not later than August 31, 1999 and August 31, 2000, as to the status of each special project included in the Special Projects Special Line. Included in the report will be the dollar amount of one-time expenditures, operating expenditures and reversions for each special project, a project implementation date, the department's methods of calculating additional revenue received from each project, the department's methods of calculating any cost savings derived from each project, and the realized benefit to the state, both in additional revenue and cost savings, derived from each project. (General Appropriation Act footnote)
- 5/ Before spending any of the \$2,552,000 for desktop computer replacement in FY 1999, the department shall present to the Joint Legislative Budget Committee its expenditure plan for the \$2,552,000 as approved by the Government Information Technology Agency. The department shall explain how its proposed use of the \$2,552,000 for desktop computer replacement, in conjunction with its proposed use of \$1,174,600 departmentwide for replacement personal computer equipment in FY 1999, will address its departmentwide automation plan for personal computer equipment and software. (General Appropriation Act footnote)
- 6/ It is the intent of the Legislature that the additional \$700,000 for FY 1998 for MVD be used for customer service representatives to reduce customer wait times in MVD field offices. (Supplemental Appropriation Act footnote)
- 7/ It is the intent of the Legislature that the additional \$933,300 for FY 1999 for MVD be used for customer service representatives to reduce customer wait times to 26 to 30 minutes for FY 1999 in MVD field offices. (General Appropriation Act footnote)
- 8/ 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, as well as the aggregate weighted average wait and transaction time, and the reasons for changes therein. (General Appropriation Act footnote)
- 9/ The department shall provide written quarterly reports to the Joint Legislative Budget Committee documenting both monetary and workload savings as a result of the following efficiency enhancing efforts: 1) the biennial registration program, 2) the "Third Party" privatization campaign, 3) the extended driver license program, 4) efforts to increase mail-in registrations, and 5) efforts to increase Internet registrations. The department shall include in the report an account of where the above described savings have been applied and how this application has furthered customer service. (General Appropriation Act footnote)
- 10/ The department shall provide written quarterly reports to the Joint Legislative Budget Committee documenting current employee turnover rates in the joint title/registration and driver license offices, as well as historical employee turnover rates in the individual offices prior to the merger. The report shall include a description of efforts by the department to reduce the turnover rates and a description of training practices. (General Appropriation Act footnote)
- 11/ General Appropriation Act funds are appropriated as a Lump Sum for the program.

**DEPARTMENT OF TRANSPORTATION - MOTOR VEHICLE DIVISION (Cont'd)**

**Number Plate Replacement** — The approved amount provides for the purchase of plates to replace license plates that are no longer readable.

**Attorney General Services** — The approved amount includes an increase of \$6,800 to accommodate a cost increase in Attorney General services.

**Auto Salvage, Theft Prevention** — The approved amount reflects the 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.

**Special Projects** — The approved amount includes in the Special Projects Special Line Item an increase of \$4,342,300 to fund potential revenue generating projects developed by MVD. Project funding includes \$105,000 for Biennial Registration/Phase III, \$1,732,000 for Registration Compliance, \$1,689,000 for Customer Based Driver License and Title and Registration System, \$109,300 for Automated Vehicle Valuation Project, \$262,000 for National Motor Vehicle Title Information System, and \$445,000 for Expansion of Service Arizona. The department indicated that the monies designated for Registration Compliance will fund 30 FTE Positions that are currently unfilled. The following table displays MVD's estimate of additional Vehicle License Tax (VLT) revenue that could be generated in FY 1999 by each of the projects.

<b>Special Projects: MVD's Estimate of Additional FY 1999 Revenue</b>	
<b>Project</b>	<b>Estimated Revenue</b>
Biennial Registration/Phase III	\$17,000,000
Registration Compliance	16,848,00
Customer Based Driver License and Title & Registration Systems	305,000
Automated Vehicle Valuation Project	3,646,000
National Motor Vehicle Title Information System	83,300
Service Alternatives	0
<b>Total</b>	<b>\$37,882,300</b>

While MVD estimates a one-time gain of \$17,000,000 in FY 1999 from the biennial registration program, the JLBC Staff estimates that the program will increase VLT revenues by \$20,300,000 in FY 1999 followed by a loss of \$(14,100,000) in FY 2000.

In FY 1997, MVD implemented the biennial registration program for vehicles with a VLT of less than \$50. Each successive year, another group of vehicles will be added to

the program (\$50-75, \$75-100, etc.). When a vehicle is registered for 2 years, collections are paid in advance which increases VLT collections the first year and reduces collections the second year. MVD reported that in FY 1997, 940,000 vehicles with a VLT of less than \$50 participated in the program. This boosted FY 1997 VLT collections by \$27,400,000. VLT collections in FY 1998 would then be reduced by this same amount. However, in FY 1998, another phase of biennial registration began which will add to FY 1998 VLT collections. Since the number of vehicles in the second group (170,000 participating vehicles) is much less than the number of vehicles in the first, we estimate a net decrease in FY 1998 VLT collections of \$(13,000,000). This pattern will continue with "odd" numbered years (FY 1999, FY 2001, etc.) receiving a boost in collections and with "even" numbered years (FY 2000, FY 2002, etc.) receiving the corresponding loss.

In addition to biennial registration effects on VLT collections, MVD estimates that their budgeted enforcement projects will generate an additional \$20,882,300 in FY 1999. Further review of these projects will be necessary to evaluate the actual collections increase.

A General Appropriation Act footnote requires the department to report to the Joint Legislative Budget Committee not later than August 31, 1999 and August 31, 2000 as to the status of each special project listed above including realized additional revenue generated by the projects. In addition, another General Appropriation Act footnote requires the reversion of \$500,000 from the Registration Compliance project if a bill is not enacted into law during the 43rd Legislature, 2nd Regular Session to create a separate fund from which MVD could be appropriated. Since this specific legislation was not enacted, total funding for the project will be reduced to a total of \$1,232,000. The \$500,000 remains in the total appropriation in the table at the beginning of this section.

**Desktop Computer Replacement** — The approved amount includes \$2,552,000 for personal computer equipment replacement. The Government Information Technology Agency (GITA) must approve any expenditure plan prior to the actual expenditure of these monies. The department must present the GITA approved expenditure plan to the Joint Legislative Budget Committee and explain how the expenditure plan relates to the departmentwide expenditure plan of \$1,174,600 for replacement personal computer equipment.

**Other Issues: Reporting Requirements** — General Appropriation Act footnotes are included requiring MVD to provide written quarterly reports to the Joint Legislative Budget Committee documenting customer wait times in



**DEPARTMENT OF TRANSPORTATION - MOTOR VEHICLE DIVISION (Cont'd)**

MVD field offices, monetary and workload savings from efficiency enhancing efforts such as the biennial registration and privatization programs, and employee turnover rates in MVD field offices. The reports are designed to better facilitate an accurate budget review by the JLBC Staff and the Legislature to improve MVD services to the public.

**ARIZONA BOARD OF REGENTS**

Frank Besnette, Ph.D., Executive Director

A.R.S. § 15-162I

JLBC Analyst: John Lee/Steve Grunig

General Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	28.0	28.1	29.4
Personal Services	1,299,100	1,374,100	1,493,200
Employee Related Expenditures	249,400	267,500	285,200
Professional and Outside Services	34,400	37,500	37,500
Travel - In State	5,800	11,400	11,400
Other Operating Expenditures	226,000	226,300	238,500
<b>Operating Subtotal</b>	<b>1,814,700</b>	<b>1,916,800</b>	<b>2,065,800</b>
Western Interstate Commission Office	79,000	81,000	83,000
WICHE Student Subsidies	2,420,000	2,634,400	2,704,900
Student Financial Aid Trust Fund	1,638,400	1,761,100	1,933,400
Teacher Loan Forgiveness Fund for Deaf & Blind	95,000	95,000	95,000
Western Governors University (WGU)	0	100,000	0
Faculty Teaching Incentive Program Fund (TIP)	0	4,000,000	8,000,000 <sup>1/</sup>
<b>Total Appropriations</b>	<b>6,047,100</b>	<b>10,588,300</b>	<b>14,882,100</b> <sup>2/3/4/</sup>

**Agency Description** — *The board governs the 3 state universities, appoints presidents of the universities, sets the tuition and fees, establishes curricula, awards degrees, and 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.*

**Decision Packages** — The approved amount includes an additional funding of \$78,300 and 1.3 FTE Positions for the agency's priority policy issues.

**Western Interstate Commission Office** — The appropriated amount provides for Arizona's annual pro rata share of administrative expenses for the Western Interstate Commission for Higher Education (WICHE).

**WICHE Student Subsidies** — The approved amount provides funding for subsidies to 129 continuing WICHE

students and 48 new WICHE students in the fields of study shown below:

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.

<sup>1/</sup> This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>3/</sup> The Arizona Board of Regents and the State Board of Directors for Community Colleges shall continue the Transfer Articulation Task Force 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 Task Force meet quarterly to continually improve the statewide articulation and transfer system, including the process for transfer of lower division general education credits, general elective credits and curriculum requirements for majors, with a January 1, 1999 timeline for implementing an agreement that assures that community college students may transfer to Arizona public universities without loss of credit towards a baccalaureate degree. The Arizona Board of Regents and the State Board of Directors for Community Colleges shall present semi-annual report of their progress to the Joint Legislative Budget Committee on June 15, 1998 and December 15, 1998. (General Appropriation Act footnote)

<sup>4/</sup> The Arizona Board of Regents and the State Board of Directors for Community Colleges shall jointly establish a committee comprised of the 13 public and private college and university members of the ad-hoc Higher Education Study Committee that convened during the summer 1997 interim to discuss unmet higher education needs, identify alternatives and recommend options to meet these needs. It is the intent of the Legislature that the committee continue the collaborative process that assures the advanced postsecondary education needs of place-bound and time-constrained learners and of employers, including private business, not-for-profit and government, are efficiently and effectively met without displacing students' families or existing employment and without unnecessary duplication of programs. The committee shall establish criteria for what constitutes demonstrated need, develop a system for identifying and meeting demonstrated needs statewide and recommend an action plan with specific timelines to the respective boards and institutions to timely meet demonstrated needs statewide. The Arizona Board of Regents and the State Board of Directors for Community Colleges shall present a report to the Joint Legislative Budget Committee by December 15, 1998, documenting their mutual commitment to meeting demonstrated postsecondary education needs, notwithstanding the need for additional legislation. (General Appropriation Act footnote)

**ARIZONA BOARD OF REGENTS (Cont'd)**

<u>Field of Study</u>	<u>Continuing Students</u>	<u>First Year and New Students</u>	<u>Total Students</u>	<u>Amount</u>
Veterinary Medicine	52	17	69	\$1,373,100
Dentistry	40	11	51	762,700
Osteopathy	15	5	20	261,300
Optometry	13	3	16	145,600
Occupational Therapy	8	7	15	130,700
Physicians Assistants	1	5	6	31,500
<b>Total</b>	<b>129</b>	<b>48</b>	<b>177</b>	<b>\$2,704,900</b>

**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 1997) actual student surcharge collections as the state matching amount.

**Teachers 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.

**Faculty Teaching Incentive Program Fund** — Section 107 of the General Appropriation Act (Laws 1997, Chapter 1, 1<sup>st</sup> Special Session) provided \$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 10<sup>th</sup>-week faculty audit of faculty teaching load during the fall semester of 1997. An additional \$4,000,000 was approved for FY 1999 to annualize the FY 1998 awards.

**Capital Outlay: Chapter 7, 4<sup>th</sup> Special Session —**

(1) Appropriates \$32,031,700 to ABOR from the General Fund for major maintenance and repair activities for university buildings and for Americans with Disabilities Act compliance, as follows:

- Appropriates \$32,031,700 for allocation to the universities for major maintenance and repair activities for university buildings in accordance with the Building Renewal Formula (A.R.S. § 41-790 and § 41-793.01). The appropriation represents 100% 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. The monies appropriated in this section shall not be spent for maintenance contracts on building components and equipment or for Personal Services or Employee Related Expenditures.

- Provides that a maximum of 25%, or up to \$8,007,900, 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 \$4,190,000 from the General Fund to Arizona State University for finishing installation of alarm systems and refurbishment of campus infrastructure at ASU-East.

**Additional Legislation: Patents; Licensing Agreements (Chapter 12)** — Authorizes the Arizona Disease Control Research Commission to enter into agreements for research and development, royalties, development, licensing, and profit sharing for the research, development and production of new products developed through research funded by the commission including research performed by state universities.

**Universities; Eminent Scholars Fund (Chapter 173)** — Provides that the Universities Land Fund shall be known as the Eminent Scholars Matching Grant Fund and shall consist of the annual income from the Universities Land Fund. The Eminent Scholars Matching Grant Fund is used to attract and retain eminent faculty by matching interest monies earned on non-public endowment donations given to the universities.

The law establishes a University Timberland Account within the Universities Land Fund and provides that the State Land Department shall transfer any monies in the

**ARIZONA BOARD OF REGENTS (Cont'd)**

account to the Universities Land Fund that are not necessary for the conservation, sale and other administration of timber or timber products determined by the State Land Commissioner.

Tuition; Military Reserve; National Guard (Chapter 201) — Appropriates \$400,000 from the General Fund in FY 1999 to the Department of Emergency and Military Affairs for reimbursement of tuition and fees. Grants national guardsmen in-state tuition status by expanding the definition of "Armed Forces of the United States" to include the national guard and any other United States Armed Forces military reserve unit. The bill also increases the tuition reimbursement for national guardsmen from \$500 per year to the maximum amount charged for in-state tuition and fees at a state university or \$2,700 per year, whichever is less.

Instate Tuition; Military Honorable Discharge (Chapter 202) — Entitles a person honorably discharged from the United States Armed Forces to immediately receive in-state tuition status. The person does not lose in-state classification if the person has declared Arizona as the state of legal residence at least 1 year prior to discharge from the Armed Forces, has demonstrated objective evidence of intent to be a resident of Arizona, and has filed an Arizona income tax return during the previous tax year. The bill further entitles an active member of the United States Armed Forces, their spouse or dependent, to in-state

tuition status if the member has declared Arizona as their home of record for 12 consecutive months prior to enrollment in a state university or community college.

Alzheimer's Disease Research; Appropriation (Chapter 245) — Appropriates \$1,000,000 from the General Fund in FY 1999 to the Department of Health Services for distribution to universities, hospitals, and research centers for dollar-for-dollar matching grants for Alzheimer's disease research. The act's stated intent is to establish and foster the development of an Arizona center for Alzheimer's disease research as part of a statewide collaborative Alzheimer's disease research program.

**Other Issues:** Tuition Revenue Reporting Requirement — Beginning in FY 1999, ABOR is required to inform the Joint Legislative Budget Committee of any tuition revenue amounts which are different from the amounts appropriated by the Legislature, within 10 days of the acceptance of the universities' semi-annual all funds budget reports.

**SUMMARY OF MAJOR CHANGES FOR UNIVERSITY SYSTEM**

The following summarizes the major factors for the General Fund increase in the FY 1999 university system operating budget from FY 1998.

FY 1998 <u>General Fund</u> Operating Budget Total	<u>\$680,909,500</u>
Adjustments for FY 1999:	
• Standard Adjustments (Pay Increase and Pay Annualization, Transfers, ERE Rate, Risk Management, ABOR Rent, etc.)	\$24,787,200
• WICHE/Financial Aid (ABOR)	242,800
• Student Enrollment Growth (2,149 Students)	8,110,900
• New Facilities Support	1,933,800
• Retiree Accumulated Sick Leave	792,900
• Annualization of Faculty Teaching Incentive Program	4,000,000
• Liver Research Institute	500,000
• Undergraduate Initiatives/Program Development/Decision Packages (Legislative)	12,237,600
• Western Governors University	(100,000)
• Pima County Campus (AIC) Lease Adjustment	(545,900)
• Other Appropriated Funds Increase (General Fund Decrease)	<u>(3,953,400)</u>
Total <u>General Fund</u> Adjustment from FY 1998	<u>\$48,005,900</u>
FY 1999 <u>General Fund</u> Total for University System	<u>\$728,915,400</u>

**ARIZONA BOARD OF REGENTS (Cont'd)**

The FY 1999 State Pay Adjustments, including Personal Services and Employee Related Expenditures for the university system, are summarized in the following table:

<b>UNIVERSITY SYSTEM SALARY ADJUSTMENTS FOR FY 1999</b> (Personal Services and Employee Related Expenditures)					
	<u>FY 1998 Annualization</u>		<u>FY 1999 Salary Adjustments</u>		<u>TOTAL</u>
	<u>CSA</u>	<u>2.5% + Merit</u>	<u>CSA</u>	<u>Merit</u>	
ASU-Main Campus	\$180,000	\$2,781,100	\$2,545,900	\$3,363,400	\$8,870,400
ASU-East Campus	4,900	82,300	68,200	96,100	251,500
ASU-West Campus	<u>21,000</u>	<u>317,700</u>	<u>295,600</u>	<u>356,900</u>	<u>991,200</u>
ASU-Total	205,900	3,181,100	2,909,700	3,816,400	10,113,100
Northern Arizona University	71,600	1,011,000	1,011,100	1,149,200	3,242,900
NAU-Yuma	<u>1,200</u>	<u>18,200</u>	<u>17,300</u>	<u>19,300</u>	<u>56,000</u>
NAU Total	72,800	1,029,200	1,028,400	1,168,500	3,298,900
University of Arizona-Main Campus	148,100	2,255,500	2,099,800	2,616,500	7,119,900
Agriculture	26,500	379,700	375,600	442,400	1,224,200
Pima Campus	800	20,000	11,300	14,900	47,000
Sierra Vista	<u>1,400</u>	<u>27,100</u>	<u>18,400</u>	<u>19,900</u>	<u>66,800</u>
UA Total	176,800	2,682,300	2,505,100	3,093,700	8,457,900
Health Sciences Center	21,500	384,100	305,500	517,000	1,228,100
Clinical Teaching Support	--	110,600	--	76,100	186,700
Telemedicine Network	100	4,400	2,000	3,800	10,300
Clinical Rural Rotations	<u>200</u>	<u>5,200</u>	<u>3,300</u>	<u>3,700</u>	<u>12,400</u>
HSC Total	21,800	504,300	310,800	600,600	1,437,500
Arizona Board of Regents	900	26,500	13,000	19,900	60,300
Faculty Teaching Incentive Program	--	<u>4,000,000</u>	--	--	<u>4,000,000</u>
<b>TOTAL SYSTEM</b>	<b><u>\$478,200</u></b>	<b><u>\$11,423,400</u></b>	<b><u>\$6,767,000</u></b>	<b><u>\$8,699,100</u></b>	<b><u>\$27,367,700</u></b>

The FY 1999 estimated enrollment for the university system is shown below:

<b>University System FY 1999 Enrollment Estimates</b>						
	<u>Headcount</u>			<u>FTE</u>		
	<u>Undergraduate</u>	<u>Graduate</u>	<u>Total</u>	<u>Undergraduate</u>	<u>Graduate</u>	<u>Total</u>
ASU-Main	33,497	10,758	44,255	31,403	7,706	39,109
ASU-West	3,601	1,206	4,807	2,905	427	3,332
ASU-East	760	292	1,052	551	113	664
NAU	14,058	5,560	19,618	14,102	3,081	17,183
U of A	<u>25,617</u>	<u>8,120</u>	<u>33,737</u>	<u>24,509</u>	<u>5,894</u>	<u>30,403</u>
<b>TOTAL</b>	<b><u>77,533</u></b>	<b><u>25,936</u></b>	<b><u>103,460</u></b>	<b><u>73,470</u></b>	<b><u>17,221</u></b>	<b><u>90,691</u></b>

**ARIZONA BOARD OF REGENTS (Cont'd)**

The FY 1999 university tuition and mandatory fees schedule is shown below:

<b>Tuition and Mandatory Fees for FY 1999</b>						
<u>Regular Tuition/Fees</u>	<u>Resident</u>			<u>Non-Resident</u>		
	<u>Tuition</u>	<u>Fees</u>	<u>Total</u>	<u>Tuition</u>	<u>Fees</u>	<u>Total</u>
ASU	\$2,088	\$70	\$2,158	\$9,040	\$70	\$9,110
U of A	2,088	70	2,158	9,040	70	9,110
NAU	2,088	70	2,158	8,004	70	8,074
<u>Special Tuition Fees</u>						
College of Medicine	\$8,360	\$70	\$8,430	\$28,000 *	\$70	\$28,070
Colleges of Law	4,464	70	4,534	11,416	70	11,486
College of Pharmacy	3,588	70	3,658	10,540	70	10,610
MBA at ASU/UA	4,088	70	4,158	11,040	70	11,110
MBA at NAU	3,588	70	3,658	9,504	70	9,574
Nurse Practitioner at ASU	8,388	70	8,458	15,340	70	15,410
* Provides for WICHE students only						

The FY 1999 total spending authority for the university system is estimated below for both appropriated and non-appropriated funds.

<b>Summary of FY 1999 Spending Authority for the University System</b>						
<b>(\$ in Millions)</b>						
	<u>Appropriated Funds</u>			<u>Non-Appropriated Funds</u>		<u>TOTAL</u>
	<u>FTE</u>	<u>General Fund Amount</u>	<u>Collections Fund</u>	<u>Federal Funds</u>	<u>Other Funds</u>	
<u>Operating Authority</u>						
AZ Board of Regents	29.4	\$ 14.9	\$ 0.0	\$ 0.8	\$ 0.7	\$ 16.4
ASU-Main	5,832.4	254.2	92.7	64.2	179.5	590.6
ASU-East	190.0	10.3	2.7	0.8	3.2	17.0
ASU-West	646.2	37.2	6.1	0.7	2.8	46.8
NAU	2,256.1	101.6	26.6	20.5	75.8	224.5
UA-Main	5,459.0	256.7	63.6	123.3	276.6	720.2
AHSC	695.6	54.0	6.0	52.6	43.9	156.5
Total Operating	15,108.7	\$728.9	\$197.7	\$262.9	\$582.5	\$1,772.0
<u>Capital Outlay</u>						
Building Renewal	0.0	\$32.0	\$0.0	\$0.0	\$0.0	\$32.0
ASU-East	0.0	7.2	0.0	0.0	0.0	7.2
Total Capital	0.0	\$39.2	\$0.0	\$0.0	\$0.0	\$39.2
<b>Total System</b>	<b>15,108.7</b>	<b>\$768.1</b>	<b>\$197.7</b>	<b>\$262.9</b>	<b>\$582.5</b>	<b>\$1,811.2</b>



**ARIZONA STATE UNIVERSITY - MAIN CAMPUS**

**A.R.S. § 15-1601**

Lattie F. Coor, Ph.D., President

JLBC Analyst: John Lee/Steve Grunig

General Fund and University Collections Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	5,326.9	5,519.4	5,832.4
Personal Services	195,248,300	226,923,900	243,764,400
Employee Related Expenditures	35,427,200	39,826,500	44,557,600
Professional and Outside Services	3,361,300	1,369,900	1,369,900
Travel - In State	132,900	352,400	382,400
Travel - Out of State	1,701,100	766,800	866,800
Library Acquisition	6,992,000	6,464,700	6,464,700
Other Operating Expenditures	40,428,300	38,101,000	38,589,200
Equipment	12,943,000	9,053,300	10,871,200
<b>Total Appropriations</b>	<b>296,234,100</b>	<b>322,858,500</b>	<b>346,866,200</b> <sup>1/2,3/4</sup>
<b>Fund Summary</b>			
General Fund	216,693,100	234,608,800	254,211,300
University Collections Fund	79,541,000	88,249,700	92,654,900
<b>Total Appropriations</b>	<b>296,234,100</b>	<b>322,858,500</b>	<b>346,866,200</b>

**Agency Description** — Established in 1885, Arizona State University (ASU) 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 44,000 students in 14 colleges and schools, and also provides academic courses at the Downtown Center in Phoenix.

**Student Enrollment Growth** — Enrollment growth funding of \$8,315,300 and 150 new FTE Positions is based upon a 3-year rolling weighted average enrollment of 39,167 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:

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.

**Employee FTE Positions Adjustment for Instruction Enhancement** — The FY 1999 appropriation includes an additional 95 FTE Positions to reflect the expenditure authority adjustment for instruction enhancement during FY 1998 due to increased tuition and fee revenues of \$8,223,300.

			FY 1999	FY 1998 Weighted Enrollment	Change
Fall 1996 (Actual)	37,094	at 25%	9,274	8,916 (Fall 1995)	358
Fall 1997 (Estimate)	39,109	at 50%	19,555	18,547 (Fall 1996)	1,008
Fall 1998 (Projection)	41,351	at 25%	10,338	9,504 (Fall 1997)	834
<b>Total</b>			<b>39,167</b>	<b>36,967</b>	<b>2,200</b>

- 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/ Any unencumbered balances remaining in the collections account on June 30, 1998, 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. Within 10 days of the acceptance of the universities' semi-annual all funds budget reports, the Arizona Board of Regents shall inform the Joint Legislative Budget Committee of any tuition revenue amounts which are different from the amounts appropriated by the Legislature. (General Appropriation Act footnote)

## **ARIZONA STATE UNIVERSITY - MAIN CAMPUS (Cont'd)**

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**Funding Transfer to ASU-East Campus** — The approved amount provides a transfer of \$84,000 and 1 FTE faculty position to the East Campus for support of academic programs.

**Professional Business Master's Degree Programs** — The approved amount provides \$438,300 and 9 FTE Positions for professional business master's degree programs with higher quality of professional management education including classroom technology, faculty development, and student advising and career placement.

**Instructional and Student Services Needs** — The approved amount includes an additional funding of \$2,748,000 and 27 FTE Positions to increase academic advisors and instructional support personnel and to support technological improvements in classrooms and computer labs.

**Art Museum Funding Adjustment** — The approved amount includes a funding reduction of \$250,000 to address the legislative concerns over the administration of various funds by the Art Museum.

**Decision Packages** — The approved amount provides \$1,929,500 and 33 FTE Positions to fund various decision packages including enrollment related issues and academic program enhancement.

**University Collections Fund** — The University Collections Fund consists of tuition, registration fees, other receipts, and balances forward from FY 1998.

**Capital Outlay:** Chapter 7, 4<sup>th</sup> Special Session — Appropriates \$4,190,000 from the General Fund to Arizona State University to finish installation of the alarm system and refurbishment of campus infrastructure at ASU-East.

**Other Issues:** — Renovation of the Technology Center at ASU-East — Laws 1997, Chapter 2, 1<sup>st</sup> Special Session appropriated \$2,997,000 for FY 1998 and \$3,000,000 for FY 1999 from the General Fund 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/Steve Grunig

General Fund and University Collections Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	112.0	148.0	190.0
Personal Services	4,493,300	6,426,200	8,153,200
Employee Related Expenditures	821,100	1,129,300	1,489,400
Professional and Outside Services	523,900	585,000	960,600
Travel - In State	9,800	8,300	8,300
Travel - Out of State	41,800	23,700	23,700
Library Acquisitions	11,300	32,500	32,500
Other Operating Expenditures	1,642,800	1,128,800	1,927,600
Equipment	148,500	341,400	368,100
<b>Total Appropriation</b>	<b>7,692,500</b>	<b>9,675,200</b>	<b>12,963,400</b> <sup>1/23/</sup>
<b>Fund Summary</b>			
General Fund	5,023,600	6,995,000	10,283,200
University Collections Fund	2,668,900	2,680,200	2,680,200
<b>Total Appropriations</b>	<b>7,692,500</b>	<b>9,675,200</b>	<b>12,963,400</b>

**Agency Description** — *Laws 1994, Chapter 218 authorized the Arizona Board of Regents to maintain an Arizona State University (ASU) 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 residents and related personal property, and may accommodate 10,000 students by the year 2010 in order to meet Arizona's future enrollment demand.*

**New Campus Program Development** — The approved amount includes \$1,512,400 and 35 FTE Positions to provide for new campus program development.

**University Collections Fund** — The University Collections fund consists of tuition, registration fees, other receipts, and balances forward from FY 1998.

**Funding Transfer from ASU-Main** — The approved amount provides transfer of \$84,000 and 1 FTE faculty position from ASU-Main for support of academic programs.

**Clean Burning Alternative Energy Storage Testing** — The approved amount provides \$50,000 for hydrogen energy testing to develop an alternative energy source for automobiles to reduce air pollution. The monies appropriated will be used for expenses associated with equipment and supplies, test structure preparation, and personnel cost primarily relating to student work-study for the testing program.

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, 1998, 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. Within 10 days of the acceptance of the universities' semi-annual all funds budget reports, the Arizona Board of Regents shall inform the Joint Legislative Budget Committee of any tuition revenue amounts which are different from the amounts appropriated by the Legislature. (General Appropriation Act footnote)

**ARIZONA STATE UNIVERSITY - WEST CAMPUS**

A.R.S. § 15-1601

Lattie F. Coor, Ph.D., President

JLBC Analyst: John Lee/Steve Grunig

General Fund and University Collections Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	634.4	640.9	646.2
Personal Services	21,561,000	24,580,100	25,607,300
Employee Related Expenditures	4,200,600	4,389,500	4,972,700
Professional and Outside Services	682,400	479,800	479,800
Travel - In State	43,800	97,700	97,700
Travel - Out of State	268,900	211,600	211,600
Library Acquisitions	1,213,100	1,212,000	1,212,000
Other Operating Expenditures	10,080,200	8,677,300	8,677,300
Equipment	1,782,100	2,106,000	2,106,000
<b>Total Appropriations</b>	<b>39,832,100</b>	<b>41,754,000</b>	<b>43,364,400</b> <sup>1/2/3/</sup>
<b>Fund Summary</b>			
General Fund	34,354,000	35,744,800	37,261,100
University Collections Fund	5,478,100	6,009,200	6,103,300
<b>Total Appropriations</b>	<b>39,832,100</b>	<b>41,754,000</b>	<b>43,364,400</b>

**Agency Description** — Established as a separate budget unit in 1984, Arizona State University-West Campus offers upper division baccalaureate and selective masters' programs to approximately 5,000 students at the 300-acre site in northwestern Phoenix.

**Decision Packages** — The approved amount provides \$182,500 and 5.3 FTE Positions for various programs including the University College Center to promote a focused collaborative effort with Glendale Community College.

**University Collections Fund** — The University Collections Fund consists of tuition, registration fees, other receipts, and balances forward from FY 1998.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> The appropriated monies are not to be used for scholarships. (General Appropriation Act footnote)

<sup>3/</sup> Any unencumbered balances remaining in the collections account on June 30, 1998, 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. Within 10 days of the acceptance of the universities' semi-annual all funds budget reports, the Arizona Board of Regents shall inform the Joint Legislative Budget Committee of any tuition revenue amounts which are different from the amounts appropriated by the Legislature. (General Appropriation Act footnote)

# NORTHERN ARIZONA UNIVERSITY

Clara M. Lovett, Ph.D., President

A.R.S. § 15-1601

JLBC Analyst: John Lee/Steve Grunig

General Fund and University Collections Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	2,085.7	2,229.7	2,256.1 <sup>1/</sup>
Personal Services	73,405,100	80,013,600	83,584,900
Employee Related Expenditures	15,337,100	16,434,700	17,042,900
Professional and Outside Services	1,109,400	589,400	589,400
Travel - In State	535,000	775,300	771,300
Travel - Out of State	704,600	474,800	465,600
Library Acquisitions	2,602,200	2,595,100	2,595,100
Other Operating Expenditures	15,539,600	16,176,300	16,295,700
Equipment	6,136,500	4,422,500	4,370,500
<b>Operating Subtotal</b>	<b>115,369,500</b>	<b>121,481,700</b>	<b>125,715,400</b>
NAU-Yuma	2,127,400	2,447,900	2,529,400
<b>Total Appropriations</b>	<b>117,496,900</b>	<b>123,929,600</b>	<b>128,244,800</b> <sup>2/3/4/</sup>
<b>Fund Summary</b>			
General Fund	90,922,200	97,288,600	101,603,800
University Collections Fund	26,574,700	26,641,000	26,641,000
<b>Total Appropriations</b>	<b>117,496,900</b>	<b>123,929,600</b>	<b>128,244,800</b>

**Agency Description** — Established in 1899, Northern Arizona University (NAU) 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.

**Student Enrollment Decline** — The approved amount provides decreases of \$1,101,600 and 19.8 FTE Positions for student enrollment decline of 290 FTE students in accordance with the funding formula of 22:1:0.5 (student to faculty to support positions) during the following fall semesters:

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.

			FY 1999	FY 1998 Weighted Enrollment	Change
Fall 1996 (Actual)	17,193	at 25%	4,298	4,398 (Fall 1995)	(100)
Fall 1997 (Estimate)	17,183	at 50%	8,592	8,576 (Fall 1996)	16
Fall 1998 (Projection)	17,183	at 25%	4,296	4,502 (Fall 1997)	(206)
<b>Total</b>			<b>17,186</b>	<b>17,476</b>	<b>(290)</b>

<sup>1/</sup> Includes 37.5 FTE Positions funded from Special Line Item in FY 1999.

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>3/</sup> The appropriated monies are not to be used for scholarships. (General Appropriation Act footnote)

<sup>4/</sup> Any unencumbered balances remaining in the collections account on June 30, 1998, 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. Within 10 days of the acceptance of the universities' semi-annual all funds budget reports, the Arizona Board of Regents shall inform the Joint Legislative Budget Committee of any tuition revenue amounts which are different from the amounts appropriated by the Legislature. (General Appropriation Act footnote)

## NORTHERN ARIZONA UNIVERSITY (Cont'd)

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**New Facilities Support** — The approved amount provides \$268,400 and 6.2 FTE Positions for new facilities support for the new Biology and Biochemistry Building and 2 newly acquired properties, the Centennial Building and the Latter Day Saints Student Ministry Building.

**Decision Packages and Additional Funding** — The approved amount provides \$2,322,000 and 40 FTE Positions for additional funding needs and decision packages, which include \$601,100 for ERE Rate adjustment and \$1,720,900 for an enrollment funding adjustment and various decision packages.

**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	\$1,378,200
Employee Related Expenditures	301,900
Professional and Outside Services	21,000
Travel – In State	31,200
Travel – Out of State	21,800
Library Acquisitions	50,000
Other Operating Expenditures	507,100
Equipment	<u>218,200</u>
Total	\$2,529,400

**University Collections Fund** — The University Collections Fund consists of tuition, registration fees, other receipts, and balances forward from FY 1998.



**UNIVERSITY OF ARIZONA - MAIN CAMPUS**

A.R.S. § 15-1601

Peter Likins, Ph.D., President

JLBC Analyst: John Lee/Steve Grunig

General Fund and University Collections Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	5,374.3	5,431.0	5,459.0 <sup>1/</sup>
Personal Services	167,507,700	181,026,000	189,129,800
Employee Related Expenditures	32,116,400	32,370,300	33,762,300
Professional and Outside Services	1,885,500	2,173,100	2,173,100
Travel - In State	190,900	326,800	329,000
Travel - Out of State	608,400	413,200	420,600
Library Acquisitions	6,625,000	6,852,300	6,852,300
Other Operating Expenditures	29,513,000	34,761,500	35,349,400
Equipment	5,141,200	4,344,300	4,384,800
<b>Operating Subtotal</b>	<b>243,588,100</b>	<b>262,267,500</b>	<b>272,401,300</b>
Agriculture	40,595,200	42,194,200	43,651,400 <sup>2/</sup>
Pima County Campus (Arizona International College)	2,659,600	2,228,300	1,934,400
Sierra Vista Campus	1,337,800	2,047,700	2,289,400
<b>Total Appropriations</b>	<b>288,180,700</b>	<b>308,737,700</b>	<b>320,276,500</b> <sup>3/4/5/</sup>
<b>Fund Summary</b>			
General Fund	232,910,100	244,577,400	256,662,100
University Collections Fund	55,270,600	64,160,300	63,614,400
<b>Total Appropriations</b>	<b>288,180,700</b>	<b>308,737,700</b>	<b>320,276,500</b>

**Agency Description** — Established in 1885 as a land grant institution, the University of Arizona (UA) is one of the 3 state universities governed by the Arizona Board of Regents (ABOR). 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. Beginning in the fall of 1998, Pima County Campus (now known as Arizona International College) is scheduled to move to the Main Campus.

**Student Enrollment Growth** — The approved amount provides \$607,200 and 11 FTE Positions for student enrollment growth of 162 FTE students based upon a 3-year rolling weighted average enrollment of 29,002

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:

1/ Includes 881.9 FTE Positions funded from Special Line Items in FY 1999.

2/ The approved amount includes \$100,000 for development of management, training and technological courses in greenhouse technology. The \$100,000 approved shall revert to the state General Fund at the end of the fiscal year unless the private sector matches the amount for the greenhouse technology. (General Appropriation Act footnote)

3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

4/ The appropriated monies are not to be used for scholarships. (General Appropriation Act footnote)

5/ Any unencumbered balances remaining in the collections account on June 30, 1998, 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. All collections and expenditure adjustments, if they are different from the appropriated amounts in the General Appropriations act for the Fiscal Year 1999, shall be reported to the Joint Legislative Budget Committee within 30 days after the Board of Regents approves these adjustments by identifying the intended uses of all additional collections. Within 10 days after the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall inform the Joint Legislative Budget Committee of any tuition revenue amounts that are different from the amounts appropriated by the Legislature. (General Appropriation Act footnote)

**UNIVERSITY OF ARIZONA - MAIN CAMPUS (Cont'd)**

			FY 1999	FY 1998 Weighted Enrollment	Change
Fall 1996 (Actual)	28,494	at 25%	7,124	7,455 (Fall 1995)	(331)
Fall 1997 (Estimate)	29,071	at 50%	14,535	14,247 (Fall 1996)	288
Fall 1998 (Projection)	29,371	at 25%	<u>7,343</u>	<u>7,138</u> (Fall 1997)	<u>205</u>
Total			29,002	28,840	162

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.

**Annualization of New Facilities Support** — The approved amount provides \$325,700 and 5.1 FTE Positions for operational costs of 2 new facilities, which include the Agriculture Research Complex and the Life Sciences North Shell Space.

**Program Realignment Transfer** — The approved amount includes a transfer of \$92,000 and 3.1 FTE Positions to the Agriculture Program for sub-program realignment between Bio-chemistry and the Environment Research Laboratory.

**Decision Packages and Additional Funding** — The approved amount provides additional funding of \$2,382,900 and 11.9 FTE Positions, which includes \$332,400 for ERE rate adjustment, \$100,000 for greenhouse technology, and \$1,950,500 for enrollment funding adjustment and various decision packages. The \$332,400 ERE rate adjustment includes \$126,900 for main programs and \$205,500 for Agriculture program. The \$1,950,500 additional funding includes \$208,700 for the Pima County Campus (Arizona International College) and \$177,300 for the Sierra Vista Campus for academic program enhancement.

**Agriculture** — The approved amount for the College of Agriculture as a special line appropriation was based upon the following line item:

FTE Positions	<u>817.4</u>
Personal Services	\$31,843,800
Employee Related Expenditures	6,281,100
Professional and Outside Services	304,400
Travel – In State	583,800
Travel – Out of State	123,200
Other Operating Expenditures	3,311,800
Equipment	1,103,300
Greenhouse Technology	<u>100,000</u>
Total	\$43,651,400
<b>Fund Sources</b>	
General Fund	\$37,860,700
University Collections Fund	<u>5,790,700</u>
Total	\$43,651,400

The approved amount includes the transfer-in of \$92,000 and 3.1 FTE Positions for the sub-program realignment between Bio-chemistry and Environmental Research Laboratory.

The approved amount for Agriculture includes \$100,000 for greenhouse technology for development of management, training and technological courses in greenhouse program. The approved amount shall revert to the General Fund at the end of the fiscal year (June 30, 1999) unless the private sector matches the amount for the greenhouse technology.

The University Collections Fund for Agriculture includes \$3,327,000 from the federal agriculture funds.

**Pima County Campus (Arizona International College)** — 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 the 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 the 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. In 1997, the Board of Regents approved renaming the campus as Arizona International College with a scheduled move to the Main Campus during the fall of 1998.

The approved amount for the Pima County Campus as a special line appropriation was based on the following line item allocation:

FTE Positions	<u>24.6</u>
Personal Services	\$1,071,900
Employee Related Expenditures	199,500
Professional and Outside Services	29,200
Other Operating Expenditures	<u>633,800</u>
Total	\$1,934,400
<b>Fund Sources</b>	
General Fund	\$1,350,300
University Collections Fund	<u>584,100</u>
Total	\$1,934,400

**UNIVERSITY OF ARIZONA - MAIN CAMPUS (Cont'd)**

**Sierra Vista Campus** — In 1995, the ABOR authorized a separate branch campus for Sierra Vista. However, the Legislature has not formally established such a campus in statute. The approved amount for the Sierra Vista Campus as a special line appropriation was based upon the following line item allocation:

FTE Positions	<u>39.9</u>
Personal Services	\$1,424,300
Employee Related Expenditures	282,900
Professional and Outside Services	2,000
Travel – In State	500
Travel – Out of State	500
Other Operating Expenditures	454,200
Equipment	<u>125,000</u>
Total	<u>\$2,289,400</u>
<b>Fund Sources</b>	
General Fund	\$1,815,500
University Collections Fund	<u>473,900</u>
Total	<u>\$2,289,400</u>

**University Collections Fund** — The University Collections Fund consists of tuition, registration fees, other receipts, and balances forward from FY 1998.

**UNIVERSITY OF ARIZONA - HEALTH SCIENCES CENTER**

Peter Likins, Ph.D., President

A.R.S. § 15-1601

JLBC Analyst: John Lee/Steve Grunig

General Fund and University Collections Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	709.5	674.0	695.6 <sup>1/</sup>
Personal Services	33,394,600	35,872,800	37,718,100
Employee Related Expenditures	5,719,900	6,025,100	6,455,900
Professional and Outside Services	248,600	295,300	295,300
Travel - In State	15,900	67,700	68,800
Travel - Out of State	34,000	26,600	30,100
Library Acquisitions	876,300	816,500	816,500
Other Operating Expenditures	2,568,800	2,388,300	2,396,300
Equipment	1,027,400	599,900	615,800
<b>Operating Subtotal</b>	<b>43,885,500</b>	<b>46,092,200</b>	<b>48,396,800</b>
Clinical Teaching Support	8,938,100	9,305,300	9,381,500
Telemedicine Network	588,300	1,247,600	1,256,700
Clinical Rural Rotations	0	437,500	452,200
Liver Research Institute	0	0	500,600
<b>Total Appropriations</b>	<b>53,411,900</b>	<b>57,082,600</b>	<b>59,987,800</b> <sup>2/3/4</sup>
<b>Fund Summary</b>			
General Fund	48,543,100	51,106,600	54,011,800
University Collections Fund	4,868,800	5,976,000	5,976,000
<b>Total Appropriations</b>	<b>53,411,900</b>	<b>57,082,600</b>	<b>59,987,800</b>

**Agency Description** — *The Arizona Health Sciences Center (AHSC) consists of the University of Arizona (UA) Colleges of Medicine, Nursing and Pharmacy, and the School of Health Related Professions. Authorized in 1961 by the Arizona Board of Regents, the College of Medicine offers a professional program leading to the M.D. degree for 408 medical students. As a separate budget unit of the University of Arizona, AHSC is governed by the Arizona Board of Regents*

**Student Enrollment Growth** — The enrollment funding of \$290,000 and 5.3 new FTE Positions is based upon a 3-year rolling weighted average enrollment for an additional 77 full-time equivalent students in accordance with the funding formula of 22:1:0.5 (student to faculty to support positions) during the 3 fall semesters as shown on the following page.

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.

**Decision Packages and Additional Funding** — The approved amount provides an additional funding of \$843,700 and 7.3 FTE Positions, which includes \$217,800 for the ERE Rate Adjustment and \$625,900 for enrollment funding adjustment and various decision packages.

- <sup>1/</sup> Includes 19.6 FTE Positions funded from Special Line Items for FY 1999. However, the FTE Positions total does not include FTE Positions within the Clinical Teaching Support Special Line Item.
- <sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- <sup>3/</sup> The appropriated monies are not to be used for scholarships. (General Appropriation Act footnote)
- <sup>4/</sup> Any unencumbered balances remaining in the collections account on June 30, 1998, 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. Within 10 days of the acceptance of the universities' semi-annual all funds budget reports, the Arizona Board of Regents shall inform the Joint Legislative Budget Committee of any tuition revenue amounts which are different from the amounts appropriated by the Legislature. (General Appropriation Act footnote)

**UNIVERSITY OF ARIZONA - HEALTH SCIENCES CENTER (Cont'd)**

			FY 1999	FY 1998 <u>Weighted Enrollment</u>	<u>Change</u>
Fall 1996 (Actual)	1,233	at 25%	308	305 (Fall 1995)	3
Fall 1997 (Estimate)	1,332	at 50%	666	617 (Fall 1996)	49
Fall 1998 (Projection)	1,332	at 25%	<u>333</u>	<u>308</u> (Fall 1997)	<u>25</u>
Total			1,307	1,230	77

**Clinical Teaching Support** — The approved amount provides \$9,381,500 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 \$1,256,700 and 4.4 FTE Positions to continue the development of an 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 the 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 12 expanded sites, including the federally funded Nogales site. The 12 telemedicine sites include Nogales, Holbrook, Ganado, Page, Payson, Springerville, Tuba City, Patagonia, Young, Sells, White River, and Yuma 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 Joint Legislative Budget Committee (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 telecommunications organizations. 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. The Chairman of the Senate Appropriations Committee serves as Vice Chairman of the Council.

**Clinical Rural Rotations** — The approved amount provides \$452,200 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 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.

**Liver Research Institute** — The approved amount provides \$500,600 and 8 FTE Positions for liver disease research mandated by Laws 1997, Chapter 262 (H.B. 2008). The FY 1998 funding was provided with a \$500,000 transfer from the Health Research Account of the Tobacco Tax and Health Care Fund (A.R.S. § 42-1241). Beginning in FY 1999, the funding is provided with the General Fund. The approved amount includes \$600 for the FY 1999 Retiree Accumulated Sick Leave allocation. 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 the General Fund appropriation of \$500,600 will be supplemented with approximately \$200,000 of local funds to meet the operating budget needs for the institute. The 8 FTE Positions include a Clinical Director (Chief Researcher), 2 Clinical Researchers, a Development Administrator, 2 Grant and Research Specialists, and 2 support staff positions.

**University Collections Fund** — The University Collections Fund consists of tuition, registration fees, other receipts, and balances forward from FY 1998.

**BIENNIAL BUDGET UNITS**

**STATE BOARD OF ACCOUNTANCY**

Ruth R. Lee, Executive Director

**A.R.S. § 32-701**

JLBC Analyst: Brian Schmitz

<b>Board of Accountancy Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	10.0	10.0	10.0
Personal Services	248,600	277,200	285,400
Employee Related Expenditures	50,000	57,900	59,900
Professional and Outside Services	353,900	352,000	352,000
Travel - In State	8,400	10,000	10,000
Travel - Out of State	6,800	6,300	6,300
Other Operating Expenditures	156,200	210,700	211,700
Equipment	5,200	0	0
<b>Operating Subtotal</b>	<b>829,100</b>	<b>914,100</b>	<b>925,300</b>
Special Investigations	115,500	150,000	150,000
Legal Services	78,600	180,000	180,000
<b>Total Appropriations</b>	<b>1,023,200</b>	<b>1,244,100 <sup>1/</sup></b>	<b>1,255,300 <sup>2/</sup></b>

**Agency Description** — *The board licenses, investigates, and conducts examinations of certified public accountants and public accountants.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.



**ACUPUNCTURE BOARD OF EXAMINERS**

A.R.S. § 32-3901

JLBC Analyst: Brad Mortensen

**General Fund and Acupuncture Board  
of Examiners Fund****FY 1997  
Actual****FY 1998  
Estimate****FY 1999  
Approved**Additional Appropriations -  
Acupuncture; Licensure, Ch. 239

0

0

40,000 <sup>1/</sup>**Total Appropriations**

0

0

40,000

Fund Summary

General Fund

0

0

40,000 <sup>1/</sup>

Acupuncture Board of Examiners Fund

0

0

0

**Total Appropriations**

0

0

40,000 <sup>1/</sup>

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

**Additional Appropriations:** Acupuncture; Licensure (Chapter 239) — Appropriates \$40,000 from the General Fund in FY 1999 for the start up and operating costs of the board. This legislation establishes the Acupuncture Board of Examiners and prescribes the powers and duties of the board, licensure requirements, and regulations governing licensees.

<sup>1/</sup> Laws 1998, Chapter 239, specifies that the State Treasurer shall deposit 10% of the monies collected pursuant to this act in the General Fund. An additional 40% of the monies collected pursuant to this act will be deposited by the State Treasurer into the General Fund to repay the appropriation of \$40,000 until the complete appropriation is repaid. If the monies are not repaid in full by June 30, 1999, the Treasurer shall transfer sufficient monies from the Acupuncture Board of Examiners Fund to the General Fund to repay the appropriation. If the amount in the Acupuncture Board of Examiners Fund is less than the remaining amount owed to the General Fund, the Treasurer shall continue to deposit 40% of the monies collected pursuant to this act until the amount is fully repaid. The Treasurer shall also charge interest to the Acupuncture Board of Examiners Fund on the monies unpaid at the end of June 30, 1999. The interest rate shall equal the average rate that monies would have earned if they had been General Fund monies.

**OFFICE OF ADMINISTRATIVE HEARINGS**

A.R.S. § 41-1092.01

Cliff Vanell, Director

JLBC Analyst: Brad Mortensen

General Fund and Office of Administrative Hearings Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	22.0	22.0	22.0
Personal Services	859,800	900,000	927,500
Employee Related Expenditures	180,100	182,000	188,700
Professional and Outside Services	100,000	40,000	40,000
Travel - In State	21,700	21,700	21,700
Travel - Out of State	1,400	1,400	1,400
Other Operating Expenditures	182,900	185,500	188,100
Equipment	0	0	0
<b>Total Appropriations</b>	<b>1,345,900</b>	<b>1,330,600</b>	<b>1,367,400</b>
<u>Fund Summary</u>			
General Fund	926,700	597,900	614,100
Office of Administrative Hearings Fund <sup>1/</sup>	419,200	732,700	753,300
<b>Total Appropriations</b>	<b>1,345,900</b>	<b>1,330,600</b>	<b>1,367,400</b> <sup>2/</sup>

**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.*

**Additional Legislation: Regulatory Reform (Chapter 57)** — Transfers 6 Hearing Officer III, 1 Hearing Officer IV, 1 Legal Secretary I and 1 Clerk Typist III positions from AHCCCS-Office of Grievance and Appeals to OAH on July 1, 1999. The equipment, tangible property and appropriate state funds to support these positions are also transferred on the same date. In addition, this legislation requires OAH to train ALJs in their technical and subject matter areas. It also allows a party to file a motion to the director to disqualify an ALJ for bias, prejudice, personal interest or lack of technical expertise.

**Welfare; Arizona Works Agency (Chapter 211)** — Changes the review of decisions by Arizona Works hearing officers. Prior legislation would have made the decisions of Arizona Works hearing officers subject to review by Superior Court. Now these decisions will be subject to review by OAH. Arizona Works hearing officers will render decisions when individuals appeal the agency's eligibility determinations or sanctions.

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**ARIZONA DEPARTMENT OF AGRICULTURE**

Sheldon R. Jones, Director

**A.R.S. § 3-101**

JLBC Analyst: Chris Earnest

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
<u>Program Summary</u>			
Administration	1,732,900	1,688,900	1,912,500
Animal Services	3,698,200	3,970,900	4,160,200
Plant Industries	4,861,600	5,188,500	5,009,400
Chemicals/Environmental	1,002,900	1,122,800	1,150,500
Laboratory	1,196,800	1,408,700	1,429,200
<b>Total Appropriations</b>	<b>12,492,400</b>	<b>13,379,800</b>	<b>13,661,800</b>
<u>Expenditure Detail</u>			
FTE Positions	282.8	284.3	291.1 <sup>1/</sup>
Personal Services	6,199,400	6,707,200	7,029,800
Employee Related Expenditures	1,662,600	1,555,200	1,642,100
Professional and Outside Services	154,800	206,300	206,300
Travel - In State	511,300	577,700	577,700
Travel - Out of State	44,400	30,500	40,500
Other Operating Expenditures	1,561,600	1,501,700	1,516,900
Equipment	23,300	232,000	232,000
<b>Operating Subtotal</b>	<b>10,157,400</b>	<b>10,810,600 <sup>2/</sup></b>	<b>11,245,300 <sup>2/</sup></b>
Agricultural Consulting and Training	88,300	102,400	136,300 <sup>3/</sup>
Agriculture Employment Relations Board	23,200	23,300	23,300
Aquaculture	6,600	9,000	9,000
Egg Inspection	262,400	250,400	257,700
Ratite Control	0	40,100	40,100 <sup>4/</sup>
Animal Damage Control	0	65,000	65,000
Citrus, Fruit and Vegetable Standardization	719,700	850,700	863,900
Dangerous Plants, Pests and Diseases	455,900	21,400	21,400
Organic Food Certification	0	12,500	12,500
Native Plant Program	200,100	208,000	213,100
Seed Law Program	28,400	92,800	92,800
Karnal Bunt	0	300,000 <sup>5/</sup>	0 <sup>5/</sup>
Commercial Feed Program	153,600	171,200	174,900
Fertilizer Materials Program	187,400	219,400	223,100
Pesticide Program	209,400	203,000	208,400
<b>Total</b>	<b>12,492,400</b>	<b>13,379,800</b>	<b>13,586,800</b>

<sup>1/</sup> Includes 45 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> 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)

<sup>3/</sup> If Federal Funds are realized in state FY 1999 for purposes of the Agriculture Consultation and Training Program, there shall be a dollar for dollar reduction in the Agriculture Consultation and Training FY 1999 state General Fund appropriation. (General Appropriation Act footnote)

<sup>4/</sup> See Additional Appropriation: Ratite Slaughter Inspection; Appropriation (Chapter 175).

<sup>5/</sup> 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 monies 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. (Original FY 1998-FY 1999 General Appropriation Act footnote. The FY 1999 amount was subsequently ex-appropriated.)

<sup>6/</sup> General Appropriation Act funds are appropriated as a Modified Lump Sum by Agency.

**ARIZONA DEPARTMENT OF AGRICULTURE (Cont'd)**

Additional Appropriations -			
Ratite Slaughter Inspections: Appropriation, Ch. 175	0	0	75,000
<b>Total Appropriations</b>	<b>12,492,400</b>	<b>13,379,800</b>	<b>13,661,800<sup>6</sup></b>
<b>Fund Summary</b>			
General Fund	10,220,200	11,242,100	11,484,200
Aquaculture Fund	6,600	9,000	9,000
Egg Inspection Fund	262,400	250,400	257,700
Citrus, Fruit and Vegetable Revolving Fund	719,700	850,700	863,900
Commercial Feed Fund	153,600	171,200	174,900
Fertilizer Materials Fund	187,400	219,400	223,100
Ratite Control Fund	0	40,100	40,100
Pesticide Fund	209,400	203,000	208,400
Consulting and Training Fund	48,700	59,200	60,700
Dangerous Plants, Pests and Diseases Fund	455,900	21,400	21,400
Seed Law Fund	28,400	92,800	92,800
Organic Food Certification Fund	0	12,500	12,500
Arizona Protected Native Plant Fund	200,100	208,000	213,100
<b>Total Appropriations</b>	<b>12,492,400</b>	<b>13,379,800</b>	<b>13,661,800</b>

**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.*

**Administration** — The approved FY 1999 supplemental appropriation includes \$129,000 from the General Fund and 4.8 administrative FTE Positions. Previously, these positions were funded from administrative cost assessments on special revenue funds. In FY 1998 administrative assessments were eliminated and no specific funding source was designated for that year. The supplemental appropriation in FY 1999 shifts funding for these positions to the General Fund and the department will no longer assess special revenue funds for administrative positions.

**Employee Training** — The approved FY 1999 supplemental appropriation includes \$20,000 from the General Fund and 1 FTE Position for employee training purposes. The need for this position was identified in the Program Authorization Review (PAR) conducted prior to the legislative session. The new position will maintain training records and track required continuing education units, some of which are required for federal certifications.

**Consultation and Training** — The PAR report also identified a funding need for the Agriculture Consultation and Training (ACT) program due to a loss in federal funding. The approved supplemental budget addresses this need by appropriating \$31,300 from the General Fund to

the ACT Fund in FY 1999. The increase also includes 1 FTE Position previously funded from Federal Funds. If Federal Funds are granted for the ACT program, however, an equal amount shall be reduced from the program's General Fund appropriation (*see footnote 3*).

**Mexican Trade** — The approved FY 1999 supplemental appropriation includes \$10,000 from the General Fund to the Animal Services Division for Travel – Out of State to foster agricultural trade between Arizona and Mexico

**Karnal Bunt** — The approved ex-appropriation eliminates \$300,000 from the Karnal Bunt Special Line Item in FY 1999. This amount was originally appropriated to address federal quarantine requirements implemented upon the discovery of the wheat disease in the state. The quarantine requirements have since been lifted making the original appropriation unnecessary.

**Additional Appropriation: Ratite Slaughter Inspections; Appropriation (Chapter 175)** — This act appropriated \$75,000 from the General Fund to the Ratite Inspection Fund in FY 1999. Ratites are large, flightless birds such as ostriches and emus. The appropriation is to be used to subsidize 50% of the costs of ratite slaughter inspections performed by state inspectors.

**STATE BOARD OF APPRAISAL**

Shirley L. Berry, Executive Director

**A.R.S. § 32-3601**

JLBC Analyst: Brad Regens

<b>Board of Appraisal Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	4.0	4.0	4.0
Personal Services	142,800	152,400	156,300
Employee Related Expenditures	25,700	29,100	30,600
Professional and Outside Services	24,300	44,600	44,600
Travel - In State	1,600	14,000	14,000
Travel - Out of State	3,400	3,000	3,000
Other Operating Expenditures	41,500	45,700	45,700
Equipment	0	0	0
<b>Total Appropriations</b>	<b>239,300</b>	<b>288,800 <sup>1/</sup></b>	<b>294,200 <sup>2/</sup></b>

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

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**ARIZONA COMMISSION ON THE ARTS**

Shelley M. Cohn, Executive Director

**A.R.S. § 41-981**

JLBC Analyst: Brad Mortensen

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	12.5	12.5	12.5
Personal Services	356,300	375,300	387,600
Employee Related Expenditures	82,000	84,200	86,400
Professional and Outside Services	700	0	0
Travel - In State	13,000	13,100	13,100
Travel - Out of State	800	800	800
Other Operating Expenditures	96,400	92,600	90,700
Equipment	1,800	9,200	0
<b>Operating Subtotal</b>	<b>551,000</b>	<b>575,200</b>	<b>578,600</b>
Arts Endowment Fund	0	2,000,000	2,000,000
Community Service Projects	975,000	1,375,000	1,775,000
<b>Total Appropriations</b>	<b>1,526,000</b>	<b>3,950,200</b>	<b>4,353,600</b> <sup>1/</sup>

**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.*

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**ATTORNEY GENERAL - DEPARTMENT OF LAW**

The Honorable Grant Woods, Attorney General

A.R.S. § 41-192

JLBC Analyst: Brad Regens

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
<u>Program Summary</u>			
Administration	6,049,400	5,010,200	5,147,600
Civil	7,290,700	13,531,900	21,784,400
Civil Rights	1,725,900	2,249,900	2,351,900
Criminal	10,264,400	13,899,900	14,281,500
Economic Security	0	2,621,700	2,238,300
<b>Total Appropriations</b>	<b>25,330,400</b>	<b>37,313,600</b>	<b>45,803,700</b>
<u>Expenditure Detail</u>			
FTE Positions	383.0	556.1	670.6 <sup>1/</sup>
Personal Services	14,450,400	22,718,500	28,699,300
Employee Related Expenditures	2,776,200	4,387,800	5,607,600
Professional and Outside Services	248,200	1,950,500	2,017,800
Travel - In State	159,700	173,700	175,000
Travel - Out of State	37,800	69,500	75,900
Other Operating Expenditures	3,345,200	4,185,500	5,204,200
Equipment	272,900	545,600	396,700
<b>Operating Subtotal</b>	<b>21,290,400</b>	<b>34,031,100</b>	<b>42,176,500</b>
Cost Allocation/Indirect Costs	18,800	53,200	192,800
Capital Center Rent	910,400	0	0
Collection Enforcement Revolving Fund	687,800	0	0
State Grand Jury	135,800	152,800	155,800
Victims' Rights Implementation Revolving Fund	1,287,200	2,072,100	2,080,500
Victims' Rights Implementation	1,000,000	1,004,400	1,004,400
<b>Total</b>	<b>25,330,400</b>	<b>37,313,600 <sup>2/</sup></b>	<b>45,610,000 <sup>3/4/5/6/7/</sup></b>
<b>Additional Appropriations -</b>			
Temporary Custody; Preliminary Protective Hearing, Ch. 276	0	0	193,700 <sup>8/</sup>
<b>Total Appropriations</b>	<b>25,330,400</b>	<b>37,313,600</b>	<b>45,803,700</b>
<u>Fund Summary</u>			
General Fund	23,355,400	24,406,100	24,622,900
Antitrust Revolving Fund	0	711,800	723,100
Collection Enforcement Fund	687,800	1,409,500	1,523,000
Interagency Service Agreements Fund	0	8,714,100	16,854,200
Victims' Rights Implementation Fund	1,287,200	2,072,100	2,080,500
<b>Total Appropriations</b>	<b>25,330,400</b>	<b>37,313,600</b>	<b>45,803,700</b>

**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.*



## ATTORNEY GENERAL - DEPARTMENT OF LAW (Cont'd)

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**Interagency Service Agreements** — The approved supplemental appropriation adds 126 FTE Positions and \$7,777,500 from the Interagency Service Agreements (ISA) Fund for the first-time appropriation of the Arizona Department of Administration Risk Management Insurance Defense ISA and the Department of Transportation, Transportation Section ISA. *(Please see the following table for a listing of all appropriated FY 1999 Attorney General ISA's, except Attorney General ISA's with the Department of Economic Security (DES). DES's Attorney General ISA's are displayed as a Special Line Item within the DES Budget.)*

**Additional Appropriations: Temporary Custody; Preliminary Protective Hearing (Chapter 276)** — The bill establishes a preliminary protective hearing process to review the temporary custody of children. The bill requires the protective hearing to be held within 5 to 7 working days after the child is taken into custody. The bill appropriates \$193,700 to the Office of the Attorney General for additional assistant attorneys general.

- 1/ Includes 5.1 FTE Positions funded from Special Line Items in FY 1999.
- 2/ Laws 1997, Chapter 3, 2<sup>nd</sup> Special Session appropriated 15 FTE Positions and \$643,200 in 6-month funding to address growth in dependency petitions resulting from an increase in Child Protective Services cases.
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 4/ 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)
- 5/ 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 monies 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)
- 6/ In addition to the \$7,952,900 appropriated for FY 1998 and the \$16,078,500 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)
- 8/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

**ATTORNEY GENERAL - DEPARTMENT OF LAW (Cont'd)**

<b>Interagency Service Agreements with Attorney General</b>		
<u>Agency Name</u>	<u>FY 1999</u>	<u>Expenditures</u> <sup>1/</sup>
<u>FTE Positions</u>		
<u>Civil Division</u>		
Accountancy Board	3.0	\$ 178,600
Administration:		
Risk Mgmt Insurance Defense	100.0	5,941,800
Risk Mgmt/Workers Comp	4.0	241,500
Personnel	1.0	0
Appraisal Board	0.8	46,600
Banking	0.5	44,100
Coliseum	1.5	82,900
Community Colleges		25,000
Corrections (DOC)	2.0	148,500
Corrections - Employee Relations	0.5	0
Cosmetology Board	0.6	45,000
Emergency & Military Affairs - Clifton		82,200
Health Services:		
Behavioral Health	10.0	579,000
Outside Counsel		430,100
Dental Examiners Board	1.0	59,800
Education	0.5	35,000
Funeral Board	0.5	9,100
Insurance	0.3	17,500
Gaming	3.5	229,200
Land Department	3.0	200,000
Lottery	1.0	59,200
Medical Examiners Board	3.5	222,800
Nursing Board	2.5	158,000
Public Safety	1.0	71,800
Public Safety - "ALEOAC"	1.0	60,700
Real Estate	1.0	65,700
Retirement	2.0	161,200
Transportation:		
Tax	2.5	122,600
Transportation Section	26.0	1,835,700
Unallocated Retiree Accumulated Sick Leave		4,600
<b>Civil Division Subtotal</b>	<b>173.2</b>	<b>\$11,158,200</b>
<u>Criminal Division</u>		
Agriculture	1.0	\$ 69,300
Environmental Quality:		
UST	2.0	124,000
WQARF	17.0	950,000
Insurance	2.0	136,000

**ATTORNEY GENERAL - DEPARTMENT OF LAW (Cont'd)**

<u>Agency Name</u>	<u>FTE Positions</u>	<u>Expenditures <sup>1/</sup></u>
<b>Public Safety:</b>		
Forfeiture Support	3.0	205,500
Street Gang	1.0	54,100
State Comp Investment	1.0	46,300
Revenue Tax Enforcement	2.0	148,800
Unallocated Retiree Accumulated Sick Leave		2,700
<b>Criminal Division Subtotal</b>	<b>29.0</b>	<b>\$ 1,736,700</b>
<b>Economic Security</b>		
<b>DES:</b>		
Child Care Administration	2.0	\$ 110,400
Child/Family Service	1.0	65,000
Contested Guardian	1.0	116,200
Cost Recovery		45,100
DDD Legal Staff	1.0	47,900
Guardian		27,500
Severance	28.0	1,589,200
Freestone & IV-D Matter	0.0	3,100
Unallocated Retiree Accumulated Sick Leave		2,600
<b>Economic Security Subtotal</b>	<b>33.0</b>	<b>\$ 2,007,000</b>
<b>Civil Rights</b>		
CRS Mediation Cost Pool	2.0	\$ 70,900
New Grants	6.0	185,000
New Training	0.5	15,000
On-going ISA's -- Non-State Agencies	0.0	82,600
On-going ISA's -- State Agencies	0.0	71,800
Pima Juvenile Court	0.4	5,000
Pinal Juvenile Court	0.5	10,000
Pinal Mediation	0.5	10,000
Yavapai Mediation	0.3	5,200
Yavapai Victim Mediation	0.3	1,900
Yuma New ISA	1.0	55,000
Unallocated Retiree Accumulated Sick Leave		800
<b>Civil Rights Subtotal</b>	<b>11.5</b>	<b>\$ 513,200</b>
Unallocated Information Technology Staff	0.2	\$ 35,300
Unallocated Technical Adjustments		275,200
Contingency Expenditure Authority	12.0	775,700
New Salary Adjustments		352,900
<b>Total Interagency Service Agreements</b>	<b>258.9</b>	<b>\$16,854,200</b>
1/ Individual agency ISA expenditure amounts reflect the <u>FY 1998 Appropriations Report</u> . Actual FY 1999 ISA expenditures may vary.		

<b>AUTO THEFT AUTHORITY</b>		A.R.S. § 41-3451	
Paul Mortensen, Executive Director		JLBC Analyst: Brad Mortensen	
<b>General Fund and Auto Theft Authority Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	2.0	2.0	2.0
Personal Services	61,300	100,300	103,300
Employee Related Expenditures	8,000	19,200	19,800
Professional and Outside Services	1,900	0	0
Travel - In State	700	0	0
Travel - Out of State	900	0	0
Other Operating Expenditures	38,700	600	600
Equipment	8,300	0	0
<b>Operating Subtotal</b>	<b>119,800</b>	<b>120,100</b>	<b>123,700</b>
Auto Theft Authority Grants	0	1,053,400	1,053,400
<b>Total Appropriations</b>	<b>119,800</b>	<b>1,173,500</b>	<b>1,177,100</b> <sup>1</sup>
<u>Fund Summary</u>			
General Fund	119,800	0	0
Auto Theft Authority Fund	0	1,173,500	1,177,100
<b>Total Appropriations</b>	<b>119,800</b>	<b>1,173,500</b>	<b>1,177,100</b>

**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.*

**Additional Legislation:** Auto Theft Authority; Staff (Chapter 98) — Deletes the provision that limits the number of staff that the Auto Theft Authority can hire. Before 2 was delineated as the limit. Now additional staff can be hired as needed based on the availability of funding.

<sup>1/</sup> 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 Laws 1997, Chapter 290, the Authority will have total expenditure authority of \$2,340,900 in FY 1998 and FY 1999.

**STATE BANKING DEPARTMENT**

Richard C. Houseworth, Superintendent

A.R.S. § 6-101

JLBC Analyst: Brad Regens

General Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	52.0	52.0	52.0
Personal Services	1,414,700	1,749,700	1,803,600
Employee Related Expenditures	309,100	368,700	381,600
Professional and Outside Services	21,200	23,400	23,400
Travel - In State	38,600	45,000	45,000
Travel - Out of State	19,400	18,000	18,000
Other Operating Expenditures	336,800	296,300	296,500
Equipment	82,000	0	0
<b>Total Appropriations</b>	<b>2,221,800</b>	<b>2,501,100</b>	<b>2,568,100</b> <sup>1/2</sup>

**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.*

<sup>1/</sup> The Banking Department shall assess and set fees to ensure that monies deposited to the state General Fund will equal or exceed its expenditure from the state General Fund. (General Appropriation Act footnote)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**BOARD OF BARBERS**

Mario Herrera, Executive Director

**A.R.S. § 32-301**

JLBC Analyst: Chris Earnest

<b>Board of Barbers Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	3.0	3.0	3.0
Personal Services	92,900	98,000	101,000
Employee Related Expenditures	19,200	19,900	20,800
Professional and Outside Services	600	800	800
Travel - In State	11,300	15,300	15,300
Travel - Out of State	1,200	1,300	1,300
Other Operating Expenditures	<u>22,300</u>	<u>23,300</u>	<u>23,700</u>
<b>Total Appropriations</b>	<b>147,500</b>	<b>158,600</b> <sup>1/</sup>	<b>162,900</b> <sup>2/</sup>

**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.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**BOARD OF BEHAVIORAL HEALTH EXAMINERS**

Barbara Hess, Executive Director

**A.R.S. § 32-3251**

JLBC Analyst: Jennifer Vermeer

Behavioral Health Examiners Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	7.0	7.0	7.0
Personal Services	166,300	197,900	203,400
Employee Related Expenditures	35,100	43,100	44,500
Professional and Outside Services	2,300	20,200	20,200
Travel - In State	9,200	23,000	23,000
Travel - Out of State	5,000	5,700	5,700
Other Operating Expenditures	127,100	87,700	87,600
Equipment	26,300	16,700	10,200
<b>Total Appropriations</b>	<b>371,300</b>	<b>394,300</b> <sup>1</sup>	<b>394,600</b> <sup>2</sup>

**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.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.



**ARIZONA STATE BOXING COMMISSION**

Johnny Montano, Executive Director

**A.R.S. § 5-221**

JLBC Analyst: Jim Rounds

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	1.5	1.5	1.5
Personal Services	41,000	43,100	44,300
Employee Related Expenditures	9,900	11,800	12,200
Professional and Outside Services	500	500	500
Travel - In State	3,900	2,000	2,000
Travel - Out of State	700	700	700
Other Operating Expenditures	12,300	12,000	12,200
<b>Total Appropriations</b>	<b>68,300</b>	<b>70,100</b>	<b>71,900</b> <sup>1/2</sup>

**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.*

<sup>1/</sup> The Boxing Commission shall report to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**DEPARTMENT OF BUILDING AND FIRE SAFETY**

Eric Borg, Director

A.R.S. § 41-2141

JLBC Analyst: Chris Earnest

General Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	67.5	68.5	68.5
Personal Services	1,764,400	1,927,500	1,987,300
Employee Related Expenditures	445,800	484,500	500,800
Professional and Outside Services	8,000	0	0
Travel - In State	182,800	198,800	198,800
Travel - Out of State	2,200	6,000	6,000
Other Operating Expenditures	192,000	352,700	358,200
Equipment	10,500	10,700	0
<b>Operating Subtotal</b>	<b>2,605,700</b>	<b>2,980,200</b>	<b>3,051,100</b>
Rent/Relocation	183,100	0	0
Fire Training School	30,000	30,000	30,000
<b>Total Appropriations</b>	<b>2,818,800</b>	<b>3,010,200</b>	<b>3,081,100</b> <sup>1/</sup>

**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.*

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**STATE BOARD FOR CHARTER SCHOOLS**

Cassandra A. Larsen, Director

A.R.S. § 15-182

JLBC Analyst: Steve Schimpp

General Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	0.0	0.0	6.0
Personal Services	0	0	214,900
Employee Related Expenditures	0	0	44,400
Professional and Outside Services	0	0	4,000
Travel - In State	0	0	3,000
Travel - Out of State	0	0	2,000
Other Operating Expenditures	0	0	117,900
Equipment	0	0	29,000
<b>Total Appropriations</b>	<b>0</b>	<b>0</b>	<b>415,200</b> <sup>1/2</sup>

**Agency Description** — *The board reviews and approves charter school applications, including renewal applications, and monitors the schools that it sponsors for compliance with the provisions of their individual charters. It consists of the Superintendent of Public Instruction, 6 members of the general public, 2 members of the business community who are appointed by the Governor, and 3 members of the Legislature who serve as advisory members.*

**New Agency** — The State Board for Charter Schools is established as a separate state budget unit for the first time in FY 1999. This is intended to provide a greater sense of autonomy for the board, and more clearly demonstrate to the charter schools that it sponsors that they are accountable to it, rather than to the Department of Education, regarding charter-specific issues. (They remain accountable to the department, however, for compliance with state and federal mandates of a general nature, including financial accountability requirements.) The board existed as a Special Line Item program in the Department of Education for FY 1998 with 3 FTE Positions and \$172,900. During FY 1997 it existed in the Department of Education as a part of the Charter Schools Administration Special Line Item program. During FY 1996 (its first year of existence) was a component of the Department of Education State Board of Education program.

**New Staff** — The approved amount includes \$109,700 to fund 3 new FTE positions in FY 1999. These positions are in addition to the 3 FTE Positions that currently staff the board, and are intended to help it handle increasing workload requirements resulting from ongoing growth in the number of charter schools under its sponsorship.

**Parental Quality Rating Survey** — The approved amount includes \$75,000 for conducting a survey of parent quality ratings for charter schools.

<sup>1/</sup> The State Board for Charter Schools shall conduct a survey of parents of charter schools students in order to establish parent quality ratings for each and every charter school in this state. Each charter school in this state shall provide the board with information needed in order to conduct the survey. (General Appropriation Act footnote)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum for the Agency.

**STATE BOARD OF CHIROPRACTIC EXAMINERS**

Patrice Pritzl, Executive Director

**A.R.S. § 32-901**

JLBC Analyst: Brad Regens

<b>Board of Chiropractic Examiners Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	4.0	4.0	4.0
Personal Services	111,000	136,500	140,700
Employee Related Expenditures	22,900	27,300	28,100
Professional and Outside Services	26,900	21,600	21,000
Travel - In State	1,600	4,300	4,300
Travel - Out of State	4,400	4,000	4,000
Other Operating Expenditures	67,200	61,500	61,500
<b>Total Appropriations</b>	<b>234,000</b>	<b>255,200 <sup>1/</sup></b>	<b>259,600 <sup>2/</sup></b>

**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.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**DEPARTMENT OF COMMERCE**

Jackie Vieh, Director

**A.R.S. § 41-1501**

JLBC Analyst: Lisa Cotter

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	87.5	89.5	88.5 <sup>1/</sup>
Personal Services	2,490,700	2,708,500	2,762,400
Employee Related Expenditures	466,700	515,700	527,200
Professional and Outside Services	107,000	98,700	98,700
Travel - In State	59,000	64,800	64,800
Travel - Out of State	48,200	50,700	50,700
Other Operating Expenditures	845,000	913,400	910,900
Equipment	900	38,500	52,700
<b>Operating Subtotal</b>	<b>4,017,500</b>	<b>4,390,300</b>	<b>4,467,400</b>
<b>International Trade Offices</b>	1,193,000	1,194,800	1,194,800
<b>Business Assistance Center</b>			
Minority and Women-Owned Business	103,300	110,800	113,100
Small Business Advocate	99,800	108,400	111,800
<b>Rural Community Assistance</b>			
Economic Development Matching Funds	102,000	104,000	104,000
Main Street	129,900	130,000	130,000
REDI Matching Grants	44,700	45,000	45,000
Rural Tourism	99,400	100,400	102,300
<b>National Marketing</b>			
Advertising and Promotion	490,600	659,200	659,200
Indian Economic Development	63,300	69,200	70,700
Motion Picture Development	592,400	618,600	629,600
Senior Living Office	193,700	199,700	401,900
<b>Strategic Finance</b>			
CEDC Commission	188,700	208,400	212,300
Greater Arizona Development Authority	0	3,000,000 <sup>2/</sup>	8,000,000 <sup>2/</sup>
Rural Development Bank Study	60,000	0	0
Workforce Recruitment and Job Training	4,500,000	4,500,000	5,000,000
<b>Mexico Projects</b>			
National Law Center/Free Trade	250,000	250,000	250,000
AZ Sonora Economic Development Study	113,000	0	0
AZ Sonora Study Implementation	70,000	100,000	100,000 <sup>3/</sup>
Border Infrastructure Office	91,400	102,000	0
<b>Other</b>			
Clean Air Fund	0	1,000,000 <sup>4/</sup>	1,000,000 <sup>4/</sup>
High Altitude Sports Training Complex	0	50,000 <sup>5/</sup>	50,000 <sup>5/</sup>
Housing Development Fund	0	500,000	500,000
Oil Overcharge Administration	100,900	127,200	130,400
Special Needs Housing	0	71,300	72,900
Williams AFB Economic Development	350,000	350,000	350,000
<b>Total Appropriations</b>	<b>12,853,600</b>	<b>17,989,300</b>	<b>23,695,400 <sup>6/7/</sup></b>
<b>Fund Summary</b>			
General Fund	9,548,800	14,918,900	20,703,600
Bond Fund	86,000	95,900	97,900
Clean Air Fund	0	0	0 <sup>8/</sup>
Commerce and Economic Dev. Comm. (CEDC) Fund	2,773,000	1,923,000	1,831,900
Housing Development Fund	0	500,000	500,000
Housing Trust Fund	156,200	215,900	219,300
Lottery Fund	188,700	208,400	212,300
Oil Overcharge Fund	100,900	127,200	130,400
<b>Total Appropriations</b>	<b>12,853,600</b>	<b>17,989,300</b>	<b>23,695,400</b>

## DEPARTMENT OF COMMERCE (Cont'd)

**Agency Description** — *The department conducts programs to encourage the creation, expansion and retention of businesses in Arizona. The department has 12 major activities: Administration, the Governor's Strategic Partnership for Economic Development, the Arizona Business Assistance Center, National Marketing, Community Assistance, Energy, Financial Services, Housing and Infrastructure Development, International Trade and Investment, Motion Picture Development, Sports Development and the Senior Living Office.*

**Office of Sports Development** — The approved supplemental appropriation reflects a decrease of 1 FTE Position and \$31,700 from the General Fund in FY 1999 in the Office of Sports Development. For FY 1999, the original Department of Commerce appropriation included 2 FTE Positions and \$107,400 from the General Fund for the Office of Sports Development. During a Program Authorization Review of the Office of Sports Development during the last year, the JLBC and OSPB Staffs found that the Department of Commerce had reduced the Office of Sports Development budget to \$75,700 and 1 FTE Position. The approved supplemental appropriation reflects this reduction.

**Senior Living Office** — The approved supplemental amount adds 1 FTE Position and \$200,000 from the General Fund in FY 1999 for the Senior Living Office Special Line Item. The Senior Living Office seeks to encourage persons age 55 or over to move to Arizona, and to recruit businesses to the state which produce goods or services targeted to this demographic segment. The new General Fund money will be used for a senior program assistant who will develop and implement a rural retirement development program. The remainder of the Special Line Item appropriation is from the CEDC Fund.

**Workforce Recruitment and Job Training** — The approved supplemental amount adds \$500,000 from the General Fund in FY 1999 for the Workforce Recruitment and Job Training Special Line Item. The Special Line Item provides funding for training grants to businesses either training or retraining new or existing employees for specific job opportunities. Training is conducted through the community colleges system, a licensed private postsecondary educational institution, or a community college operated by a tribal government, unless the employer requests another qualified training provider. Please see **Additional Legislation** below for a description of how Chapter 257 changed the Workforce Recruitment and Job Training set-aside for small and rural businesses.

**Arizona Sonora Study Implementation** — The approved supplemental amount adds \$100,000 from the General Fund in FY 1999 for the Arizona Sonora Study Implementation Special Line Item to implement components of the Arizona Sonora Economic Development Study originally funded by Laws 1994, Chapter 6, 8<sup>th</sup> 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 Finance Office Elimination** — The approved ex-appropriation reflects a decrease of 1 FTE Position and \$103,200 from the CEDC Fund to eliminate funding for the Border Infrastructure Finance Office Special Line Item in FY 1999. The Border Infrastructure Finance Office elimination reflects the findings of a Program Authorization Review (PAR) of the Commerce Financial Services Division during the last year. In the PAR, the JLBC and OSPB Staffs found that the Border Infrastructure Finance Office is no longer necessary because the Department of Commerce's new Greater Arizona Development Authority now provides technical and financial assistance for rural infrastructure projects throughout the state.

**Housing Development Fund** — The approved supplemental amount includes a \$500,000 appropriation from the Housing Development Fund in both FY 1998 and FY 1999. Laws 1996, Chapter 355 created the Housing Development Fund for loans or grants to develop affordable housing in rural areas of the state within 20 miles of an existing or planned prison facility. Chapter 355 also transferred \$500,000 in both FY 1998 and FY 1999 from the Housing Trust Fund to the Housing Development Fund. The Housing Development Fund is

1/ Includes 20.5 FTE Positions funded from Special Line Items in FY 1999.

2/ Appropriated by Laws 1997, Chapter 208.

3/ It is the legislative intent that FY 2000 funding for the Arizona-Mexico Commission shall only be considered during the FY 2000 appropriations process if the Department of Commerce has requested such funding in its initial budget request. (General Appropriation Act footnote)

4/ 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.

5/ Appropriated by Laws 1997, Chapter 294.

6/ It is the legislative intent that the Department of Commerce only request funding for emergency issues during the second year of the biennial budget cycle. (General Appropriation Act footnote)

7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

8/ Laws 1997, Chapter 269 appropriated \$5,000,000 from the Arizona Clean Air Fund in FY 1999. Laws 1998, Chapter 221 repealed this appropriation.

## **DEPARTMENT OF COMMERCE (Cont'd)**

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subject to legislative appropriation, and the approved supplemental will enable the Department of Commerce to expend Housing Development Fund monies in FY 1998 and FY 1999. Laws 1998, Chapter 131 makes the same appropriation.

**Additional Legislation — Commerce; Sports Development; Financial Services (Chapter 257)** — Changes the percentage of funding from the Workforce Recruitment and Job Training Program and the CEDC that is designated for businesses and other qualified projects that are either small, rural, or located in economically disadvantaged areas of the state. For the Workforce Recruitment and Job Training Program, the bill increases the percent of funding that must be set aside for small and rural businesses from 15% to 25% for each category. For the CEDC, the bill specifies that at least 15% of the assistance awarded shall be awarded to businesses or other qualified projects in economically disadvantaged areas of the state. In addition, the bill states that a minimum of 25% of the monies appropriated to the CEDC Fund shall be used to provide funding for rural applicants, and a minimum of 25% shall be used to provide funding for small businesses. For both the Job Training and CEDC programs, the bill specifies that these percentages must be set aside until April 1 of each fiscal year. If more than 2% of the total appropriation remains unexpended on April 1, any amount greater than the 2% may be made available to any business or qualified project. After June 15 of each fiscal year, any unexpended monies may be made available to any qualified project.

**Alternative Fuels (Chapter 221)** — Repeals Laws 1997, Chapter 269, Section 22, which appropriated \$5,000,000 from the Arizona Clean Air Fund in FY 1999, for distribution to cities within Maricopa and Pima Counties for matching grants to purchase alternative fuel buses.



**CONSTITUTIONAL DEFENSE COUNCIL**

Michael Block, Chairman

**A.R.S. § 41-401**

JLBC Analyst: Bob Hull

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
Lump Sum Appropriation	0 <sup>1/</sup>	350,000 <sup>2/</sup>	0
<b>Total Appropriations</b>	<b>0</b>	<b>350,000</b>	<b>0</b>

**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 Constitutional Defense Council Revolving Fund has a balance of \$274,000 remaining from its original FY 1995 appropriation of \$1,000,000. For FY 1998, \$350,000 was appropriated from the General Fund to the Constitutional Defense Council Revolving Fund, but the monies were not transferred after the Arizona Supreme Court ruled on July 15, 1997 that the Constitutional Defense Council was unconstitutional in the case of *Woods vs. Block*.

<sup>1/</sup> 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.

<sup>2/</sup> See narrative for explanation.

**REGISTRAR OF CONTRACTORS**

Michael P. Goldwater, Director

A.R.S. § 32-1101

JLBC Analyst: Chris Earnest

Registrar of Contractors Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	111.8	112.8	112.8
Personal Services	2,781,400	3,078,500	3,177,500
Employee Related Expenditures	705,300	770,500	797,200
Professional and Outside Services	114,100	23,400	23,400
Travel - In State	202,000	224,400	224,400
Travel - Out of State	1,700	3,800	3,800
Other Operating Expenditures	888,300	946,800	946,500
Equipment	21,000	109,700	83,900
<b>Operating Subtotal</b>	<b>4,713,800</b>	<b>5,157,100</b>	<b>5,256,700</b>
Imaging Equipment	0	0	909,000
Incentive Pay	60,000	60,000	60,000
Office of Administrative Hearings	0	732,700 <sup>1/</sup>	753,300 <sup>1/</sup>
<b>Total Appropriations</b>	<b>4,773,800</b>	<b>5,949,800 <sup>2/</sup></b>	<b>6,979,000 <sup>3/</sup></b>

**Agency Description** — *The agency licenses, regulates and conducts examinations of residential and commercial construction contractors.*

**Imaging System** — The approved supplemental appropriation adds \$909,000 from the Registrar of Contractors Fund to upgrade the department's current imaging system and to expand imaging capabilities to the department's Legal Division. The expansion will allow legal files to be shared electronically with the Office of Administrative Hearings, the Attorney General and other legal agencies, thus speeding the workflow process among the agencies. Of the supplemental amount, all but \$97,600 is a one-time expenditure.

<sup>1/</sup> 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)

<sup>2/</sup> 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)

<sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**CORPORATION COMMISSION**

The Honorable Jim Irvin, Commissioner/Chairman

**A.R.S. § 40-101**

JLBC Analyst: Brad Regens

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
<u>Program Summary</u>			
Administration/Hearing	2,044,000	1,729,500	1,783,300
Corporations	1,413,200	2,997,500	3,280,000
Securities	1,896,200	4,324,300	4,425,400
Railroad Safety	503,900	624,600	636,100
Utilities	4,828,000	5,024,700	5,244,300
Legal	1,004,400	1,112,000	1,135,300
<b>Total Appropriations</b>	<b>11,689,700</b>	<b>15,812,600</b>	<b>16,504,400</b>
<u>Expenditure Detail</u>			
FTE Positions	236.0	283.0	283.0 <sup>1/</sup>
Personal Services	7,028,400	8,144,200	8,400,400
Employee Related Expenditures	1,483,100	1,697,100	1,760,300
Professional and Outside Services	177,000	251,900	419,900 <sup>2/</sup>
Travel - In State	197,900	177,700	177,700
Travel - Out of State	54,900	60,300	60,300
Other Operating Expenditures	1,615,000	2,231,400	2,251,200
Equipment	55,600	102,500	344,400
<b>Operating Subtotal</b>	<b>10,611,900</b>	<b>12,665,100</b>	<b>13,414,200</b>
Arts Trust Fund Administration	28,000	29,400	30,300
Investment Management Act	551,500	640,700	658,400
Securities Revolving Fund	0	1,930,400	1,959,500
Railroad Warning Systems	131,800	192,000	192,000 <sup>3/</sup>
Audits and Studies	366,500	260,000	250,000 <sup>3/</sup>
Pipeline Safety Inspection & Training	0	95,000	0
<b>Total Appropriations</b>	<b>11,689,700</b>	<b>15,812,600</b>	<b>16,504,400 <sup>4/5/</sup></b>
<u>Fund Summary</u>			
General Fund	5,155,800	5,730,100	5,843,700
Utility Regulation Fund	5,954,400	6,162,900	6,504,900
Arizona Arts Trust Fund	28,000	29,400	30,300
Pipeline Safety Revolving Fund	0	95,000	0
Investment Management and Regulatory Enforcement Fund	551,500	640,700	658,400
Public Access Fund	0	1,224,100	1,507,600
Securities Regulatory and Enforcement Fund	0	1,930,400	1,959,500
<b>Total Appropriations</b>	<b>11,689,700</b>	<b>15,812,600</b>	<b>16,504,400</b>

<sup>1/</sup> Includes 44 FTE Positions funded from Special Line Items in FY 1999.<sup>2/</sup> Of the amount appropriated for Professional and Outside Services in FY 1999, the sum of \$200,000 is appropriated for studies relating to electrical and telephone deregulation.<sup>3/</sup> 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)<sup>4/</sup> The commission shall provide written quarterly reports to the Joint Legislative Budget Committee documenting current employee turnover rates, as well as historical turnover rates. The report shall include a description of efforts by the commission to reduce the turnover rate. (General Appropriation Act footnote)<sup>5/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

## CORPORATION COMMISSION (Cont'd)

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**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.*

**Elected Officials Salary Adjustment** — The approved supplemental amount includes half-year FY 1999 funding to increase the salary of the 3 Corporation Commissioners from \$65,000 to \$73,000. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. They recommended the \$73,000 salary for the 3 commissioners beginning January 1, 1999.

**Professional and Outside Services** — The Corporation Commission hires outside consultants who provide professional expertise and advise Utilities Division staff during commission public utility rate hearings. The approved FY 1999 supplemental appropriation adds \$200,000 from the Utility Regulation Fund for additional costs associated with electrical and telephone deregulation.

**BOARD OF COSMETOLOGY**

Sue Sansom, Executive Director

**A.R.S. § 32-501**

JLBC Analyst: Chris Earnest

<b>Board of Cosmetology Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	15.5	17.5	17.5
Personal Services	328,200	404,800	417,200
Employee Related Expenditures	84,400	102,100	105,400
Professional and Outside Services	84,100	132,000	132,000
Travel - In State	20,700	25,000	25,000
Travel - Out of State	10,900	7,700	7,700
Other Operating Expenditures	160,300	141,800	194,600
Equipment	8,300	22,000	0
<b>Total Appropriations</b>	<b>696,900</b>	<b>835,400</b> <sup>1/</sup>	<b>881,900</b> <sup>2/</sup>

**Agency Description** — *The board administers licensing examinations and licenses; inspects salons and schools; and investigates violations of sanitation requirements and procedures. It conducts hearings and imposes enforcement actions where appropriate.*

**Additional Space** — The approved supplemental appropriation adds \$49,900 in FY 1999 from the Board of Cosmetology Fund to fund additional office space. Of the increase, \$23,300 is for the increased rent, while \$26,600 is a one-time appropriation for space improvement costs.

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**ARIZONA CRIMINAL JUSTICE COMMISSION**

Rex Holgerson, Executive Director

A.R.S. § 41-2404

JLBC Analyst: Brad Mortensen

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	6.0	6.0	6.0
Personal Services	205,600	230,700	236,900
Employee Related Expenditures	34,500	44,800	47,000
Professional and Outside Services	100	0	0
Travel - In State	6,400	11,000	11,000
Travel - Out of State	1,400	2,300	2,300
Other Operating Expenditures	70,100	61,400	61,400
Equipment			
<b>Operating Subtotal</b>	<b>318,100</b>	<b>350,200</b>	<b>358,600</b>
Substance Abuse Surveys	0	25,000	0
Street Gang Prosecution	500,000	1,000,000 <sup>1/</sup>	1,000,000
Drug and Gang Prevention Resource Center	166,500	0	0
Crime Victim Compensation	0	1,100,000	1,550,000
Crime Victim Assistance Program	0	450,000	550,000
Obscenity Prosecution	0	250,000 <sup>2/</sup>	250,000 <sup>2/</sup>
<b>Total</b>	<b>984,600</b>	<b>3,175,200</b>	<b>3,708,600</b>
<b>Additional Appropriations -</b>			
Electronic; Internet Distribution;			
Child Pornography, Ch. 147	0	0	75,000
Domestic Violence, Ch. 303	0	0	66,000
<b>Total Appropriations</b>	<b>984,600</b>	<b>3,175,200</b>	<b>3,849,600 <sup>3/</sup></b>
<b>Fund Summary</b>			
General Fund	500,000	1,250,000	1,391,000
Criminal Justice Enhancement Fund	318,100	375,200	358,600
Crime Victim Assistance Fund	0	450,000	550,000
Crime Victim Compensation Fund	0	1,100,000	1,550,000
Drug Enforcement Account	166,500	0	0
<b>Total Appropriations</b>	<b>984,600</b>	<b>3,175,200</b>	<b>3,849,600</b>

**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.*

**Street Gang Prosecution** — The approved supplemental amount provides an additional \$500,000 in FY 1999 from the General Fund to be distributed by ACJC to organizations involved in the prosecution of members of criminal street gangs. This supplemental results in the

same total funding for the program in FY 1999 as it received in FY 1998.

**Crime Victim Compensation** — The approved supplemental amount includes an additional \$450,000 in FY 1999 from

<sup>1/</sup> Of the amount shown, \$500,000 is appropriated by Laws 1997, Chapter 220.

<sup>2/</sup> Appropriated by Laws 1997, Chapter 244.

<sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

## **ARIZONA CRIMINAL JUSTICE COMMISSION (Cont'd)**

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the Victim Compensation Fund. ACJC distributes this money to county victim compensation boards which provide monetary compensation to victims of crime.

**Crime Victim Assistance** — The approved supplemental amount includes an additional \$100,000 in FY 1999 from 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: Electronic; Internet Distribution; Child Pornography (Chapter 147)** — Appropriates \$75,000 in FY 1999 from the General Fund for the purpose of prosecuting offenses related to child pornography and engaging minors in sexually explicit acts, as defined in A.R.S. § 13-3508, 13-3552, 13-3553, and 13-3554. The appropriation specifies that one grant of \$37,500 is to be made to a county attorney and one grant of \$37,500 is to be made to a law enforcement agency to improve the detection and prosecution of these crimes. ACJC is also required to submit a report to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the Department of Library, Archives, and Public Records by March 1, 1999 describing the success of the grant program.

**Domestic Violence (Chapter 303)** — Appropriates \$66,030 in FY 1999 from the General Fund for the purpose of prosecuting aggravated domestic violence offenses. ACJC will distribute the monies.

**Capital Outlay: Juveniles; Employment; Training; Detention (Chapter 226)** — Appropriates \$2,000,000 from the General Fund in FY 1999 to the County Jail Juvenile Improvement Fund that is 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: Brad Mortensen

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
<u>Program Summary</u>			
Phoenix Day School	5,665,300	5,912,600	6,084,400
Tucson Campus	12,978,000	13,479,600	13,718,600
Administration/Statewide Programs	3,681,100	4,624,000	4,712,900
<b>Total Appropriations</b>	<b>22,324,400</b>	<b>24,016,200</b>	<b>24,515,900</b>
<u>Expenditure Detail</u>			
FTE Positions	524.4	536.9	539.9
Personal Services	14,364,300	15,805,500	16,336,800
Employee Related Expenditures	2,578,300	3,287,800	3,411,600
Professional and Outside Services	474,700	491,800	370,200
Travel - In State	68,800	66,100	67,700
Travel - Out of State	7,800	7,000	7,000
Food	123,100	115,100	115,100
Other Operating Expenditures	3,923,100	3,532,900	3,564,000
Equipment	784,300	510,000	443,500
<b>Operating Subtotal</b>	<b>22,324,400</b>	<b>23,816,200</b> <sup>1/</sup>	<b>24,315,900</b> <sup>1/</sup>
Educational and Technical Equipment	0	200,000	200,000
<b>Total Appropriations</b>	<b>22,324,400</b>	<b>24,016,200</b>	<b>24,515,900</b> <sup>2/</sup>
<u>Fund Summary</u>			
General Fund	16,695,700	17,566,900	18,095,100
Permanent Special Education Institutional Voucher Fund	5,094,100	6,049,200	6,049,200
Endowment Earnings and Out-of-State Tuition	534,600	371,400	371,600
Enterprise Fund	0	0	0
Telecommunication Fund for the Deaf	0	28,700	0
<b>Total Appropriations</b>	<b>22,324,400</b>	<b>24,016,200</b>	<b>24,515,900</b>

**Agency Description** — *The Arizona State Schools for the Deaf and the Blind (ASDB) provides comprehensive educational programs for sensory impaired students from birth to age 22. 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. Additional cooperatives are funded and being organized in Maricopa County and a yet to be determined region of the state. ASDB also serves children up to 2 years of age throughout the state. Systemwide, ASDB serves approximately 1,424 children: 532 students in the K-12 programs, 116 children in preschools, 314 infant/toddlers in regional areas, and 462 children through the 3 existing regional cooperatives.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act appropriation format varies by program.

## ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND - SUMMARY (Cont'd)

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**Additional Legislation:** Omnibus Budget Reconciliation: Education (Chapter 8, 4<sup>th</sup> Special Session) — Increases the base level support per pupil and the high support level for specified Group B Weight categories, such as visually and hearing impaired. These increases will cause ASDB to receive an estimated increase of \$841,300 in FY 1999 through the Permanent Special Education Institutional Voucher Fund above the amounts specified in the table. ASDB is required to report the intended use of these additional voucher 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.

**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 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	137.4	147.4	147.4
Personal Services	3,827,100	4,324,400	4,445,400
Employee Related Expenditures	610,500	904,400	931,000
Professional and Outside Services	125,600	20,300	20,300
Travel - In State	400	1,100	1,100
Travel - Out of State	400	1,500	1,500
Food	34,800	30,900	30,900
Other Operating Expenditures	755,500	394,200	394,200
Equipment	311,000	115,800	140,000
<b>Operating Subtotal</b>	<b>5,665,300</b>	<b>5,792,600</b>	<b>5,964,400</b>
Educational and Technical Equipment	0	120,000	120,000
<b>Total Appropriations</b>	<b>5,665,300</b>	<b>5,912,600</b>	<b>6,084,400 <sup>1/</sup></b>
<u>Fund Summary</u>			
General Fund	3,355,700	3,113,300	3,285,100
Permanent Special Education Institutional Voucher Fund	2,309,600	2,799,300 <sup>2/</sup>	2,799,300 <sup>2/</sup>
<b>Total Appropriations</b>	<b>5,665,300</b>	<b>5,912,600</b>	<b>6,084,400</b>

**Program Description** — *The Phoenix Day School for the Deaf (PDSD) provides a comprehensive educational program for hearing impaired students. PDSD currently serves 257 students in the K-12 program, including 130 elementary, 38 middle school, and 89 high school students.*

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

<sup>2/</sup> 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 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	317.2	308.2	308.2
Personal Services	8,522,300	8,673,600	8,913,500
Employee Related Expenditures	1,216,800	1,835,600	1,892,300
Professional and Outside Services	128,900	185,600	185,600
Travel - In State	11,200	5,800	5,800
Travel - Out of State	1,700	3,400	3,400
Food	88,200	84,200	84,200
Other Operating Expenditures	2,562,100	2,495,400	2,464,800
Equipment	446,800	116,000	89,000
<b>Operating Subtotal</b>	<b>12,978,000</b>	<b>13,399,600</b>	<b>13,638,600</b>
Educational and Technical Equipment	0	80,000	80,000
<b>Total Appropriations</b>	<b>12,978,000</b>	<b>13,479,600</b>	<b>13,718,600</b> <sup>1/</sup>
<b>Fund Summary</b>			
General Fund	9,658,900	9,940,200	10,207,700
Permanent Special Education Institutional Voucher Fund	2,784,500	3,139,300 <sup>2/</sup>	3,139,300 <sup>2/</sup>
Endowment Earnings and Out-of-State Tuition	534,600	371,400 <sup>3/4/</sup>	371,600 <sup>3/4/</sup>
Telecommunication Fund for the Deaf	0	28,700	0
<b>Total Appropriations</b>	<b>12,978,000</b>	<b>13,479,600</b>	<b>13,718,600</b>

**Program Description** — *The Tucson Campus provides a comprehensive residential educational program for visually and hearing impaired students. The school currently serves 275 students in K-12 programs. Enrollment for the School for the Deaf currently numbers 178 students, including 66 elementary, 46 middle school and 66 high school students. The School for the Blind has a current enrollment of 97 students. This includes 19 elementary, 19 middle school and 59 high school students. Boarding options exist for those students whose homes are beyond the daily transportation limits of the Tucson Campus.*

**Capital Outlay:** Chapter 7, 4<sup>th</sup> Special Session- — Appropriates \$2,000,000 General Fund in FY 1999 for the renovation of the athletic facilities at the Tucson Campus. The project may involve Americans with Disabilities Act compliance issues, renovation of existing space and an addition to the gymnasium building that includes a new student center. The project may also include a new running track and the renovation of the swimming pool and outdoor basketball courts.

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 -  
ADMINISTRATION/STATEWIDE PROGRAMS**

A.R.S. § 15-1301

General Fund and Permanent Special Education Institutional Voucher Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	69.8	81.3	84.3
Personal Services	2,014,900	2,807,500	2,977,900
Employee Related Expenditures	751,000	547,800	588,300
Professional and Outside Services	220,200	285,900	164,300
Travel - In State	57,200	59,200	60,800
Travel - Out of State	5,700	2,100	2,100
Food	100	0	0
Other Operating Expenditures	605,500	643,300	705,000
Equipment	26,500	278,200	214,500
<b>Total Appropriations</b>	<b>3,681,100</b>	<b>4,624,000</b>	<b>4,712,900<sup>1</sup></b>
<u>Fund Summary</u>			
General Fund	3,681,100	4,513,400	4,602,300
Permanent Special Education Institutional Voucher Fund	0	110,600 <sup>2/</sup>	110,600 <sup>2/</sup>
<b>Total Appropriations</b>	<b>3,681,100</b>	<b>4,624,000</b>	<b>4,712,900</b>

**Program Description** — *The Administration/Statewide Programs cost center coordinates programs that serve the entire state apart from the Tucson and Phoenix campuses. This includes 462 students in the 3 regional cooperatives and 116 students in 6 preschool programs. Additional cooperatives are funded and being organized in Maricopa County and a yet to be determined region of the state. Statewide Programs also provide resources to school districts across the state. In addition, the cost center has responsibility for ASDB Administration.*

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum for the Program.

<sup>2/</sup> 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)

**STATE BOARD OF DENTAL EXAMINERS**

Julie N. Chapko, Executive Director

**A.R.S. § 32-1201**

JLBC Analyst: Brad Regens

Dental Board Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	9.0	9.0	9.0
Personal Services	218,800	250,100	257,200
Employee Related Expenditures	41,000	52,900	54,700
Professional and Outside Services	198,400	224,300	226,200
Travel - In State	7,200	9,600	9,600
Travel - Out of State	3,500	2,100	2,100
Other Operating Expenditures	121,700	128,000	130,900
Equipment	3,800	2,600	2,600
<b>Total Appropriations</b>	<b>594,400</b>	<b>669,600 <sup>1/</sup></b>	<b>683,300 <sup>2/</sup></b>

**Agency Description** — *The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.*

**Formal Complaint Hearings** — The approved supplemental amounts include an increase of \$38,200 in FY 1998 and \$32,900 in FY 1999 due to a 15% increase in formal hearings against dental licensees.

<sup>1/</sup> 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)

<sup>2/</sup> 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: Brad Mortensen

<b>Drug and Gang Prevention Resource Center Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	0.0	1.8	1.8
Personal Services	0	63,200	65,200
Employee Related Expenditures	0	18,700	19,000
Professional and Outside Services	0	24,100	24,100
Travel - In State	0	1,800	1,800
Travel - Out of State	0	1,400	1,400
Other Operating Expenditures	0	91,100	91,100
Equipment	0	4,900	4,900
<b>Total Appropriations</b>	<b>0</b>	<b>205,200</b>	<b>207,500 <sup>1/</sup></b>

**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.*

<sup>1/</sup> 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

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
<u>Program Summary</u>			
Emergency Management	3,394,800	9,253,700	5,372,600
Military Affairs	3,598,700	5,672,200	5,935,200
<b>Total Appropriations</b>	<b>6,993,500</b>	<b>14,925,900</b>	<b>11,307,800</b>
<u>Expenditure Detail</u>			
FTE Positions	67.0	68.0	68.0 <sup>1/</sup>
Personal Services	1,504,200	1,749,700	1,808,100
Employee Related Expenditures	361,200	423,500	438,600
Professional and Outside Services	28,100	44,200	44,200
Travel - In State	53,100	44,800	44,800
Travel - Out of State	28,000	18,100	18,100
Other Operating Expenditures	1,401,800	1,633,100	1,633,100
Equipment	9,200	14,900	20,800
<b>Operating Subtotal</b>	<b>3,385,600</b>	<b>3,928,300</b>	<b>4,007,700</b>
Special Line Items	3,607,900	10,997,600	6,900,100
Additional Appropriations	0	0	400,000
<b>Total Appropriations</b>	<b>6,993,500</b>	<b>14,925,900</b>	<b>11,307,800</b> <sup>2/</sup>
<u>Fund Summary</u>			
General Fund	6,945,800	14,078,200	11,260,100
Emergency Response Fund	47,700	47,700	47,700
State Highway Fund	0	800,000	0
<b>Total Appropriations</b>	<b>6,993,500</b>	<b>14,925,900</b>	<b>11,307,800</b>

**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.*

<sup>1/</sup> Includes 4.5 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> 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 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	19.5	19.5	19.5 <sup>1/</sup>
Personal Services	370,700	420,300	433,300
Employee Related Expenditures	84,100	91,800	95,100
Professional and Outside Services	21,300	20,000	20,000
Travel - In State	4,900	6,000	6,000
Travel - Out of State	15,900	9,600	9,600
Other Operating Expenditures	179,000	209,800	209,800
Equipment	7,100	2,200	2,300
<b>Operating Subtotal</b>	<b>683,000</b>	<b>759,700</b>	<b>776,100</b>
Civil Air Patrol	61,500	61,500	61,500
1993 Flood Relief - Local Share	2,124,200	3,200,000 <sup>2/</sup>	1,600,000 <sup>2/</sup>
1993 Flood Relief - State Share	0	4,700,000 <sup>2/</sup>	2,400,000 <sup>2/</sup>
Emergency Response Commission	17,500	19,800	19,800
Emergency Response Fund Grants	47,700	47,700	47,700
Nuclear Emergency Management	460,900	465,000 <sup>3/</sup>	467,500 <sup>3/</sup>
<b>Total Appropriations</b>	<b>3,394,800</b>	<b>9,253,700</b>	<b>5,372,600 <sup>4/</sup></b>
<b>Fund Summary</b>			
General Fund	3,347,100	8,406,000	5,324,900
Emergency Response Fund	47,700	47,700	47,700
State Highway Fund	0	800,000	0
<b>Total Appropriations</b>	<b>3,394,800</b>	<b>9,253,700</b>	<b>5,372,600</b>

**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.*

<sup>1/</sup> Includes 4.5 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> Appropriated by Laws 1996, Chapter 7, 5th Special Session.

<sup>3/</sup> Appropriated by Laws 1997, Chapter 57.

<sup>4/</sup> 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**

A.R.S. § 26-101

General Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	47.5	48.5	48.5
Personal Services	1,133,500	1,329,400	1,374,800
Employee Related Expenditures	277,100	331,700	343,500
Professional and Outside Services	6,800	24,200	24,200
Travel - In State	48,200	38,800	38,800
Travel - Out of State	12,100	8,500	8,500
Other Operating Expenditures	1,222,800	1,423,300	1,423,300
Equipment	2,100	12,700	18,500
<b>Operating Subtotal</b>	<b>2,702,600</b>	<b>3,168,600</b>	<b>3,231,600<sup>1</sup></b>
Education Reimbursement	43,000	43,000	43,000
Unit Allowance	0	0	0
Service Contracts	852,300	852,300 <sup>2/</sup>	852,300 <sup>2/</sup>
Guardsmen - State Active Duty	800	5,300	5,300
Uniform Allowance	0	3,000	3,000
Project Challenge	0	1,600,000 <sup>3/</sup>	1,400,000 <sup>3/</sup>
<b>Total</b>	<b>3,598,700</b>	<b>5,672,200</b>	<b>5,535,200</b>
<b>Additional Appropriations -</b>			
Tuition; Military Reserve; National Guard, Ch. 201	0	0	400,000
<b>Total Appropriations</b>	<b>3,598,700</b>	<b>5,672,200</b>	<b>5,935,200<sup>4/</sup></b>

**Program Description** — *The division manages and operates the National Guard of Arizona, which includes the Army and Air National Guard.*

**Additional Appropriations:** Tuition; Military Reserve; National Guard (Chapter 201) — Appropriates \$400,000 in FY 1999 to reimburse National Guard members for a portion of their education costs. Any qualified guard member who has completed a semester as a full-time or part-time student at a public or private postsecondary educational institution is eligible for the credit. A guard member may receive the amount expended on tuition and fees up to the cost of in-state tuition and fees at a state university, for a maximum of \$2,700 in FY 1999. The Adjutant General shall annually adopt procedures to allocate the appropriated monies in a manner consistent with the personnel needs of the Arizona National Guard. The total reimbursement level shall not exceed the amount appropriated by the Legislature.

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/ Appropriated by Laws 1997, Chapter 293.

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

**DEPARTMENT OF ENVIRONMENTAL QUALITY**

Russell F. Rhoades, Director

A.R.S. § 49-101

JLBC Analyst: Chris Earnest

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	383.9	477.6	481.4 <sup>1/</sup>
Personal Services	7,417,900	7,703,600	7,947,600
Employee Related Expenditures	1,497,300	1,640,300	1,697,900
Professional and Outside Services	121,000	134,900	134,900
Travel - In State	135,900	175,300	175,300
Travel - Out of State	23,500	17,600	17,600
Other Operating Expenditures	1,840,000	791,600	791,600
Equipment	303,700	149,000	149,000
<b>Operating Subtotal</b>	<b>11,339,300</b>	<b>10,612,300</b>	<b>10,913,900</b>
WQARF Priority Site Remediation	1,272,200	19,523,300 <sup>2/3/</sup>	19,523,300 <sup>2/3/</sup>
Underground Storage Tank Program	3,000,000	1,578,000 <sup>4/</sup>	0
Safe Drinking Water SRF	0	3,380,000	1,451,500
Clean Water SRF	0	0	4,268,500
Air Permits Administration Programs	3,577,600	4,702,000	4,783,300
Emissions Control Programs	6,319,300	5,533,800 <sup>5/</sup>	3,630,600
Chapter 269 Air Quality Study	0	120,000 <sup>6/</sup>	0
Oxygenated Fuels	0	50,000 <sup>7/</sup>	0
Lawn Mower Retirement Program	0	1,000,000 <sup>8/</sup>	0 <sup>9/</sup>
Hazardous Waste Programs	290,700	341,800	451,000
Solid Waste Programs	621,700	1,338,600 <sup>10/</sup>	1,448,900 <sup>11/</sup>
Aquifer Protection Permit Program	661,000	692,300	712,600
Water Quality Programs	749,400	3,622,600	3,583,300
<b>Total</b>	<b>27,831,200</b>	<b>52,494,700</b>	<b>50,766,900</b>
<b>Additional Appropriations -</b>			
Underground Storage Tank Regulation, Ch. 181	0	0	460,000
Air Quality Measures, Ch. 217	0	125,000	1,700,000
DEQ Sunset, Ch. 298	0	0	500,000
<b>Total Appropriations</b>	<b>27,831,200</b>	<b>52,619,700</b>	<b>53,426,900</b> <sup>12/13/</sup>
<b>Fund Summary</b>			
General Fund	20,381,100	32,434,500	34,853,400
Air Permits Administration Fund	3,577,600	4,702,000	4,783,300
Emission Inspection Fund	2,210,700	3,573,800	3,630,600
Hazardous Waste Fund	290,700	341,800 <sup>14/</sup>	451,000 <sup>14/</sup>
Solid Waste Fee Fund	621,700	985,000	1,125,300
Water Quality Assurance Revolving	0	5,000,000	5,000,000
Arizona Clean Air Fund	0	1,960,000	0
Water Quality Fee Fund	749,400	3,622,600	3,583,300
<b>Total Appropriations</b>	<b>27,831,200</b>	<b>52,619,700</b>	<b>53,426,900</b>

## 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.*

**Emissions Control Program - FY 1998** — The Emissions Control Program operates in Maricopa and Pima Counties. Vehicle owners in Maricopa County are subject to either a biennial I/M 240 inspection if the vehicle was manufactured in 1981 or after, or an annual idle inspection if manufactured prior to 1981. Pima County residents are only subject to the annual idle inspection. There are 5 components to the program's expenditures:

- **Operating Cost** — These costs include programmatic overhead such as personnel, travel and equipment.
- **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 vehicles' license plates. Owners of vehicles with excessive emissions are notified by mail and must get an emissions test.
- **Remote Sensing Subsidy** — 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.
- **I/M 240 Subsidy** — In FY 1998, the maximum fee that can be assessed to a vehicle owner for an inspection is \$20 per biennium. Because the actual I/M 240 inspection cost is above \$20, the program subsidizes

the difference. Pima County residents receive no subsidy, as the annual idle inspection is less than \$10.

The 1997 General Appropriation Act (Laws 1997, Chapter 1, 1<sup>st</sup> Special Session) appropriated \$3,573,800 from the Vehicle Emissions Inspection (VEI) Fund in FY 1998. This amount was to provide for the Operating Costs, the Repair Grants, and the Remote Sensing Contract and assumed that all inspection fee subsidies would be eliminated. Legislation in the 1997 Regular Session to eliminate the subsidies was not enacted, however, leaving the program with the continued requirement to subsidize the I/M 240 inspection and the Remote Sensing tests. The cost of these subsidies, together with other program costs for which there was not sufficient revenue, necessitated an additional appropriation of \$5,747,300 from the Arizona Clean Air Fund (ACAF) to the VEI Fund. The ACAF appropriation was made in Laws 1997, Chapter 269.

Through FY 1998, the ACAF did not generate the revenues originally anticipated, leaving it unable to meet both the \$5,747,300 VEI appropriation and its other FY 1998 obligations. As a partial solution to the funding shortfall, ADEQ negotiated with the I/M 240 contractor to eliminate the I/M 240 subsidy payments for the last 6 months of the fiscal year. ADEQ was able to do this through the utilization of an overage account held by the contractor.

1/ Includes 250.8 FTE Positions funded from Special Line Items in 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/ Appropriated by Laws 1997, Chapter 253.

5/ Includes \$1,960,000 appropriated by Laws 1997, Chapter 269, as amended by Laws 1998, Chapter 1, 4<sup>th</sup> Special Session.

6/ Appropriated by Laws 1997, Chapter 269.

7/ Appropriated by Laws 1997, Chapter 117.

8/ Appropriated by Laws 1997, Chapter 269.

9/ See Additional Appropriations: Air Quality Measures (Chapter 217).

10/ Includes \$253,600 appropriated by Laws 1997, Chapter 178 and \$100,000 appropriated by Laws 1997, Chapter 296.

11/ Includes \$253,600 appropriated by Laws 1997, Chapter 178 and \$70,000 appropriated by Laws 1997, Chapter 296.

12/ General Appropriation Act funds are appropriated as a Modified Lump Sum by Agency.

13/ Up to \$1,250,000 of the state General Fund appropriation may be utilized temporarily to maintain existing environmental programs for which an application for federal funds has been submitted. (General Appropriation Act footnote)

14/ 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)**

The overage account consists of monies credited to the state as a result of inspecting more vehicles than were originally projected at the outset of the I/M 240 contract. At the end of 1997, approximately \$8,500,000 had accumulated in the account. By utilizing \$1,700,000 of this amount in-lieu of subsidy payments to the inspection contractor, the program's expenditures for I/M 240 subsidies were reduced by half. Further expenditure reductions and contract adjustments reduced the needed amount from the ACAF to \$1,960,000. The approved supplemental (Laws 1998, Chapter 1, 4<sup>th</sup> Special Session) amends the original ACAF appropriation made in Laws 1997, Chapter 269, reducing it to the \$1,960,000 amount necessary for FY 1998 VEI Fund operations. This amendment represents a decrease of \$3,787,300 from the original \$5,747,300 appropriation.

The \$1,960,000 from the ACAF and the \$3,573,800 in the General Appropriation Act gave the VEI Fund a total FY 1998 appropriated expenditure authority of \$5,533,800. This appropriation, however, gave the fund expenditure authority in excess of the estimated revenues. Fund revenues, including the ACAF transfer, for FY 1998 are approximately \$5,134,900. Table 1 delineates how these revenues are expended.

**Table 1: Vehicle Emissions Inspection Fund**

<u>Expenditure Authority</u>	<u>FY 1998</u>	<u>FY 1999</u>
General Appropriations Act	\$3,573,800	\$3,630,600
ACAF Appropriation - Ch. 269	1,960,000 <sup>1/</sup>	0
<b>Total Expenditure Authority</b>	<b>\$5,533,800<sup>2/</sup></b>	<b>\$3,630,600</b>
 <u>Estimated Revenue</u>		
Beginning Balance	\$1,774,900	0
Program Revenues	1,400,000	\$ 468,000
Program Fees	0	3,162,600
ACAF Transfer	1,960,000	0
<b>Total Revenue</b>	<b>\$5,134,900</b>	<b>\$3,630,600</b>
 <u>Estimated Expenditures</u>		
Operating Costs	\$2,553,100	\$2,653,400
Repair Grants	7,000	50,000
Remote Sensing Contract	927,200	927,200
I/M 240 Subsidy	1,547,600 <sup>3/</sup>	0
Remote Sensing Subsidy	100,000	0
<b>Total Expenditures</b>	<b>\$5,134,900</b>	<b>\$3,630,600</b>

1/ The original appropriation was \$5,747,300. Laws 1998, Chapter 1, 4th Special Session reduced it to the amount shown.  
 2/ This appropriation exceeds program revenues in FY 1998.  
 3/ This figure represents only 6 months of subsidy payments. The remaining 6 months were eliminated by a contract adjustment.

The approved supplemental also stipulates that if ADEQ receives a cash reimbursement from the overage account, \$1,960,000 of that reimbursement is to be transferred to

the ACAF. This language, which is found in Section 57 of Laws 1998, Chapter 1, 4<sup>th</sup> Special Session, is meant to replace those ACAF monies that were transferred to the VEI Fund in FY 1998. As discussed below, however, the overage account will be returned to the state in a means other than a cash reimbursement. Thus, it is anticipated that this provision will have no fiscal impact.

**FY 1999:** — In the 1998 Legislative Session, legislation was enacted changing the FY 1999 funding method of the Emissions Control Program. The Tax Relief Bill of 1998 (Laws 1998, Chapter 3, 4<sup>th</sup> Special Session) eliminated the I/M 240 and Remote Sensing subsidies by removing the \$20 per biennium fee limit for an emission inspection. The bill allows ADEQ to set the inspection fee to recover the "full costs of the VEI Program... including administration, implementation, and enforcement." The impact of this provision on vehicle owners is twofold. First, it requires vehicle owners to pay the full fee for an inspection. In FY 1998 the cost of an I/M 240 inspection was \$24.30. For FY 1999, this cost is expected to change due to other legislative enactments discussed below. The inspection fee will be retained by the emissions contractor to cover the cost of inspection. Second, the bill allows ADEQ to assess a program fee, in addition to the inspection fee, for other costs of the Emissions Control Program. This fee will be transferred to the VEI Fund for program operations.

The appropriation for program operation in FY 1999 is \$3,630,600. This amount provides for the Operating Costs, the Repair Grants, and the Remote Sensing Contract. It does not provide for I/M 240 or Remote Sensing subsidies as they were eliminated. A small amount of funding for this appropriation is from ongoing program revenues, generated primarily from the fees auto dealers pay for certification to sell emissions compliant vehicles. The vast majority of the appropriation, however, will be funded from the program fee assessed to vehicle owners at the time of inspection. The program fee amount that will be charged varies depending on the type of inspection and county in which the inspection is conducted. The following are estimates of each program fee:

- **Maricopa: I/M 240 Inspection** – To recover program operation costs in Maricopa County, a program fee of approximately \$5.55 would be necessary. This amount would be collected biennially, with each inspection.
- **Maricopa: Idle Inspection** – Approximately \$2.80 would need to be assessed for each idle inspection in Maricopa County. This fee is roughly one-half of the I/M 240 inspection program fee because idle inspections are conducted annually as opposed to biennially.

## DEPARTMENT OF ENVIRONMENTAL QUALITY (Cont'd)

- **Pima: Idle Inspection** – The program operation costs in Pima County are not as extensive as they are in Maricopa County. The primary reason for this is that the remote sensing and the repair grant components are not operative in Pima County. For this reason, the program fee for Pima residents will only be approximately \$1.25.

The fees listed above are estimates and may be slightly reduced due to other legislation that requires more vehicles to be inspected. The fees that are ultimately established will be aimed at recovering \$3,162,600 for program operations. This amount in addition to \$468,000 from other program revenues will fully fund the program's \$3,630,600 FY 1999 appropriation. (See Table 1.)

The ADEQ program fees will be in addition to the inspection fee that is paid to the emissions contractor. In FY 1998, the inspection fee for an I/M 240 test was \$24.30 while an idle inspection in Maricopa County was \$10 and in Pima was \$8.05. These fees will change in FY 1999 due to new legislation affecting the program. ADEQ and the contractor are working to determine what the inspection fee will be given the following changes found in the Air Quality Measures Bill (Chapter 217):

- The bill expands Area A, which is the metropolitan Maricopa County area. All vehicle owners living in Area A are subject to emissions inspections. Expanding this area will increase the number of vehicles tested and will likely require the contractor to build additional inspection stations. The capital and operating costs of these new stations will be reflected in the inspection fee.
- Vehicles that constantly have all 4 wheels in drive will now be subject to an I/M 240 inspection in Area A. Previously, these vehicles were subject to a standard idle inspection. Requiring them to complete an I/M 240 test will require the purchase of additional equipment at several inspection stations. Again, the cost of the equipment will be reflected in the inspection fee.
- The bill extended the emissions inspection contract for 3 years. The contract will now run through the year 2004. This extension will allow the contractor more time to amortize the costs of the station and equipment expansions mentioned above. This means the inspection fee will be less than it would have been had the contract expired in 2001.

In addition to the changes above, Chapter 217 also exempts 5-year-old and newer vehicles from emissions inspections. Owners of these vehicles will, however, be required to pay a fee equal to that of those taking the inspection to the ACAF. This in-lieu fee will consist of both the program fee and the inspection fee that is charged

to nonexempt vehicles. The additional ACAF revenue from these fees will depend on the fee levels that are established. It is estimated, however, that ACAF will receive at least \$6,000,000 annually from in-lieu fees.

The exemption of 5-year-old and newer vehicles will mean less vehicles will be tested every year leading to what is called a contract underage. The underage is brought about as less vehicles than were originally projected to be tested at the outset of the I/M 240 contract will actually take the test. In past years, the program has operated with an overage, meaning more vehicles than were originally projected were tested. Because the fee charged for an inspection is based on the projected number of tests, the fees collected for those vehicles tested above the projection are to be credited back to the state. At the start of FY 1999, the amount to be credited to the state is approximately \$6,800,000. The contractor holds this amount in an overage account.

The underage that is created in FY 1999 will work to offset the amount that is held in the overage account. The fee for each test below the contract projection that is not performed will be credited against the overage amount. In time, the overage will be eliminated and the state will recover the full amount. In so doing, the contractor will not have to increase the inspection fee for the purpose of recovering fixed costs from significantly fewer vehicles.

**Safe Drinking Water SRF** — The approved supplemental appropriation eliminates \$1,268,500 from the FY 1999 General Fund appropriation to the Safe Drinking Water State Revolving Fund (SRF). The fund, which is administered by the Water Infrastructure Finance Authority (WIFA), provides a 20% match of Federal Funds allocated to provide financial assistance to install and upgrade drinking water facilities in the state. The original FY 1999 appropriation included a \$2,720,000 appropriation as the 20% match. The actual federal allocation, however, was lower than originally anticipated, thereby reducing the match required by \$1,268,500.

**Clean Water SRF** — The approved supplemental appropriation adds \$4,268,500 from the General Fund to the Clean Water State Revolving Fund. This amount will provide a 20% match of more than \$20,000,000 in Federal Funds allocated to provide financial assistance for the installation and upgrades of wastewater facilities in the state. The federal and state monies are administered by WIFA, which primarily utilizes the funds as reserves to secure revenue bonds issued on behalf of cities, counties, and water districts. The approved supplemental appropriation will allow WIFA to secure approximately \$75,000,000 in bonding capacity for communities with wastewater projects throughout the state.



## DEPARTMENT OF ENVIRONMENTAL QUALITY (Cont'd)

**Hazardous Waste Program** — The approved FY 1999 supplemental appropriation adds \$120,200 and 2.3 FTE Positions from the Hazardous Waste Fund. This amount will replace lost federal funding and allow the program to continue addressing its hazardous waste permits backlog.

**Solid Waste Program** — The approved supplemental amount includes an increase of \$54,300 and 1.5 FTE Positions from the Solid Waste Fee Fund for the regulation of biosolids applied on agricultural lands. The department is in the process of seeking state primacy from the United States Environmental Protection Agency (EPA) for the parallel federal program. The approved supplemental will replace EPA funds originally intended as an incentive to undertake activities leading to state primacy and will allow ADEQ to fully implement the program. Of the approved amount, \$5,900 is a one-time expenditure.

The approved supplemental also includes an increase of \$86,700 from the Solid Waste Fee Fund as a technical correction from a prior year budget.

**Additional Appropriations: Underground Storage Tank Regulation (Chapter 181)** — This bill appropriated \$450,000 from the General Fund to the regulatory account of the Underground Storage Tank (UST) Fund for regulatory operations in FY 1999. The regulatory account funds the department's regulation of UST standards. The bill also established an Underground Storage Tank Policy Commission consisting of 11 members. The commission, which will review and provide recommendations to improve the UST Program, received a \$10,000 General Fund appropriation in Chapter 181 to provide for their administrative costs.

**Air Quality Measures (Chapter 217)** — This act made several General Fund appropriations to ADEQ for air quality enhancement purposes. Following is a list of each appropriation:

- \$125,000 in FY 1998 as a one-time appropriations to update ozone non-attainment modeling. The department will coordinate data collection and field studies with federal and local agencies.
- \$500,000 in both FY 1999 and FY 2000 for deposit in the Voluntary Lawn and Garden Equipment Emissions Reduction Fund. The monies will be used to provide vouchers to owners who retire their high emitting lawn mowers and garden equipment. Laws 1997, Chapter 269 had appropriated \$1,000,000 for the same purpose in FY 1998.
- \$800,000 in FY 1999 for deposit in the Voluntary Vehicle Repair and Retrofit Program Fund which is established in the act. Monies in the fund will be used to pay one-half, up to \$1,000, of repair or retrofit costs of qualified vehicle owners that fail their vehicle

emissions test. To qualify for the subsidy, the vehicle must be at least 12 years old, functionally operational, and titled in the state for at least 2 years.

- \$275,000 in FY 1999 to implement an ongoing Catalytic Converter Replacement Program and to improve the effectiveness of the Vehicle Repair Grant Program. The Catalytic Converter program will require replacement of catalytic converters on high emitting vehicles that fail inspection due to the catalytic converter system. The Repair Grant Program subsidizes one-half of the cost of vehicle repairs necessary to pass emissions inspection for low-income vehicle owners.
- \$75,000 in FY 1999 for a one-time study of a pollution credit trading and banking program in the state. The department may use a private contractor for this study, which will examine both the environmental and economic feasibility of the program. The expenditure of this appropriation must be equally matched by private donations.
- \$50,000 in FY 1999 as a one-time appropriation to conduct research to identify sources and control measures of PM-10 pollution. The expenditure of this appropriation must be equally matched by private donations.

**DEQ Sunset (Chapter 298)** — This act extended ADEQ's legislative authority through July 1, 2000. It also requires the Auditor General's Office to conduct a special performance audit of 3 ADEQ programs: the Underground Storage Tank (UST) Program, the Water Quality Assurance Revolving Fund (WQARF) Program, and the Aquifer Protection Permit Program. These audits are to be completed by December 1, 1999.

In addition, the bill established a Monitoring Assistance Program to assist public water systems with monitoring requirements under the Federal Safe Drinking Water Act. The program will collect and analyze water samples from public water systems, monitoring them for contaminants. The bill includes a one time \$500,000 appropriation from the General Fund to establish a water quality database that will include monitoring data from the Monitoring Assistance Program. Of the \$500,000, any amount that remains after the completion of the database is to be used to reduce the sample analysis costs for public water systems with fewer than 200 service connections.

**GOVERNOR'S OFFICE OF EQUAL OPPORTUNITY**

Michael R. Moreno, Director

Executive Order 93-20  
JLBC Analyst: Brad Regens

General Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	5.0	5.0	5.0
Personal Services	140,400	164,900	169,900
Employee Related Expenditures	24,300	28,200	29,200
Professional and Outside Services	28,800	4,000	4,000
Travel - In State	100	800	800
Travel - Out of State	3,400	700	700
Other Operating Expenditures	34,000	49,800	50,600
<b>Total Appropriations</b>	<b>231,000</b>	<b>248,400</b>	<b>255,200</b> <sup>1/</sup>

**Agency Description** — *The agency monitors equal opportunity plans submitted annually by each state agency and assists agencies in equal employment opportunity training and evaluation.*

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**STATE BOARD OF EQUALIZATION**

David Schweikert, Chairperson

**A.R.S. § 42-172.01**

JLBC Analyst: Bob Hull

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	10.0	9.0	9.0
Personal Services	319,000	394,400	404,100
Employee Related Expenditures	57,300	68,500	70,800
Professional and Outside Services	47,500	56,600	56,600
Travel - In State	7,500	19,100	19,100
Travel - Out of State	600	0	0
Other Operating Expenditures	150,100	156,000	155,900
<b>Total Appropriations</b>	<b>582,000</b>	<b>694,600</b>	<b>706,500<sup>1/</sup></b>

**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 the 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.*

**Workload Adjustment** — The approved ex-appropriation subtracts 1 FTE Position and \$112,000 in FY 1998 and 1 FTE Position and \$112,900 in FY 1999 to better reflect actual expenditures during the board's first 2 years of hearing property tax appeals for properties in Maricopa and Pima Counties in place of the Maricopa and Pima County Boards of Equalization.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**BOARD OF EXECUTIVE CLEMENCY**

Edward M. Leyva, Chairman

**A.R.S. § 31-401**

JLBC Analyst: Lorenzo Martinez

General Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	37.0	36.0	33.0
Personal Services	1,006,100	1,140,400	1,108,700
Employee Related Expenditures	224,800	251,300	242,400
Professional and Outside Services	10,900	15,600	15,600
Travel - In State	20,900	35,900	34,100
Travel - Out of State	1,100	2,000	2,000
Other Operating Expenditures	248,100	228,400	233,200
Equipment	0	6,500	6,500
<b>Total Appropriations</b>	<b>1,511,900</b>	<b>1,680,100</b> <sup>1/</sup>	<b>1,642,500</b> <sup>1/2</sup>

**Agency Description** — *The board consists of 5 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.*

**Board Membership Reduction** — Laws 1997, Chapter 134 reduced the Board of Executive Clemency membership from 7 members to 5 members. The General Appropriation Act footnote requires a reversion of \$62,000 for each reduction in board membership. This amount has not been deducted from the amounts in the table.

<sup>1/</sup> 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) This amount has not been deducted from the amounts in the table.

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**ARIZONA EXPOSITION AND STATE FAIR BOARD**

Gary D. Montgomery, Executive Director

A.R.S. § 3-1001

JLBC Analyst: Jim Rounds

Exposition and State Fair Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	199.0	175.0	175.0
Personal Services	3,787,500	3,370,400	3,500,000
Employee Related Expenditures	595,400	619,400	640,600
Professional and Outside Services	2,004,100	2,550,000	2,485,500
Travel - In State	16,900	12,700	13,100
Travel - Out of State	30,300	46,000	47,500
Other Operating Expenditures	5,202,300	5,420,800	5,579,800
<b>Total Appropriations</b>	<b>11,636,500</b>	<b>12,019,300</b> <sup>1/2</sup>	<b>12,266,500</b> <sup>1/2</sup>

**Agency Description** — *Exposition and State Fair 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.*

**Capital Outlay:** Chapter 7, 4<sup>th</sup> Special Session — Appropriates \$963,800 from the Arizona Coliseum and Exposition Center Fund to the board for building renewal. Of this amount, up to 25% may be used for infrastructure replacement and repair, or for building modifications to comply with the Americans with Disabilities Act.

<sup>1/</sup> All collections paid to 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) Laws 1997, Chapter 18 changed the name of the Arizona Coliseum and Exposition Center Board to the Arizona Exposition and State Fair Board.

<sup>2/</sup> 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) Laws 1997, Chapter 18 changed the name of the Arizona Coliseum and Exposition Center Board to the Arizona Exposition and State Fair Board.

**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 1997  
ActualFY 1998  
EstimateFY 1999  
Approved

FTE Positions	3.0	3.0	3.0
Personal Services	92,900	100,400	103,400
Employee Related Expenditures	19,600	21,400	22,100
Professional and Outside Services	25,800	35,900	33,700
Travel - In State	2,000	6,300	6,300
Travel - Out of State	2,400	0	0
Other Operating Expenditures	30,000	22,100	22,100
<b>Total Appropriations</b>	<b>172,700</b>	<b>186,100</b> <sup>1/</sup>	<b>187,600</b> <sup>2/</sup>

**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.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**ARIZONA GAME AND FISH DEPARTMENT**

Duane L. Schroufe, Director

**A.R.S. § 17-201**

JLBC Analyst: Bruce Groll

<b>Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
<u>Program Summary</u>			
Administrative and Field Services	15,711,900	18,845,900	19,010,500
Watercraft Licensing	1,401,100	1,595,500	1,614,100
Game, Non-Game, Fish and Endangered Species Wildlife	265,500	282,700	285,600
<b>Total Appropriations</b>	<b>17,378,500</b>	<b>20,724,100</b>	<b>20,910,200</b>
<u>Expenditure Detail</u>			
FTE Positions	271.5	271.5	271.5
Personal Services	7,516,200	8,036,300	8,266,500
Employee Related Expenditures	2,404,500	2,551,000	2,650,200
Professional and Outside Services	404,500	284,600	284,600
Travel - In State	237,200	275,900	275,900
Travel - Out of State	66,400	30,700	30,700
Other Operating Expenditures	3,411,000	3,886,000	3,886,000
Equipment	515,900	1,533,400	1,383,200
<b>Operating Subtotal</b>	<b>14,555,700</b>	<b>16,597,900</b>	<b>16,777,100</b>
Pittman-Robertson/Dingell-Johnson Matching	2,208,000	2,208,000 <sup>1/</sup>	2,208,000 <sup>1/</sup>
Coop Fish and Wildlife Research	40,000	40,000 <sup>1/</sup>	40,000 <sup>1/</sup>
Regional Field Offices Lease-Purchase	178,500	157,200	164,100
Waterfowl Conservation	27,300	43,500	43,500
Wildlife Endowment	7,500	8,000	8,000
PSPRS Unfunded Liability	0	1,000,000	1,000,000
Performance Based Incentives Program	0	300,000 <sup>2/3/</sup>	300,000 <sup>2/3/</sup>
Watercraft Reimbursement to Game and Fish Fund	359,500	359,500	359,500
Non-Game Wildlife Reimbursement to Game and Fish Fund	2,000	10,000	10,000
<b>Total Appropriations</b>	<b>17,378,500</b>	<b>20,724,100<sup>5/</sup></b>	<b>20,910,200<sup>4/5/</sup></b>
<u>Fund Summary</u>			
Game and Fish Fund	15,498,600	18,637,200	18,794,900
Watercraft Licensing Fund	1,401,100	1,595,500	1,614,100
Game, Non-Game, Fish and Endangered Species Fund	265,500	282,700	285,600
Capital Improvement Fund	178,500	157,200	164,100
Waterfowl Conservation Fund	27,300	43,500	43,500
Wildlife Endowment Fund	7,500	8,000	8,000
<b>Total Appropriations</b>	<b>17,378,500</b>	<b>20,724,100</b>	<b>20,910,200</b>



## 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 appropriation for FY 1999 includes an increase of \$22,100 over the original amounts. The increase was for underfunded pay annualization including: \$18,500 from the Watercraft Licensing Fund (\$16,000 for Personal Services and \$2,500 for Employee Related Expenditures (ERE)); and \$3,600 from the Game, Non-Game, Fish and Endangered Species Fund (\$3,100 for Personal Services and \$500 for ERE).

- Lease-purchase payoff of the Kingman Game and Fish Building from the Game and Fish Fund, \$1,100,000.

**Capital Outlay:** (Chapter 7, 4<sup>th</sup> Special Session) — Sections 1F and 2F of this act appropriate a total of \$1,800,600 for the following purposes:

- Building Renewal, from the Game and Fish Fund, \$242,400. 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, \$182,400.
- Shooting range development, from the Game and Fish Fund, \$50,000.
- Flagstaff Shooting Range Planning, from the Game and Fish Fund, \$125,800.
- Migratory waterfowl habitat, from the Waterfowl Conservation Fund, \$100,000.

<sup>1/</sup> Any part of this appropriation of the \$40,000 for cooperative wildlife and fish 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)

<sup>2/</sup> The \$300,000 in FY 1998 and \$300,000 in FY 1999 for the Performance Based Incentives Special Line Item shall be used for Personnel 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)

<sup>3/</sup> 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)

<sup>4/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>5/</sup> 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)

**DEPARTMENT OF GAMING**

Gary Husk, Director

**A.R.S. § 5-601**

JLBC Analyst: Jim Rounds

<b>Permanent Tribal-State Compact Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	61.0	67.0	71.0
Personal Services	1,808,600	2,145,500	2,315,000
Employee Related Expenditures	374,600	472,400	514,800
Professional and Outside Services	537,600	514,700	551,000
Travel - In State	174,200	98,300	99,700
Travel - Out of State	74,200	100,000	100,000
Other Operating Expenditures	565,500	637,300	669,100
Equipment	13,000	109,200	35,600
<b>Operating Subtotal</b>	<b>3,547,700</b>	<b>4,077,400</b>	<b>4,285,200</b>
Arbitration Expense	243,000	482,500	220,000 <sup>1/</sup>
<b>Total Appropriations</b>	<b>3,790,700</b>	<b>4,559,900</b>	<b>4,505,200</b> <sup>2/3/4/</sup>

**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.*

**Arbitration Expense** — The approved supplemental appropriation adds \$262,500 to the Arbitration Expense Special Line Item in FY 1998 for arbitration services. Disputes between the state and the compacted tribes may be resolved through arbitration. The additional approved monies will cover the projected costs of arbitrated disputes in FY 1998.

- <sup>1/</sup> 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)
- <sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- <sup>3/</sup> 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)
- <sup>4/</sup> It is the intent of the Legislature to have the Joint Legislative Budget Committee Staff review, for the FY 2000 budget recommendation, alternative methods of appropriating arbitration monies to the department to assure adequate funding in the Special Line Item. (General Appropriation Act footnote)

**ARIZONA GEOLOGICAL SURVEY**

Larry D. Fellows, State Geologist

**A.R.S. § 27-151**

JLBC Analyst: Chris Earnest

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	13.3	13.3	13.3
Personal Services	426,600	451,200	465,100
Employee Related Expenditures	81,400	87,600	90,900
Travel - In State	26,100	37,800	37,800
Travel - Out of State	2,500	2,000	2,000
Other Operating Expenditures	183,800	186,600	191,600
Equipment	22,400	15,100	9,100
<b>Total Appropriations</b>	<b>742,800</b>	<b>780,300</b>	<b>796,500</b> <sup>1/</sup>

**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.*

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

# GOVERNMENT INFORMATION TECHNOLOGY AGENCY

John B. Kelly, Acting Director

A.R.S. § 41-3501

JLBC Analyst: Lynne Smith

General Fund and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	0.0	17.0	17.0
Personal Services	0	1,073,400	1,200,500
Employee Related Expenditures	0	183,400	203,100
Professional and Outside Services	0	400,000	450,000
Travel - In State	0	10,000	10,000
Travel - Out of State	0	15,600	15,600
Other Operating Expenditures	0	257,500	259,800
Equipment	0	38,200	25,000
<b>Operating Subtotal</b>	<b>0</b>	<b>1,978,100</b>	<b>2,164,000</b>
Year 2000 - Agency Projects	0	17,330,000 <sup>1/2/3/4/</sup>	15,727,900 <sup>1/2/3/4/</sup>
Integrated Judicial Information System	0	100,000	0
<b>Total Appropriations</b>	<b>0</b>	<b>19,408,100</b>	<b>17,891,900<sup>5/</sup></b>
<b>Fund Summary</b>			
General Fund	0	10,100,000	11,000,000
Information Technology Fund	0	1,978,100	2,164,000
State Highway Fund	0	6,364,000	4,227,900
Personnel Division Fund	0	500,000	500,000
Board of Cosmetology Fund	0	190,000	0
Technical Registration Fund	0	85,000	0
Watercraft Licensing Fund	0	75,000	0
Technology and Telecommunications Fund	0	62,000	0
Board of Accountancy Fund	0	54,000	0
<b>Total Appropriations</b>	<b>0</b>	<b>19,408,100</b>	<b>17,891,900</b>

**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.*

**Year 2000** — The “Year 2000” computer problem refers to a necessity to evaluate all information technology functions that use a 2-digit code for the year (e.g., “00” for

“2000”) and make alterations, where required. Last year the Legislature appropriated all Year 2000 funding (beyond that which agencies absorb in their base budgets)

- <sup>1/</sup> 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 at the end of FY 2000. (General Appropriation Act footnote)
- <sup>2/</sup> The appropriation for Year 2000 – Agency Projects is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, until the end of FY 2000. (General Appropriation Act footnote)
- <sup>3/</sup> 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)
- <sup>4/</sup> 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)
- <sup>5/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**GOVERNMENT INFORMATION TECHNOLOGY AGENCY (Cont'd)**

to GITA because the Year 2000 needs of most agencies had not yet been determined and GITA is charged with overseeing state agencies' information technology expenditures. GITA allocates funding to various agencies, upon approval of the agency's Year 2000 plan and project justification. Resolution of Year 2000 problems is required to enable the smooth continuation of state government functions and prevent state liability for service failures.

The approved supplemental amount for GITA includes an increase of \$3,000,000, for a total of \$11,000,000 from the General Fund in FY 1999, for the Year 2000 - Agency Projects Special Line Item.

The approved supplemental amount for the Year 2000 - Agency Projects Special Line Item also includes an increase of \$2,650,900, for a total of \$4,227,900 from the State Highway Fund, for Arizona Department of Transportation Year 2000 projects.

In order to facilitate Year 2000 planning and prevent fiscal year-end project rushes, the Legislature added a new footnote to GITA's FY 1998 and FY 1999 Year 2000 - Agency Projects Special Line Item appropriations to delay the appropriations from lapsing until after FY 2000 (*see footnote 2*).

In addition to the amounts appropriated to GITA, \$4,000,000 from the Risk Management Fund has been appropriated to the Arizona Department of Administration (ADOA) for Year 2000 Loss Control Grants. The ADOA appropriation includes the following General Appropriation Act footnote:

"The \$4,000,000 appropriation for Year 2000 Loss Control Grants shall be used to reduce or eliminate state liability for service failures resulting from Year 2000 information technology problems. The \$4,000,000 shall be allocated by the Department of Administration to the Government Information Technology Agency for distribution to state agencies or departments to pay for Year 2000 information technology projects. Prior to expenditure of the \$4,000,000, the Government Information Technology Agency shall report to the Joint Legislative Budget Committee on its plan for expending the monies, including any expected annualization or continuing costs for FY 2000 and the anticipated reduction in state liability for service failures."

The following table shows all appropriations to state agencies for Year 2000. The amounts shown exclude Year 2000 expenditures absorbed by agencies within their budgets or included as part of an appropriation unrelated to Year 2000 (such as replacement or enhancement of an

information technology system which is justified for programmatic reasons).

YEAR 2000 APPROPRIATIONS			
		General Fund	Other Fund
		<u>FY 1998</u>	
GITA	- Original Amount	\$10,000,000	\$ 7,330,000
DOR	- Supplemental	163,000	0
FY 1998 Total		\$10,163,000	\$ 7,330,000
		<u>FY 1999</u>	
GITA	- Original Amount	\$ 8,000,000	\$ 2,077,000
	- Supplemental	3,000,000	2,650,900
ADOA	- Risk Management	0	4,000,000
DOR	- Supplemental	877,000	0
FY 1999 Total		\$11,877,000	\$ 8,727,900
<b>Year 2000 Total</b>		<b>\$22,040,000</b>	<b>\$16,057,900</b>

**Additional Legislation:** Information Technology Authorization Committee (Chapter 24) — This bill added an additional private sector member to ITAC, to replace the Governor's Telecommunications Policy Office member.

**OFFICE OF THE GOVERNOR**

The Honorable Jane D. Hull, Governor

**A.R.S. § 41-101**

JLBC Analyst: Bob Hull

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
Lump Sum Appropriation	4,551,800	5,505,100	5,337,900
<b>Total Appropriations</b>	<b>4,551,800</b>	<b>5,505,100</b>	<b>5,337,900</b> <sup>1/2/3/</sup>

**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.*

**Prior Administration Leave Payoff** — The approved supplemental appropriation adds \$200,000 in FY 1998 due to unforeseen charges to pay off annual leave for departing staff during the transition to the Hull Administration.

- <sup>1/</sup> This appropriation is a continuing appropriation and exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- <sup>2/</sup> Included in the lump sum appropriation of \$5,337,900 for FY 1999 is \$10,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- <sup>3/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET**

Executive Order No. 95-17

JLBC Analyst: Bob Hull

Tom Betlach, Director

**General Fund and Office for Excellence in Government Fund****FY 1997  
Actual****FY 1998  
Estimate****FY 1999  
Approved**

FTE Positions	43.0	43.0	43.0
Office of Strategic Planning and Budgeting	1,675,900	1,789,700	1,837,600
Office for Excellence in Government	<u>1,320,300</u>	<u>1,933,700</u>	<u>1,971,300</u>
<b>Total Appropriations</b>	<b>2,996,200</b>	<b>3,723,400</b>	<b>3,808,900 <sup>1/</sup></b>
<b>Fund Summary</b>			
General Fund	2,927,000	3,223,400	3,308,900
Office for Excellence in Government Fund	<u>69,200</u>	<u>500,000</u>	<u>500,000</u>
<b>Total Appropriations</b>	<b>2,996,200</b>	<b>3,723,400</b>	<b>3,808,900</b>

**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 amount for FY 1999 includes 24 FTE Positions for the Office of Strategic Planning and Budgeting, and 19 FTE Positions for the Office for Excellence in Government.

**Workload Adjustment** — The approved supplemental appropriation subtracts \$200,000 in FY 1998 and \$200,000 in FY 1999 from the Office for Excellence in Government to adjust to the workload as evaluated by the new administration.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum for the Program.



**ARIZONA COUNCIL FOR THE HEARING IMPAIRED****A.R.S. § 36-1941**

Sherri L. Collins, Director

JLBC Analyst: Jennifer Vermeer

**General Fund and Telecommunication  
Fund for the Deaf****FY 1997  
Actual****FY 1998  
Estimate****FY 1999  
Approved**

FTE Positions	5.0	9.0	9.0
Personal Services	140,000	247,400	255,000
Employee Related Expenditures	31,800	58,700	60,600
Professional and Outside Services	21,200	3,712,500	3,712,500
Travel - In State	2,700	13,100	13,100
Travel - Out of State	100	0	0
Other Operating Expenditures	61,000	383,700	374,300
Equipment	0	0	0
<b>Total Appropriations</b>	<b>256,800</b>	<b>4,415,400</b>	<b>4,415,500<sup>1/</sup></b>
<b>Fund Summary</b>			
General Fund	256,800	257,400	254,600
Telecommunication Fund for the Deaf	0	4,158,000	4,160,900
<b>Total Appropriations</b>	<b>256,800</b>	<b>4,415,400</b>	<b>4,415,500</b>

**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.*

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**ARIZONA HISTORICAL SOCIETY**

Felipe C. Jácome, Executive Director

**A.R.S. § 41-821**

JLBC Analyst: Brad Regens

General Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	64.5	64.5	64.5 <sup>1/</sup>
Personal Services	1,136,400	1,273,700	1,313,500
Employee Related Expenditures	230,600	261,200	270,700
Professional and Outside Services	62,100	47,900	47,900
Travel - In State	10,000	20,500	20,500
Travel - Out of State	3,100	0	0
Other Operating Expenditures	410,500	357,000	357,000
Equipment	55,900	0	0
<b>Operating Subtotal</b>	<b>1,908,600</b>	<b>1,960,300</b>	<b>2,009,600</b>
Journal of Arizona History	5,000	5,000	5,000
Historical Society Grants	80,000	80,000	80,000 <sup>2/</sup>
Library Acquisitions	1,400	1,500	1,500
Papago Park Museum	2,158,000	2,241,700	2,261,200
Exposition 2000	0	0	250,000
<b>Total Appropriations</b>	<b>4,153,000</b>	<b>4,288,500</b>	<b>4,607,300 <sup>3/4/</sup></b>

**Agency Description** — *The Arizona Historical Society acquires, preserves, maintains, and publicly exhibits archival and museum objects pertaining to the history of Arizona, the West, and the Indian tribes inhabiting the state. The Society's major museums are in Yuma, Flagstaff, Tucson, Phoenix and Tempe (Papago Park).*

**Exposition 2000** — The approved supplemental appropriation adds \$250,000 in one-time funding in FY 1999 for Exposition 2000, a year-long exhibit at the Papago Park Museum focusing on Arizona state government.

**Additional Legislation:** State Funds; Appropriation Authority (Chapter 241) — The bill requires all Arizona Historical Society funds to be placed on the state accounting system beginning in FY 2000. All funds that are currently non-appropriated will remain non-appropriated.

1/ Includes 23.5 FTE Positions funded from Special Line Items in 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**

Richard S. Sims, Director

**A.R.S. § 41-831**

JLBC Analyst: Brad Regens

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	16.0	17.0	17.0
Personal Services	406,800	463,600	478,700
Employee Related Expenditures	117,500	124,900	129,100
Professional and Outside Services	1,300	3,300	3,300
Travel - In State	0	400	400
Travel - Out of State	0	0	0
Other Operating Expenditures	91,500	86,600	86,600
Equipment	600	5,000	5,000
<b>Total Appropriations</b>	<b>617,700</b>	<b>683,800</b>	<b>703,100 <sup>1/</sup></b>

**Agency Description** — *The Prescott Historical Society preserves and maintains the Old Governor's Mansion, together with the other buildings and properties of the Sharlot Hall Museum located in Prescott. The Society is responsible for acquiring, preserving and publicly exhibiting archival and museum objects pertaining to the history, geological and anthropological life of Arizona and the West.*

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**BOARD OF HOMEOPATHIC MEDICAL EXAMINERS**

A.R.S. § 32-2901

Jean Ellzey, Executive Director

JLBC Analyst: Brad Mortensen

Board of Homeopathic Medical Examiners Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	0.5	0.5	1.0
Personal Services	15,100	21,900	40,200
Employee Related Expenditures	3,900	4,000	7,500
Professional and Outside Services	10,100	12,200	12,600
Travel - In State	1,000	1,300	1,300
Travel - Out of State	0	2,300	2,300
Other Operating Expenditures	2,800	0	0
Equipment	0	5,600	0
<b>Total Appropriations</b>	<b>32,900</b>	<b>47,300</b> <sup>1/</sup>	<b>63,900</b> <sup>2/</sup>

**Agency Description** — *The board licenses and regulates medical physicians who practice homeopathic medicine, a system of medical treatment based on the use of small quantities of remedies which in larger doses produce symptoms of the disease. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

**Equipment** — The approved supplemental amount for FY 1998 includes \$5,600 for the board to replace its computer hardware, update its software, and purchase a printer.

**Additional Staffing** — For FY 1999, the approved supplemental amount includes an increase of 0.5 FTE Positions, \$17,800 in Personal Services, and \$3,400 in Employee Related Expenditures. This additional staffing provides full-time coverage to process the increasing workload of the board.

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**ARIZONA COMMISSION OF INDIAN AFFAIRS**

Lydia Hernandez, Acting Director

**A.R.S. § 41-541**

JLBC Analyst: Jim Rounds

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	4.0	3.0	3.0
Personal Services	109,400	90,100	92,900
Employee Related Expenditures	18,800	18,400	19,100
Travel - In State	6,800	6,800	6,800
Other Operating Expenditures	35,100	36,700	37,500
Equipment	1,300	0	0
<b>Operating Subtotal</b>	<b>171,400</b>	<b>152,000</b>	<b>156,300</b>
Indian Town Hall	4,000	4,000	4,000
<b>Total Appropriations</b>	<b>175,400</b>	<b>156,000</b>	<b>160,300<sup>1/</sup></b>

**Agency Description** — *The agency studies policy issues affecting the Indian tribes, attempts to facilitate better working relationships between the tribes and government agencies, and promotes an understanding of Indian history and culture through statewide forums and other educational activities.*

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**INDUSTRIAL COMMISSION OF ARIZONA**

Larry J. Etchechury, Director

**A.R.S. § 23-101**

JLBC Analyst: Jim Rounds

<b>Administrative Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
<u>Program Summary</u>			
Administration	2,685,600	3,452,000	2,852,000
Claims	2,575,400	2,634,300	2,681,500
Administrative Law Judge	3,622,000	4,007,300	4,078,900
Labor	436,900	484,700	497,000
Special Fund	597,700	687,800	704,700
Occupational Safety and Health	1,655,800	1,725,100	1,768,100
Legal Counsel	889,300	1,071,900	1,110,300
<b>Total Appropriations</b>	<b>12,462,700</b>	<b>14,063,100</b>	<b>13,692,500</b>
<u>Expenditure Detail</u>			
FTE Positions	272.0	277.0	278.0
Personal Services	6,966,000	7,712,000	7,977,100
Employee Related Expenditures	1,595,400	1,755,600	1,814,600
Professional and Outside Services	1,462,000	1,393,600	1,393,600
Travel - In State	182,200	173,900	177,300
Travel - Out of State	19,200	13,800	13,800
Other Operating Expenditures	2,237,900	2,309,800	2,309,800
Equipment	0	704,400	6,300
<b>Total Appropriations</b>	<b>12,462,700</b>	<b>14,063,100</b>	<b>13,692,500</b> <sup>1/</sup>

**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.*

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**DEPARTMENT OF INSURANCE**

John Greene, Director

**A.R.S. § 20-101**

JLBC Analyst: Brad Regens

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	102.9	100.0	105.0 <sup>1/</sup>
Personal Services	2,181,300	2,430,800	2,634,200
Employee Related Expenditures	484,200	521,700	570,500
Professional and Outside Services	34,800	15,000	15,000
Travel - In State	6,200	4,200	4,200
Travel - Out of State	14,600	10,100	10,100
Other Operating Expenditures	914,500	726,300	740,400
Equipment	7,200	15,700	349,900
<b>Operating Subtotal</b>	<b>3,642,800</b>	<b>3,723,800</b>	<b>4,324,300</b>
Insurance Rate Publication	12,900	42,000	42,000
Fraud Unit	630,300	1,020,700	1,038,400
<b>Total Appropriations</b>	<b>4,286,000</b>	<b>4,786,500</b>	<b>5,404,700 <sup>2/</sup></b>

**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.*

**Replacement Computer Equipment** — The approved supplemental appropriation adds \$342,100 in one-time funding in FY 1999 to replace 61 AS/400 "dummy" terminals with desktop personal computers (PC's). The supplemental appropriation also funds 4 new servers and provides for software upgrades. The new PC's will provide the Department of Insurance with continued access to National Association of Insurance Commissioners database information regarding consumer protection, license administration and solvency regulation.

<sup>1/</sup> Includes 16 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.



**STATE LAND DEPARTMENT**

J. Dennis Wells, Land Commissioner

**A.R.S. § 37-102**

JLBC Analyst: Jim Rounds

**General Fund and Environmental  
Special Plate Fund****FY 1997  
Actual****FY 1998  
Estimate****FY 1999  
Approved**

FTE Positions	174.0	176.0	181.0 <sup>1/</sup>
Personal Services	5,057,500	5,709,900	5,894,700
Employee Related Expenditures	1,124,300	1,244,700	1,289,700
Professional and Outside Services	498,300	539,200	539,200
Travel - In State	191,300	242,000	242,000
Travel - Out of State	8,400	2,200	2,200
Other Operating Expenditures	3,456,100	3,336,100	3,340,600
Equipment	234,300	123,900	103,200
<b>Operating Subtotal</b>	<b>10,570,200</b>	<b>11,198,000</b>	<b>11,411,600</b>
Litigation Expenses	19,800	0	0
Legal Advertising	6,800	0	0
CAP User Fees	1,510,900	1,872,300	1,872,300
Water Rights Filing Fees	12,500	0	0
Water Litigation	36,500	0	0
Illegal Dump Supervision	49,500	0	0
Natural Resource Conservation Districts	309,700	460,000	460,000
Conservation Education	30,000	864,400	864,400
Board of Appeals	13,000	0	0
Streambed Ownership	183,000	186,200	187,600
Legal Assistance	178,700	200,000	200,000
<b>Total</b>	<b>12,920,600</b>	<b>14,780,900</b>	<b>14,995,900 <sup>2/3/</sup></b>
<b>Additional Appropriations -</b>			
Growing Smarter, Ch. 204	0	0	350,000
Air Quality Measures, Ch. 217	0	0	200,000
<b>Total Appropriations</b>	<b>12,920,600</b>	<b>14,780,900</b>	<b>15,545,900</b>
<b>Fund Summary</b>			
General Fund	12,920,600	13,880,900	14,644,300
Environmental Special Plate Fund	0	900,000	901,600
<b>Total Appropriations</b>	<b>12,920,600</b>	<b>14,780,900</b>	<b>15,545,900</b>

**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.*

**Additional Appropriations:** Growing Smarter; Urban Planning (Chapter 204) — Laws 1998, Chapter 204 appropriates an additional \$350,000 from the General Fund to the State Land Department in FY 1999 for 5 FTE positions to provide long term urban growth management that includes the identification of possible preserve lands.

Air Quality Measures (Chapter 217) — Laws 1998, Chapter 217 appropriates an additional \$200,000 from the General Fund to the State Land Department for the one-time costs associated with implementing a dust abatement and management plan on state trust lands.

<sup>1/</sup> Includes 1 FTE Position funded from a Special Line Item in FY 1999 and 5 FTE Positions funded from Additional Appropriations in FY 1999.

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>3/</sup> 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) Includes 3 FTE Positions funded from Special Line Items in FY 1997.

**LAW ENFORCEMENT MERIT SYSTEM COUNCIL**

Captain C. H. Johnston, Business Manager

**A.R.S. § 28-235**

JLBC Analyst: Brad Mortensen

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	1.0	1.0	1.0
Personal Services	31,100	31,700	32,700
Employee Related Expenditures	5,500	8,300	8,500
Professional and Outside Services	800	3,900	3,900
Travel - In State	1,200	2,100	2,100
Other Operating Expenditures	9,400	5,100	5,100
Equipment	0	1,000	0
<b>Total Appropriations</b>	<b>48,000</b>	<b>52,100</b>	<b>52,300<sup>1/</sup></b>

**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.*

**Additional Legislation:** Law Enforcement Merit System Council (Chapter 3) — Repeals the section of law that terminates LEMSC on July 1, 1998 and extends the termination date to July 1, 2008.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

# LEGISLATURE - SUMMARY

Arizona Constitution

Article IV, Section I

JLBC Analyst: Bob Hull/Brad Regens

General Fund and Arizona Department of Administration Lease-Purchase Payment Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
<b>Program Summary</b>			
House of Representatives	8,148,900	8,931,900	9,612,700 <sup>1/2/3/</sup>
Senate	5,563,500	6,263,700	6,401,200 <sup>1/2/4/</sup>
Auditor General	9,282,500	9,883,900	10,112,700
Joint Legislative Budget Committee	1,797,700	2,165,900	2,223,600
Legislative Council	3,273,200	4,019,500	4,037,000
Dept. of Library, Archives & Public Records	5,646,300	6,212,200	6,546,300
Joint Legislative Children & Families Reorganization Study Committee	0	75,000	0
Committee on Juvenile Justice	0	750,000	0
<b>Total Appropriations</b>	<b>33,712,100</b>	<b>38,302,100</b>	<b>38,933,500</b>
<b>Fund Summary</b>			
General Fund	33,712,100	38,287,100	38,933,500
Department of Administration Lease-Purchase Payment Fund	0	15,000	0
<b>Total Appropriations</b>	<b>33,712,100</b>	<b>38,302,100</b>	<b>38,933,500</b>

**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 approved supplemental appropriation adds \$500,000 in FY 1998 and \$1,000,000 in FY 1999 to their operating budget.

<sup>1/</sup> 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)  
<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.  
<sup>3/</sup> Included in the lump sum appropriation of \$9,612,700 for FY 1999 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)  
<sup>4/</sup> Included in the lump sum appropriation of \$6,401,200 for FY 1999 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)

**LEGISLATURE - AUDITOR GENERAL**

Douglas R. Norton, Auditor General

A.R.S. § 41-1279.01  
JLBC Analyst: Bob Hull

General Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	170.0	175.0	179.0
Personal Services	6,579,900	6,945,000	7,156,100
Employee Related Expenditures	1,119,600	1,261,300	1,301,500
Professional and Outside Services	235,500	328,100	328,100
Travel - In State	452,500	395,900	395,900
Travel - Out of State	14,800	20,000	20,000
Other Operating Expenditures	879,700	775,600	778,000
Equipment	500	158,000	128,100
<b>Operating Subtotal</b>	<b>9,282,500</b>	<b>9,883,900</b>	<b>10,107,700</b> <sup>1/2/</sup>
<b>Additional Appropriations -</b> DEQ; Sunset; Five Years, Ch 298	<b>0</b>	<b>0</b>	<b>5,000</b>
<b>Total Appropriations</b>	<b>9,282,500</b>	<b>9,883,900</b>	<b>10,112,700</b>

**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.*

**Additional Appropriations:** DEQ; Sunset; Five Years (Chapter 298) — The approved amount is for a special performance audit of the Department of Environmental Quality's Underground Storage Tank program, Water Quality Assurance Revolving Fund program, and Aquifer Protection Permit program, with the report due to the committee of reference by December 1, 1999.

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**LEGISLATURE - JOINT LEGISLATIVE BUDGET COMMITTEE**

Richard Stavneak, Director

A.R.S. § 41-1272  
JLBC Analyst: Bob Hull

General Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	34.0	34.0	34.0
Personal Services	1,469,800	1,596,700	1,644,500
Employee Related Expenditures	166,800	276,300	286,200
Professional and Outside Services	72,600	99,800	99,800
Travel - In State	1,100	7,000	7,000
Travel - Out of State	3,500	19,500	19,500
Other Operating Expenditures	62,900	158,500	158,500
Equipment	21,000	8,100	8,100
<b>Total Appropriations</b>	<b>1,797,700</b>	<b>2,165,900</b>	<b>2,223,600</b> <sup>1/2/</sup>

**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.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**LEGISLATURE - LEGISLATIVE COUNCIL**

Mike Braun, Executive Director

**A.R.S. § 41-1301**

JLBC Analyst: Bob Hull

**FY 1999****Approved**

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	51.0	53.5 <sup>1/</sup>	55.0 <sup>2/</sup>
Personal Services	2,109,700	2,163,100	2,257,700
Employee Related Expenditures	376,100	391,700	412,900
Professional and Outside Services	49,200	126,000	128,000
Travel - In State	0	7,500	7,500
Travel - Out of State	0	15,000	15,000
Other Operating Expenditures	550,300	925,200	790,700
Equipment	0	75,000	75,000
<b>Operating Subtotal</b>	<b>3,085,300</b>	<b>3,703,500</b>	<b>3,686,800</b>
Ombudsman Citizens Aide Office	187,900	316,000 <sup>1/</sup>	350,200
<b>Total Appropriations</b>	<b>3,273,200</b>	<b>4,019,500</b>	<b>4,037,000 <sup>3/4/5/</sup></b>

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

**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 supplemental appropriation adds 1 FTE Position and \$79,600 in FY 1999 to annualize an assistant for the Ombudsman Citizens Aide Office to investigate complaints relating to Child Protective Services originally appropriated for half of FY 1998.

<sup>1/</sup> Laws 1997, Chapter 3, 2<sup>nd</sup> Special Session appropriated 0.5 FTE Position and \$46,300 for an assistant to investigate complaints relating to Child Protective Services in the Department of Economic Security.

<sup>2/</sup> Includes 5 FTE Positions funded from Special Line Items in FY 1999.

<sup>3/</sup> Dues for the Council of State Governments shall only be expended upon an affirmative vote of the Legislative Council. (General Appropriation Act footnote)

<sup>4/</sup> 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)

<sup>5/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**LEGISLATURE - DEPARTMENT OF LIBRARY, ARCHIVES AND**

**A.R.S. § 41-1331**

**PUBLIC RECORDS**

GladysAnn Wells, Director

JLBC Analyst: Brad Regens

**General Fund and Arizona Department of Administration Lease-Purchase Payment Fund**

**FY 1997  
Actual**

**FY 1998  
Estimate**

**FY 1999  
Approved**

FTE Positions	119.1	120.1	122.1
Personal Services	2,830,800	3,082,000	3,221,900
Employee Related Expenditures	663,400	700,800	736,300
Professional and Outside Services	40,700	4,000	4,000
Travel - In State	17,200	13,800	13,800
Travel - Out of State	23,300	6,800	6,800
Other Operating Expenditures	1,109,500	1,451,200	1,481,100
Equipment	41,800	600	84,800
<b>Operating Subtotal</b>	<b>4,726,700</b>	<b>5,259,200</b>	<b>5,548,700</b>
Library Acquisitions	469,200	469,200	469,200
Grants-in-aid	390,400	406,800	351,400
Radio Reading for the Blind	60,000	77,000	77,000
<b>Total</b>	<b>5,646,300</b>	<b>6,212,200</b>	<b>6,446,300</b>
<b>Additional Appropriations - Library; Acquisitions; Preservation; Access; Appropriation, Ch. 148</b>	<b>0</b>	<b>0</b>	<b>100,000</b>
<b>Total Appropriations</b>	<b>5,646,300</b>	<b>6,212,200</b>	<b>6,546,300</b>
<b>Fund Summary</b>			
General Fund	5,646,300	6,197,200	6,546,300
Arizona Department of Administration Lease-Purchase Payment Fund	0	15,000	0
<b>Total Appropriations</b>	<b>5,646,300</b>	<b>6,212,200</b>	<b>6,546,300</b> <sup>1/2</sup>

**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.*

**State Law Library** — The approved supplemental amount adds \$15,000 from the Arizona Department of Administration Lease-Purchase Payment Fund in FY 1998 for tenant improvements to the State Court Building. In addition, the approved supplemental appropriation adds \$46,200 from the General Fund in FY 1999 to cover an increase in the department's lease-purchase payment on space occupied in the State Court Building.

**Vital Records** — The approved supplemental appropriation adds 2 FTE Positions and \$91,400 for the cost of providing public access to birth certificates after 75 years have passed after the date of birth and public access to death certificates after 50 years have passed after the date of death. The approved supplemental amount includes \$34,400 for one-time equipment purchases.

<sup>1/</sup> 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)

<sup>2/</sup> 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)**

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**Additional Appropriations:** Library; Acquisitions; Preservation; Access; Appropriation (Chapter 148) — The bill appropriates \$100,000 in FY 1999 and \$200,000 in FY 2000 from the General Fund to the Department of Library, Archives and Public Records to bind, catalog, microfilm and digitalize the department's collections; to augment the department's general research collections; and to increase legislative electronic information resources.

**Capital Outlay:** Chapter 7, 4<sup>th</sup> Special Session — Appropriates \$25,000 from the General Fund to the department to move the state's genealogy archives from the basement of the Capitol Addition to the 3<sup>rd</sup> floor.

**DEPARTMENT OF LIQUOR LICENSES AND CONTROL**

A.R.S. § 4-101

Howard Adams, Director

JLBC Analyst: Chris Earnest

General Fund and and Other Appropriated Funds	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	48.0	44.0	44.0
Personal Services	1,057,600	1,347,000	1,389,100
Employee Related Expenditures	285,900	341,700	349,600
Professional and Outside Services	109,400 <sup>1/</sup>	80,800	140,800
Travel - In State	91,600	94,800	94,800
Travel - Out of State	200	1,000	1,000
Other Operating Expenditures	359,700	320,100	320,100
Equipment	120,100	0	10,000
<b>Operating Subtotal</b>	<b>2,024,500</b>	<b>2,185,400</b>	<b>2,305,400</b>
Automation Lease-Purchase	543,200	543,200	543,200
<b>Total</b>	<b>2,567,700</b>	<b>2,728,600</b>	<b>2,848,600</b>
<b>Additional Appropriations -</b> Liquor Licensees; Omnibus, Ch. 259	0	0	233,500 <sup>2/</sup>
<b>Total Appropriations</b>	<b>2,567,700</b>	<b>2,728,600</b>	<b>3,082,100 <sup>3/</sup></b>
<u>Fund Summary</u>			
General Fund	2,518,500	2,728,600	2,848,600
Automated File and Retrieval Fund	49,200	0	0
Special Collections Fund	0	0	233,500
<b>Total Appropriations</b>	<b>2,567,700</b>	<b>2,728,600</b>	<b>3,082,100</b>

**Agency Description** — *The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.*

**Licensing System Conversion** — The approved supplemental appropriations adds \$70,000 in FY 1999 for consulting fees and upgrades to the department's automated file and retrieval system. The increase is a one-time expenditure.

although the department has authority to expend all collections.

**Additional Appropriation: Liquor Licensees; Omnibus (Chapter 259)** — This act directs the department to assess a surcharge of \$10 on the renewal of each license held by a hotel, motel, or restaurant to investigate complaints from neighborhood associations, civic groups, and local governments. This surcharge is in addition to a \$25 surcharge that is currently assessed on all liquor license renewals for the same purpose. Both surcharges will be placed in the department's Special Collections Fund. The bill appropriates both surcharges to the department in FY 1999. It is estimated that \$233,500 will be generated,

<sup>1/</sup> Laws 1997, Chapter 7, 1<sup>st</sup> Special Session appropriated \$49,200 for hardware and software maintenance of the department's automated file and retrieval system.

<sup>2/</sup> Represents an estimate of collections. The department has the authority to expend all receipts from the Chapter 259 surcharges.

<sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

# ARIZONA STATE LOTTERY COMMISSION

Geoffrey E. Gonsler, Executive Director

A.R.S. § 5-501

JLBC Analyst: Jim Rounds

Lottery Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	121.0	121.0	121.0
Personal Services	3,163,500	3,890,700	4,016,600
Employee Related Expenditures	679,800	803,400	833,500
Professional and Outside Services	176,500	196,900	196,900
Travel - In State	174,200	183,900	183,900
Travel - Out of State	10,900	16,700	16,700
Other Operating Expenditures	1,516,100	1,084,400	886,500
Equipment	16,500	607,000	0
<b>Operating Subtotal</b>	<b>5,737,500</b>	<b>6,783,000</b>	<b>6,134,100</b>
Instant Tickets	3,167,300 <sup>1/</sup>	3,425,500 <sup>2/</sup>	3,682,800 <sup>2/</sup>
Advertising	8,888,000	9,435,000 <sup>3/</sup>	9,342,500 <sup>3/</sup>
On-Line Vendor Fees	4,319,300	4,768,500 <sup>4/</sup>	4,733,000 <sup>4/</sup>
Retailer Commissions	14,993,900	16,575,000 <sup>5/</sup>	17,675,000 <sup>5/</sup>
Sales Incentive Program	0	50,000	50,000
Telecommunications	1,999,700	1,918,000 <sup>6/</sup>	1,989,800 <sup>6/</sup>
Distribution of Settlement Proceeds	1,300,000 <sup>1/</sup>	0	0
<b>Total Appropriations</b>	<b>40,405,700</b>	<b>42,955,000</b>	<b>43,607,200</b> <sup>7/8/9/ 10/11/12/</sup>

**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.*

- <sup>1/</sup> 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.
- <sup>2/</sup> 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, this amount is estimated to be \$3,425,500 in FY 1998 and \$3,682,600 in FY 1999.
- <sup>3/</sup> 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, this amount is estimated to be \$9,435,000 in FY 1998 and \$9,342,500 in FY 1999.
- <sup>4/</sup> 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 new temporary on-line vendor contract, and based upon the revised forecast, this amount is estimated to be \$4,768,500 in FY 1998 and \$4,733,000 in FY 1999.
- <sup>5/</sup> 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, Laws 1997, Chapter 214 has increased this to 6.5%. Furthermore, an additional .5% will be made available for Retailer Commissions if certain sales goals are met in FY 1999. Our numbers assume that Retailer Commissions will be 6.5% of total sales in FY 1998 and 7% of total sales in FY 1999. The revised estimates, which are based upon the new forecast, and upon the revised Retailer Commissions percentage, are \$16,575,000 in FY 1998 and \$17,675,000 in FY 1999.
- <sup>6/</sup> 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)
- <sup>7/</sup> 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)
- <sup>8/</sup> 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)**

**Capital Outlay:** Chapter 7, 4<sup>th</sup> Special Session — Appropriates \$24,700 from the State Lottery Fund to the commission for building renewal. Of this amount, up to 25% may be used for infrastructure replacement and repair, or for building modifications to comply with the Americans with Disabilities Act.

**Additional Legislation:** State Lottery Commission; Continuation (Chapter 188) — Laws 1998, Chapter 188 continues the Arizona State Lottery Commission through FY 1999 and includes a referendum that requires a public vote in November 1998 to retain the Arizona State Lottery Commission through FY 2003. If the public vote fails, the Arizona State Lottery Commission would expire on July 1, 1999.

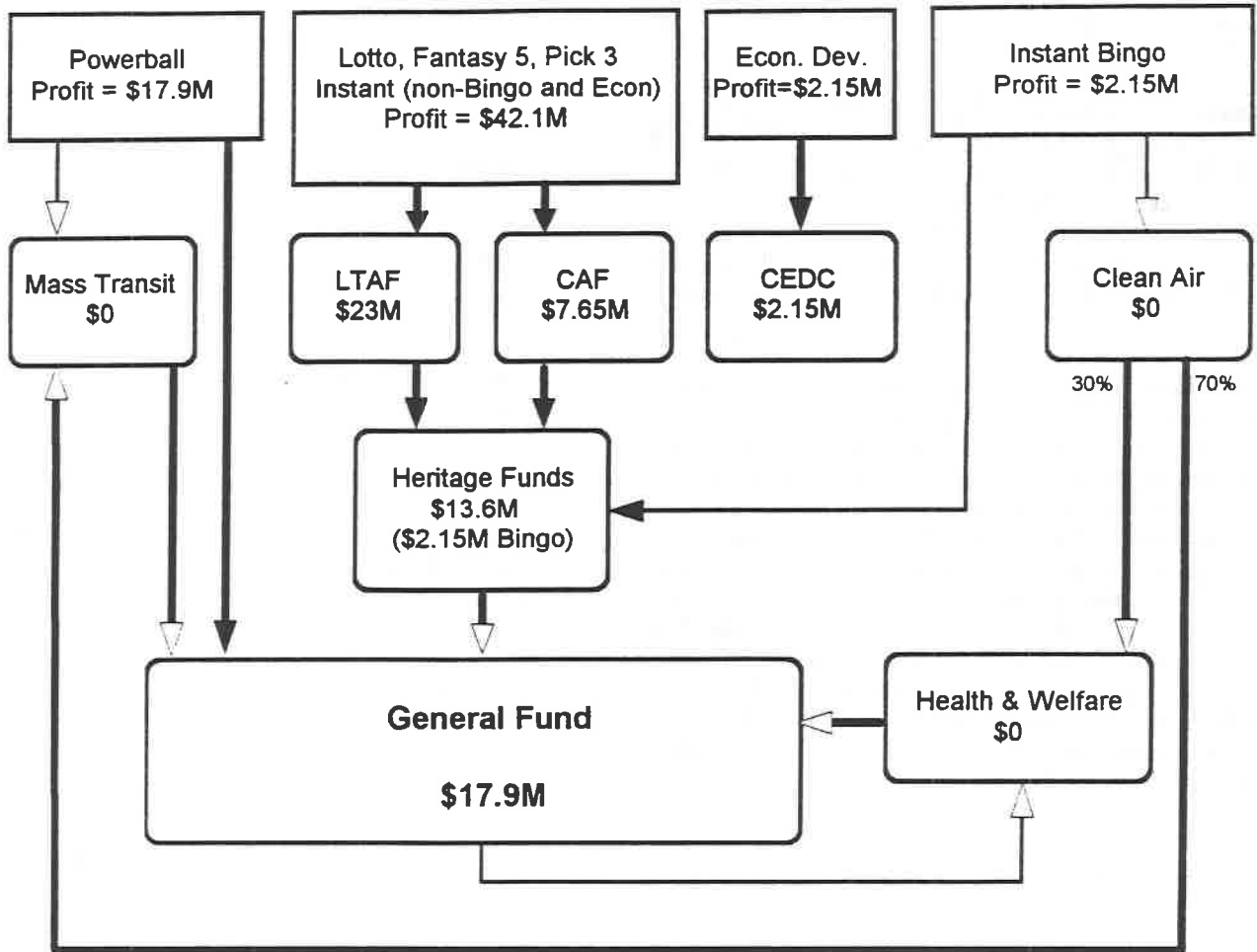
**Other Issues: Sales Related Adjustments** — Appropriations for Instant Tickets, Advertising, and Retailer Commissions are based on a percentage of Lottery ticket sales. Furthermore, the appropriation for On-Line Vendor Fees is based on the percent compensation described in the current contract between the Arizona Lottery and the Lottery's on-line vendor. The appropriation numbers in the table above are based on the current JLBC Staff's FY 1998 and FY 1999 forecast of Lottery ticket sales. The following flow chart and table depict the JLBC Staff's forecast of Lottery profit distribution and sales by game for FY 1999. The profit forecast is based on the Lottery returning the minimum percentage to the state (21.5% of instant ticket sales and 29% of on-line ticket sales).

<u>Projected FY 1999 Gross Lottery Revenue Uses</u>	
<i>Sales by Game:</i>	
Powerball	\$ 61,800,000
Lotto	52,000,000
Fantasy 5	9,900,000
Pick 3	10,000,000
Instant (Excluding Bingo/Econ. Dev.)	98,800,000
Instant (Bingo)	10,000,000
Instant (Econ. Dev.)	10,000,000
<b>Total Sales</b>	<b><u>\$252,500,000</u></b>
<i>Less Administration Expenses:</i>	\$ 43,607,200
<i>Less Prizes:</i>	144,592,800 <sup>1/</sup>
<b>Monies Available for Distribution</b>	<b>\$ 64,300,000</b>
<i>Lottery Profit Distribution:</i>	
Local Transportation Assistance Fund	\$ 23,000,000
County Assistance Fund	7,650,000
Heritage Funds	13,600,000
Clean Air Fund	0
Economic Development Fund	2,150,000
Mass Transit	0
Health & Welfare (Proposition 203)	0
General Fund	<u>17,900,000</u>
<b>Total Profit Distribution</b>	<b><u>\$ 64,300,000</u></b>
<i>Percent of Sales Distributed as Profit</i>	<i>25.5%</i>
<sup>1/</sup> The estimates provided are based on the Arizona Lottery returning the minimum required percent of sales to the state (21.5% of instant ticket sales and 29% of on-line ticket sales). If the Arizona Lottery uses fewer dollars for prizes, more would be available for distribution.	

<sup>9/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.  
<sup>10/</sup> 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.  
<sup>11/</sup> Prior to contracting with a vendor of instant ticket operations, the State Lottery Commission 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)  
<sup>12/</sup> Laws 1997, Chapter 214 appropriates an estimated additional \$15,000 in FY 1999, or 1.5% of gross lottery sales over \$251,500,000, to the operating budget. Prior to the expenditure of this additional appropriation, the Arizona State Lottery Commission shall submit an expenditure proposal to the Joint Legislative Budget Committee for review.

**ARIZONA STATE LOTTERY COMMISSION (Cont'd)**

*JLBC Forecast of FY 1999 Lottery Profit Distribution*



**Key:**  
 —▶ = \$ flowing to next fund.  
 —▶ = \$ flowing due to stipulation.  
 —▶ = No \$ available to flow to next fund.  
 —▶ = No \$ flow until stipulation is met.

**BOARD OF MEDICAL EXAMINERS**

Claudia Foutz, Executive Director

**A.R.S. § 32-1401**

JLBC Analyst: Brad Mortensen

<b>Board of Medical Examiners Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	43.5	44.5	44.5 <sup>1/</sup>
Personal Services	1,000,100	1,386,000	1,427,900
Employee Related Expenditures	238,600	310,900	321,400
Professional and Outside Services	243,300	651,400	724,700
Travel - In State	21,000	50,300	50,300
Travel - Out of State	6,500	8,800	8,800
Other Operating Expenditures	428,000	454,400	454,700
Equipment	16,500	93,000	0
<b>Operating Subtotal</b>	<b>1,954,000</b>	<b>2,954,800</b>	<b>2,987,800</b>
Attorney General - Legal Fees	181,900	202,300 <sup>2/</sup>	208,700 <sup>2/</sup>
Examinations	10,500	16,500	16,500
<b>Total Appropriations</b>	<b>2,146,400</b>	<b>3,173,600 <sup>3/</sup></b>	<b>3,213,000 <sup>4/</sup></b>

**Agency Description** — *The agency licenses, regulates and conducts examinations of medical doctors and physician's assistants.*

<sup>1/</sup> Includes 1 FTE Position funded from Special Line Items in FY 1998 and FY 1999.

<sup>2/</sup> The \$202,300 appropriated for Attorney General - Legal Fees in FY 1998 and the \$208,700 appropriated for Attorney General - Legal Fees in FY 1999 is specifically designated to pay the expenses of 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)

<sup>3/</sup> 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)

<sup>4/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**BOARD OF MEDICAL STUDENT LOANS**

Christopher A. Leadem, Ph.D., Chairman

**A.R.S. § 15-1723**

JLBC Analyst: Bruce Groll

<b>General Fund and Medical Student Loan Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	0.0	0.0	0.0
Medical Student Loans	236,600	305,600	316,400
<b>Total Appropriation</b>	<b>236,600</b>	<b>305,600</b>	<b>316,400 <sup>1/</sup></b>
<b>Fund Summary</b>			
General Fund	236,600	286,200	239,000
Medical Student Loan Fund	0	19,400 <sup>2/</sup>	77,400 <sup>2/</sup>
<b>Total Appropriations</b>	<b>236,600</b>	<b>305,600</b>	<b>316,400</b>

**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.*

**Technical Issues** — The Legislature approved a request from the board for a \$56,800 General Fund reduction and a corresponding increase of \$56,800 to the Medical Student Loan Fund appropriation for FY 1999, to reflect higher than anticipated medical student loan repayments. The unexpected repayments, including interest, were received from 2 physicians who chose to repay their loans rather than serve in a medically underserved Arizona community. The revised appropriations have a net budgetary impact to the agency of \$0 and do not change the total appropriated amount or the number of medical students to receive loans for FY 1999.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> 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. § 41-330I

JLBC Analyst: Brad Mortensen

General Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
Military Airports <sup>1/</sup>	0	0	0
<b>Total Appropriations</b>	<b>0</b>	<b>0</b>	<b>0</b>

**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.*

**Other Issues** — Laws 1995, Chapter 62 created the Military Airport Preservation Committee and made an appropriation of \$200,000 to fund an engineering survey that would develop 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 the use of these monies to include broad baseline studies of a number of military airports.

During FY 1998, the Military Airport Preservation Committee received approval from the Joint Legislative Budget Committee to expend \$107,500 on the engineering survey and \$92,500 on the baseline study. The money for the engineering survey remains unspent.

Regarding the baseline study, the Military Airport Preservation Committee entered into Intergovernmental Service Agreements with Maricopa County, and the Cities of Tucson, Glendale, and Sierra Vista. These localities contributed an additional \$106,000 to be used for the baseline study. Combined with the \$92,500 from the General Fund appropriation, a total of \$198,500 is available for the baseline study. The Military Airport Preservation Committee's share of the baseline study, \$92,500, was spent in FY 1998.

<sup>1/</sup> 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, until June 30, 1999.

**STATE MINE INSPECTOR**

The Honorable Douglas K. Martin, State Mine Inspector

A.R.S. § 27-121

JLBC Analyst: Chris Earnest

General Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	19.0	19.0	19.0 <sup>1/</sup>
Personal Services	468,600	533,100	553,800
Employee Related Expenditures	97,200	106,900	112,800
Professional and Outside Services	4,700	0	0
Travel - In State	69,100	82,000	98,700
Travel - Out of State	6,600	3,600	3,600
Other Operating Expenditures	149,200	118,800	121,400
Equipment	20,600	93,400	43,900
<b>Operating Subtotal</b>	<b>816,000</b>	<b>937,800</b>	<b>934,200</b>
Mine Land Reclamation	99,000	102,200	102,800
Elevator Inspection	0	5,000	0
<b>Total Appropriations</b>	<b>915,000</b>	<b>1,045,000</b>	<b>1,037,000 <sup>2/</sup></b>

**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.*

**Mined Land Reclamation** — The approved supplemental appropriation adds \$38,200 and 1 FTE Position to the Mined Land Reclamation line in FY 1999. This position will be used to review reclamation plans submitted by mining and exploration companies. Approximately 20 companies are required to submit plans. With the addition of the supplemental position, the department has 2 FTE Positions to review and approve reclamation plans.

**Travel** — The approved supplemental includes an increase of \$16,700 in FY 1999 for Travel - In State to provide for the motor pool charges of 2 vehicles that were approved in FY 1998.

**Additional Legislation: Abandoned Mines Safety Fund (Chapter 81)** — This act created an Abandoned Mined Safety Fund consisting of gifts, grants and contributions and any matching monies that may be appropriated by the Legislature for the abatement costs of abandoned mines on state lands. Monies in the fund are continuously appropriated. Each year the State Mine Inspector will submit an annual report to the Joint Legislative Budget Committee concerning the expenditure of monies from the fund and the contributions to the fund during the preceding fiscal year. The agency's current General Fund budget includes \$179,300 and 3 FTE Positions for abandoned mines abatement purposes.

<sup>1/</sup> Includes 2 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> 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 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	8.0	8.0	8.0
Personal Services	265,900	279,300	287,800
Employee Related Expenditures	57,100	61,700	63,700
Professional and Outside Services	200	0	0
Travel - In State	6,200	5,300	5,300
Travel - Out of State	700	0	0
Other Operating Expenditures	375,700	386,100	400,500
Equipment	0	0	2,700
<b>Total Appropriations</b>	<b>705,800</b>	<b>732,400</b>	<b>760,000</b> <sup>1/</sup>

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<b>NATUROPATHIC PHYSICIANS BOARD OF MEDICAL EXAMINERS</b>			<b>A.R.S. § 32-1501</b>
John L. Brewer, Executive Director		JLBC Analyst: Brad Mortensen	
<b>Board of Naturopathic Physicians</b>	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>
<b>Examiners Fund</b>	<b>Actual</b>	<b>Estimate</b>	<b>Approved</b>

FTE Positions	1.0	2.0	2.0
Personal Services	30,600	52,500	66,000
Employee Related Expenditures	6,000	9,900	12,500
Professional and Outside Services	17,500	23,700	24,300
Travel - In State	0	300	300
Travel - Out of State	0	0	0
Other Operating Expenditures	5,900	9,300	9,300
Equipment	0	4,000	4,000
<b>Operating Subtotal</b>	<b>60,000</b>	<b>99,700</b>	<b>116,400</b>
Examination Writing	0	11,000 <sup>1/</sup>	0
<b>Total Appropriations</b>	<b>60,000</b>	<b>110,700 <sup>2/</sup></b>	<b>116,400 <sup>3/</sup></b>

**Agency Description** — *The board licenses and regulates physicians and medical assistants who practice naturopathic medicine; certifies physicians to dispense natural remedies; and accredits and approves naturopathic medical schools, internships, and programs. Naturopathic medicine 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.*

**Additional Staffing** — The FY 1998 and FY 1999 approved supplemental amounts include an increase of 1 FTE Position. The FY 1998 approved amount also includes increases of \$14,100 in Personal Services and \$3,000 in Employee Related Expenditures. The FY 1999 approved amount includes increases of \$26,400 in Personal Services and \$5,400 in Employee Related Expenditures. This additional funding is intended to allow the board to maintain its licensure and regulatory responsibilities over a growing number of licensees.

<sup>1/</sup> 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 Appropriation Act footnote)

<sup>2/</sup> 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)

<sup>3/</sup> General Appropriation Act funds are appropriated as a Modified Lump Sum with Special Line Items by Agency.

**ARIZONA NAVIGABLE STREAM ADJUDICATION COMMISSION**

Christina Waddell, Executive Director

**A.R.S. § 37-II21**

JLBC Analyst: Jim Rounds

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	2.0	2.0	2.0
Personal Services	61,400	67,800	69,800
Employee Related Expenditures	14,200	14,600	15,300
Professional and Outside Services	14,000	90,900	22,900
Travel - In State	1,800	5,300	5,300
Other Operating Expenditures	19,300	31,100	31,400
<b>Total Appropriations</b>	<b>110,700</b>	<b>209,700 <sup>1/</sup></b>	<b>144,700 <sup>2/</sup></b>

**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.*

**Engineering Study** — The approved supplemental appropriation allows monies appropriated in FY 1998 to be used in FY 1999 since the completion of a FY 1998 engineering study is behind schedule and will not be completed until FY 1999.

<sup>1/</sup> Any unexpended amount of the FY 1998 appropriation does not revert to the state General Fund pursuant to A.R.S. § 35-190, until June 30, 1999.

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**STATE BOARD OF NURSING**

Joey Ridenour, Executive Director

**A.R.S. § 32-1602**

JLBC Analyst: Jennifer Vermeer

<b>Board of Nursing Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	26.7	26.7	27.7
Personal Services	849,400	930,500	992,900
Employee Related Expenditures	173,600	184,600	198,400
Professional and Outside Services	110,200	211,000	211,000
Travel - In State	14,200	20,700	20,700
Travel - Out of State	9,800	11,200	10,400
Other Operating Expenditures	256,200	215,600	215,800
Equipment	106,200	0	0
<b>Total Appropriations</b>	<b>1,519,600</b>	<b>1,573,600 <sup>1/</sup></b>	<b>1,649,200 <sup>2/</sup></b>

**Agency Description** — *The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.*

**Complaint Investigation** — The approved amount includes a supplemental appropriation of 1 FTE Position and \$41,000 in FY 1999 to address increases in the complaint investigation workload.

<sup>1/</sup> 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)

<sup>2/</sup> 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**

	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	1.2	1.7	1.7
Personal Services	38,400	50,600	52,100
Employee Related Expenditures	9,900	13,900	14,200
Professional and Outside Services	24,900	41,600	42,200
Travel - In State	1,000	4,700	4,700
Travel - Out of State	400	1,100	1,100
Other Operating Expenditures	9,200	11,200	10,000
<b>Total Appropriations</b>	<b>83,800</b>	<b>123,100 <sup>1/</sup></b>	<b>124,300 <sup>2/</sup></b>

**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.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**OCCUPATIONAL SAFETY AND HEALTH REVIEW BOARD**

Carl Triphahn, Chairman

**A.R.S. § 23-422**

JLBC Analyst: Jim Rounds

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	0.0	0.0	0.0
Personal Services	0	700	700
Professional and Outside Services	3,300	7,400	7,400
Other Operating Expenditures	400	0	0
Travel - In State	200	900	900
<b>Total Appropriations</b>	<b>3,900</b>	<b>9,000</b> <sup>1/2/</sup>	<b>9,000</b> <sup>1/3/</sup>

**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.*

- <sup>1/</sup> 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.
- <sup>2/</sup> Pursuant to A.R.S. § 23-422, the appropriation is exempt from A.R.S. § 35-190, relating to lapsing appropriations.
- <sup>3/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.



**BOARD OF OCCUPATIONAL THERAPY EXAMINERS**

Kenneth D. Fink, Executive Director

**A.R.S. § 32-3401**

JLBC Analyst: Lisa Cotter

<b>Occupational Therapy Board Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	2.0	2.0	2.0
Personal Services	52,300	58,700	60,400
Employee Related Expenditures	10,600	13,400	13,900
Professional and Outside Services	3,300	4,100	4,100
Travel - In State	2,200	4,500	4,500
Travel - Out of State	700	1,100	1,100
Other Operating Expenditures	24,400	22,600	22,800
Equipment	0	2,500	0
<b>Total Appropriations</b>	<b>93,500</b>	<b>106,900 <sup>1/</sup></b>	<b>106,800 <sup>2/</sup></b>

**Agency Description** — *The board examines and licenses occupational therapists and occupational therapy assistants, investigates complaints, and holds hearings to enforce standards of practice.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**STATE BOARD OF DISPENSING OPTICIANS**

Careen J. Heinze, Executive Director

**A.R.S. § 32-1671**

JLBC Analyst: Jim Rounds

<b>Board of Dispensing Opticians Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	0.8	0.8	0.8
Personal Services	33,700	35,800	38,500
Employee Related Expenditures	5,600	6,100	6,700
Professional and Outside Services	15,800	19,400	15,800
Travel - In State	1,500	4,900	4,900
Other Operating Expenditures	4,600	8,000	5,100
<b>Total Appropriations</b>	<b>61,200</b>	<b>74,200 <sup>1/</sup></b>	<b>71,000 <sup>2/</sup></b>

**Agency Description** — *The board licenses and regulates optical establishments and opticians. An optician fits and sells optical devices such as contact lenses and eyeglasses. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**STATE BOARD OF OPTOMETRY**

Alexis Kjellstrom, Executive Director

**A.R.S. § 32-1701**

JLBC Analyst: Brad Mortensen

<b>Board of Optometry Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	1.8	1.8	1.8
Personal Services	60,300	65,600	67,400
Employee Related Expenditures	10,400	10,900	11,400
Professional and Outside Services	20,500	21,900	22,500
Travel - In State	4,400	7,500	7,500
Travel - Out of State	300	700	700
Other Operating Expenditures	4,100	7,500	7,500
<b>Total Appropriations</b>	<b>100,000</b>	<b>114,100 <sup>1/</sup></b>	<b>117,000 <sup>2/</sup></b>

**Agency Description** — *The board licenses and regulates optometrists and issues certificates authorizing the use of diagnostic pharmaceutical agents. An optometrist examines eyes, measures vision, and prescribes corrective lenses and treatments which do not require a licensed physician.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**ARIZONA BOARD OF OSTEOPATHIC EXAMINERS**

Ann Marie Berger, Executive Director

**A.R.S. § 32-1801**

JLBC Analyst: Chris Earnest

Board of Osteopathic Examiners Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	5.5	5.5	5.5
Personal Services	200,200	196,000	198,600
Employee Related Expenditures	35,200	36,700	37,700
Professional and Outside Services	15,800	45,000	45,000
Travel - In State	3,000	4,000	4,000
Travel - Out of State	6,100	9,000	9,000
Other Operating Expenditures	67,800	66,500	66,500
Equipment	0	7,400	0
<b>Operating Subtotal</b>	<b>328,100</b>	<b>364,600</b>	<b>360,800</b>
Impaired Physicians	0	0	29,000
<b>Total Appropriation</b>	<b>328,100</b>	<b>364,600 <sup>1/</sup></b>	<b>389,800 <sup>2/</sup></b>

**Agency Description** — *The agency licenses and regulates medical physicians who practice osteopathic medicine, a system of medical treatment that emphasizes the inter-relationship of the body's muscles, bones, and joints with other body systems as an adjunct to invasive and/or chemically-based treatment.*

**Impaired Physicians Program** — The approved supplemental appropriation adds \$29,000 from the Osteopathic Examiners Fund for the establishment of an Impaired Physicians Program. A.R.S. § 32-1861 states that the board may establish such a program and stipulates that \$20 of each annual licensing renewal fee may be allocated to the program. The program will perform random substance testing on impaired physicians as well as monitoring the physician's therapy, medication and licensure restrictions.

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**ARIZONA STATE PARKS BOARD**

Ken Travous, Executive Director

**A.R.S. § 41-511**

JLBC Analyst: Bruce Groll

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	179.5	186.0	211.0 <sup>1/</sup>
Personal Services	4,606,500	4,876,200	5,092,400
Employee Related Expenditures	1,051,800	1,258,300	1,327,900
Professional and Outside Services	22,200	38,100	38,100
Travel - In State	81,100	95,300	95,300
Travel - Out of State	3,100	4,100	4,100
Other Operating Expenditures	1,705,200	2,077,700	2,081,600
Equipment	133,400	132,200	149,800
<b>Operating Subtotal</b>	<b>7,603,300</b>	<b>8,481,900 <sup>2/</sup></b>	<b>8,789,200 <sup>2/</sup></b>
State Trust Land Leases	183,200	189,200	194,900
Arizona Conservation Corps	56,500	0	0
Kartchner Caverns Operating-General Fund	0	149,400	457,700 <sup>3/</sup>
Kartchner Caverns Operating-Enhancement Fund	0	172,200	172,200
Kartchner Caverns Capital Development	310,700	403,900	0
Law Enforcement and Boating Safety	1,148,700	850,000 <sup>4/</sup>	894,600 <sup>4/</sup>
Reservation Surcharge Revolving Fund	0	30,000	30,000
<b>Total Appropriations</b>	<b>9,302,400</b>	<b>10,276,600</b>	<b>10,538,600 <sup>5/</sup></b>
<b>Fund Summary</b>			
General Fund	5,998,500	6,631,600	7,187,800
State Parks Enhancement Fund	2,155,200	2,765,000	2,426,200
Law Enforcement and Boating Safety Fund	1,148,700	850,000	894,600
Reservation Surcharge Revolving Fund	0	30,000	30,000
<b>Total Appropriations</b>	<b>9,302,400</b>	<b>10,276,600</b>	<b>10,538,600</b>

**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.*

<sup>1/</sup> Includes 29 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> All Other Operating Expenditures include \$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)

<sup>3/</sup> Of the \$457,700 state General Fund appropriation and 25.5 FTE Positions for Kartchner Caverns Operating, in FY 1999, \$224,300 and 3.5 FTE Positions are intended to provide 12 months full funding for ongoing operating expenses of Kartchner Caverns State Park notwithstanding a specific opening date and \$233,400 and 22 FTE Positions are intended to provide a total of 5 months full-funding, including 2 months for pre-opening preparation and training beginning February 1, 1999 and 3 months for ongoing operating expenses of Kartchner Caverns State Park based on a formal opening date of April 1, 1999. If the opening is delayed after April 1, 1999, one-fifth of the \$233,400 or \$46,700, shall revert to the state General Fund for each month beyond April 1, 1999 that the full opening of Kartchner Caverns is delayed. The entire \$233,400 shall revert to the state General Fund if the park's full opening is delayed beyond June 30, 1999. The State Parks Board 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, 1999. (General Appropriation Act footnote)

<sup>4/</sup> 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)

<sup>5/</sup> 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 supplemental amounts for Personal Services and Employee Related Expenditures for FY 1998 include a technical adjustment increase to the Enhancement Fund of \$41,500 (Personal Services, \$36,300; and ERE, \$5,200) for underfunded pay annualization.

**Kartchner Caverns Operating - General Fund** — The approved supplemental appropriation for FY 1998 includes a reduction of \$161,800 and 8.5 FTE Positions to the Kartchner Caverns Operating - General Fund special line for a revised total FY 1998 appropriation of \$149,400 GF and 3.5 FTE Positions. These reductions are based on information that Kartchner Caverns State Park will not open during FY 1998, but that a minimum level of funding and positions are necessary to maintain the grounds and new facilities as each of the phases in the park's development are completed. The \$149,400 GF and 3.5 FTE Positions are for a total of 8 months full-funding beginning November 1, 1997 to provide for ongoing operating expenses of Kartchner Caverns State Park notwithstanding a specific opening date.

The approved supplemental appropriation for FY 1999 includes a reduction of \$498,900 GF and 3.5 FTE Positions to the Kartchner Caverns Operating - General Fund original amounts for a revised total FY 1999 appropriation of \$457,700 GF and 25.5 FTE Positions due to the delayed opening of Kartchner Caverns State Park. The supplemental legislation also adds a new footnote based on a revised estimated formal opening date of April 1, 1999.

**Kartchner Caverns Operating - Enhancement Fund** — For both FY 1998 and FY 1999, the approved supplemental amounts include technical adjustments to transfer \$172,200 and 3.5 FTE Positions from the Enhancement Fund (including: Personal Services, \$103,100; ERE, \$26,100; and All Other Operating, \$43,000) to a new Kartchner Caverns Operating-Enhancement Fund Special Line Item. The new special line enables the State Parks Board to separately account for these existing Enhancement Fund appropriations and FTE Positions dedicated to Kartchner Caverns State Park from the rest of the agency's operating budget, thus making it easier to depict the cost and revenue of this special park. The \$172,200 OF and 3.5 FTE Positions are intended to provide 12 months full-funding in both years for ongoing operating expenses of Kartchner Caverns State Park notwithstanding a specific opening date.

**Additional Legislation: Arizona State Parks Board (Chapter 20)** — Section 3 of this bill amends A.R.S. § 41-511.05 to allow the State Parks Board to accept alternative payment methods including credit cards, charge cards, debit cards or electronic fund transfers as payment for park fees. Additionally, multiple sections of this bill eliminate the

statutory references to the Arizona Conservation Corps Commission. Funding for the Arizona Conservation Corps program was discontinued in 1997.

**Arizona State Parks Board; Continuation (Chapter 297)** — Section 4 of this bill amends A.R.S. § 41-3000 to continue the Arizona State Parks Board for 2 years to July 1, 2000. However, Section 5 amends A.R.S. § 41-3003 to continue the Arizona State Parks Board for 5 years to July 1, 2003. Section 9 adds a conditional repeal clause that notwithstanding Section 4 on June 30, 2000 if Kartchner State Caverns State Park is formally certified by the Governor as open to the public by this date.

**Growing Smarter; Terms (HCR 2027)** — This House Concurrent Resolution proposes a statutory referendum to divert \$20,000,000 of corporate income tax revenues each year, for 10 years, to help fund the Arizona Preserve Initiative (API). The API was passed in 1996 and provides a mechanism for funding the purchase or lease of State Trust lands to manage urban growth and provide for the preservation of open spaces. If approved by the public, these monies are required by law to be deposited to the Land Conservation Fund.

**Omnibus Budget Reconciliation; Public Finances (Chapter 6, 4<sup>th</sup> Special Session)** — Section 2 of this act amends Laws 1997, 1st Special Session, Chapter 6 to delay from July 1, 1998 to July 1, 2000 the effective date of the Enhancement Fund "cap". The cap sets the maximum expenditures for state parks from the Enhancement Fund and diverts revenue above the cap to pay off the Tonto State Park lease-purchase contract. The change allows Parks to continue to meet their current Enhancement Fund obligations at other state parks, provide adequate time to open Kartchner Caverns State Park, and enables expedited payoff of the Tonto lease by 2006 for a savings to the state of nearly \$400,000 in interest expenses.

**PERSONNEL BOARD**

Judith Henkel, Executive Director

**A.R.S. § 41-781**

JLBC Analyst: Lynne Smith

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	3.0	3.0	3.0
Personal Services	81,000	87,400	90,100
Employee Related Expenditures	16,300	17,200	17,900
Professional and Outside Services	164,900	239,100	209,700
Travel - In State	500	1,000	1,000
Other Operating Expenditures	31,000	39,600	40,400
Equipment	1,500	1,500	0
<b>Total Appropriations</b>	<b>295,200</b>	<b>385,800</b>	<b>359,100 <sup>1/</sup></b>

**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.*

**Workload Increase** — The approved supplemental amounts include an increase of \$71,600 in FY 1998 and \$42,200 in FY 1999 to fund an unexpected increase in the board's hearing costs. The FY 1998 amount includes a one-time increase of \$29,400 for a contractor to transcribe a 4½ month backlog of tape-recorded hearings. In addition to the one-time FY 1998 amount, the appropriation includes \$42,200 in Professional and Outside Services for hearing officer, attorney, transcription, and court reporter services in each FY 1998 and FY 1999. The number of cases received by the Personnel Board increased by 19% over FY 1997 during the first 5 months of FY 1998. The complexity of cases also increased, resulting in a 102% increase in the number of hearing days, in spite of efforts to limit the hearings. The supplemental appropriation is intended to eliminate the backlog and enable the board to remain current in FY 1999.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**ARIZONA STATE BOARD OF PHARMACY**

Llyn Lloyd, Executive Director

**A.R.S. § 32-1901**

JLBC Analyst: Lisa Cotter

<b>Board of Pharmacy Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	12.0	12.0	12.0
Personal Services	417,100	460,400	474,000
Employee Related Expenditures	86,300	104,200	107,800
Professional and Outside Services	28,600	27,500	27,500
Travel - In State	22,000	29,300	29,300
Travel - Out of State	1,700	4,000	4,000
Other Operating Expenditures	75,200	79,500	81,900
Equipment	0	10,200	2,500
<b>Operating Subtotal</b>	<b>630,900</b>	<b>715,100</b>	<b>727,000</b>
Examinations	0	10,000	10,000
<b>Total Appropriations</b>	<b>630,900</b>	<b>725,100 <sup>1/</sup></b>	<b>737,000 <sup>2/</sup></b>

**Agency Description** — *The board licenses, regulates, and conducts examinations of pharmacists and issues permits to distributors of approved medications. The board also educates pharmacists and the general public on the proper distribution and use of these medications.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Modified Lump Sum by Agency.



**BOARD OF PHYSICAL THERAPY EXAMINERS**

Janice Stille, Executive Director

**A.R.S. § 32-2001**

JLBC Analyst: Jim Rounds

<b>Board of Physical Therapy Examiners Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	1.0	2.0	2.0
Personal Services	35,400	56,200	57,800
Employee Related Expenditures	6,500	11,200	11,500
Professional and Outside Services	34,600	49,200	49,800
Travel - In State	1,400	3,200	3,200
Travel - Out of State	600	700	700
Other Operating Expenditures	10,500	11,600	10,600
<b>Total Appropriations</b>	<b>89,000</b>	<b>132,100 <sup>1/</sup></b>	<b>133,600 <sup>2/</sup></b>

**Agency Description** — *The board licenses and regulates physical therapists. A physical therapist treats patients by exercise, massage, mechanical energy, electrical energy, heat, light, sound, and water. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**ARIZONA PIONEERS' HOME**

Jeanine Dike, Superintendent

**A.R.S. § 41-921**

JLBC Analyst: Jennifer Vermeer

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	107.4	107.4	107.4
Personal Services	2,320,000	2,648,700	2,762,800
Employee Related Expenditures	693,300	822,800	800,000
Professional and Outside Services	0	148,000	162,700
Travel - In State	0	11,000	10,800
Food	117,900	211,400	225,000
Other Operating Expenditures	0	1,033,500	762,100
Equipment	0	7,200	7,900
<b>Total Appropriations</b>	<b>3,131,200</b>	<b>4,882,600</b> <sup>1/</sup>	<b>4,731,300</b> <sup>1/2/</sup>
<b>Fund Summary</b>			
General Fund	1,968,900	4,220,700	4,181,600
Miners' Hospital Fund	1,162,300	112,200 <sup>3/</sup>	0 <sup>3/</sup>
State Charitable Fund	0	549,700	549,700
<b>Total Appropriations</b>	<b>3,131,200</b>	<b>4,882,600</b>	<b>4,731,300</b>

**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.*

**Additional Appropriations:** Arizona Pioneers' Home; Appropriation Adjustment (Chapter 61) — Reduces the Miners' Fund appropriation by \$1,322,400 in FY 1998 and \$1,395,100 in FY 1999 and adds \$1,968,200 in FY 1998 and \$1,864,600 in FY 1999 from the General Fund. These changes were enacted to discontinue use of the Miners' Fund. The legislation amended the appropriations for each of the above line items, so the FY 1998 and FY 1999 amounts reflect the new appropriations contained in Chapter 61. The bill also amended the General Appropriation Act footnotes to reflect that the Pioneers' Home shall no longer use Miners' Fund monies.

- <sup>1/</sup> In addition to the amounts appropriated, earnings on state lands and interest on the investment of the Pioneers' Home portion of the State Charitable, Penal and Reformatory Institutions Land Fund 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, as amended by Laws 1998, Chapter 61)
- <sup>2/</sup> General Appropriation Act funds are appropriated by Detailed Line Item by Agency.
- <sup>3/</sup> It is the intent of the Legislature that monies in the Miners' Hospital for Disabled Miners' Land Fund shall not be used by the Pioneers' Home and the State Hospital for Disabled Miners after the effective date of this act. (General Appropriation Act footnote, as amended by Laws 1998, Chapter 61)

**STATE BOARD OF PODIATRY EXAMINERS**

Linda A. Wells, Executive Director

**A.R.S. § 32-801**

JLBC Analyst: Brad Mortensen

<b>Board of Podiatry Examiners Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	1.0	1.0	1.0
Personal Services	32,600	40,200	41,300
Employee Related Expenditures	5,800	6,700	7,100
Professional and Outside Services	14,200	17,500	16,900
Travel - In State	0	1,800	1,800
Travel - Out of State	0	0	0
Other Operating Expenditures	4,600	3,500	3,500
Equipment	0	0	0
<b>Total Appropriations</b>	<b>57,200</b>	<b>69,700 <sup>1/</sup></b>	<b>70,600 <sup>2/</sup></b>

**Agency Description** — *The board licenses and regulates Doctors of Podiatric Medicine. A podiatrist must take specialized training, serve an internship and pass a qualifying examination prior to licensure to diagnose and treat foot ailments. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**COMMISSION FOR POSTSECONDARY EDUCATION**

Verna L. Allen, Executive Director

**A.R.S. § 15-1851**

JLBC Analyst: Bruce Groll

<b>General Fund and Postsecondary Education Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	5.5	5.0	6.0
Personal Services	225,100	161,900	167,700
Employee Related Expenditures	45,800	36,100	27,700
Professional and Outside Services	19,100	20,000	29,500
Travel - In State	1,200	1,000	1,300
Travel - Out of State	8,700	1,000	3,500
Other Operating Expenditures	43,900	76,200	66,000
Equipment	0	2,000	2,000
<b>Operating Subtotal</b>	<b>343,800</b>	<b>298,200</b>	<b>297,700</b>
Course Equivalency Guide	12,700	13,200	13,200
State Student Incentive Grants (SSIG)	1,220,800	1,220,800 <sup>1/</sup>	1,220,800 <sup>1/</sup>
State Student Incentive Grant-Local	987,000	1,075,500	1,075,500
State Student Incentive Grant-Federal	543,200	1,068,200	1,068,200
AZ Postsecondary Voucher Program	49,000	400,000 <sup>2/</sup>	400,000 <sup>2/3/</sup>
College Savings Plan	0	0	85,100
<b>Total</b>	<b>3,156,500</b>	<b>4,075,900</b>	<b>4,160,500</b>
<b>Additional Appropriations - Commission for Postsecondary Education; Continuation, Ch. 235</b>	<b>0</b>	<b>0</b>	<b>383,600</b>
<b>Total Appropriations</b>	<b>3,156,500</b>	<b>4,075,900 <sup>4/5/</sup></b>	<b>4,544,100 <sup>4/5/6/</sup></b>
<b>Fund Summary</b>			
General Fund	1,282,500	1,734,900	1,732,700
Postsecondary Education Fund	1,874,000	2,341,000	2,811,400
<b>Total Appropriations</b>	<b>3,156,500</b>	<b>4,075,900</b>	<b>4,544,100</b>

<sup>1/</sup> 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 that shall be equal to the amount of funds provided by the state to the institution for the State Student Incentive Grant program. Administrative costs incurred by the Commission for Postsecondary Education shall be paid from the institutional matching funds and shall not exceed 12% of the funds in FY 1998 and FY 1999. (General Appropriation Act footnote)

<sup>2/</sup> Of the total amount appropriated for the AZ Postsecondary Voucher Program, no more than 10% may be used for program administrative costs.

<sup>3/</sup> Commission for Postsecondary Education; Continuation (Chapter 235) Section 4 amends A.R.S. § 15-1854 to change the names of the Postsecondary Education Voucher Pilot Program and the corresponding fund to the Private Postsecondary Education Student Financial Assistance Program and Private Postsecondary Education Student Financial Assistance Fund, respectively.

<sup>4/</sup> For FY 1999, any unencumbered balance remaining in the Postsecondary Fund on June 30, 1998, 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 programs that state, federal, institutional and other monies are received and for additional responsibilities prescribed in A.R.S. § 15-1851 and A.R.S. § 15-1852. (General Appropriation Act footnote)

<sup>5/</sup> The Commission shall prepare and present quarterly to the Joint Legislative Budget Committee 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)

<sup>6/</sup> General Appropriation Act funds are appropriated as a Modified Lump Sum with Special Line Items by Agency.

## 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, supervise and coordinate the review of public and private postsecondary education institutions in this state to determine their eligibility for student financial aid monies. The Commission also administers specifically identified federal and state financial aid programs including State Student Incentive Grant (SSIG), Arizona Student Program Investing Resources in Education (ASPIRE), Private Postsecondary Education Student Financial Assistance and Family College Savings, provides a forum to public and private postsecondary education institutions for discussion of issues of mutual interest, and coordinates collaborative studies conducted by public and private postsecondary institutions on issues of mutual interest.*

**Continuation Funding:** The Supplemental Appropriations bill, Laws 1998, Chapter 1, Section 37, provides continued funding for the Commission for Postsecondary Education for FY 1999 totaling \$4,160,200, including \$1,732,600 from General Fund and \$2,427,600 from the Postsecondary Education Fund. The Commission for Postsecondary Education originally received a \$0 appropriation for FY 1999 in the biennial budget pending a favorable outcome of the Auditor General's Sunset Review and continuation legislation.

**Technical Issues** — The approved supplemental appropriation for FY 1998 and FY 1999 includes a technical adjustment to add 1 FTE Position for administration of the Postsecondary Voucher Program. The supplemental appropriation for FY 1999 also includes a one-time amount for equipment of \$2,000 from the Postsecondary Fund to upgrade hard-drive and memory capacity of 3 personal computers.

**College Savings Plan** — The approved supplemental amount includes the addition of a new Special Line Item and a FY 1999 appropriation from the Postsecondary Fund of \$85,100 and 1 FTE Position for the College Savings Plan. This new program is statutorily mandated by Laws 1997, Chapter 171 (A.R.S. § 15-1871) and is self-supporting. The sources of funds for this appropriation are "administrative fees and service charges imposed and collected by the Commission from banks, program participants and other individuals relating to the program." The appropriation includes a \$20,000 one-time Professional and Outside Services amount for "retention of professional services including accountants, auditors and consultants" per A.R.S. § 15-1874(2) for initial program development and implementation.

**Additional Appropriations: Commission for Postsecondary Education; Continuation (Chapter 235)** — Section 11 establishes 3 new Special Line Items and appropriates an additional total of \$383,600 from the Postsecondary Education Fund as follows:

- Arizona College and Career Guide, \$16,000.
- Arizona Minority Education Policy Analysis Center, \$67,600.
- Twelve Plus Partnership, \$300,000.

This bill also makes the following statutory changes:

- Amends A.R.S. § 15-1851 and A.R.S. § 15-1852 to redefine the responsibilities of the Commission for Postsecondary Education to conduct studies with requirements to provide forums for discussion, provide reports, coordinate collaborative studies and compile and report information and other duties presented in the revised Agency Description above;
- Amends A.R.S. § 15-1853 to restructure the Postsecondary Education Fund by specifically identifying monies that are subject to legislative appropriation (e.g., state, state agencies and political subdivisions, and U.S. government) and those monies that are continuously appropriated (e.g., private gifts, grants and donations) and to require quarterly reporting on fund deposits and expenditures to the Joint Legislative Budget Committee;
- Amends A.R.S. § 15-1854 to rename the Postsecondary Education Voucher Pilot Program the Private Postsecondary Education Student Financial Assistance Program; and
- Amends A.R.S. § 41-3008 to continue the Commission for Postsecondary Education for 10 years to July 1, 2008.

**STATE BOARD FOR PRIVATE POSTSECONDARY EDUCATION**

Teri Candelaria, Executive Director

**A.R.S. § 32-3002**

JLBC Analyst: Bruce Groll

**Board for Private Postsecondary  
Education Fund****FY 1997  
Actual****FY 1998  
Estimate****FY 1999  
Approved**

FTE Positions	3.0	3.0	3.0
Personal Services	107,300	103,700	106,300
Employee Related Expenditures	24,400	23,900	24,700
Professional and Outside Services	3,900	7,800	7,800
Travel - In State	500	2,000	2,000
Other Operating Expenditures	21,100	28,100	28,600
<b>Total Appropriations</b>	<b>157,200</b>	<b>165,500 <sup>1/</sup></b>	<b>169,400 <sup>2/</sup></b>

**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.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**STATE BOARD OF PSYCHOLOGIST EXAMINERS**

Maxine McCarthy, Executive Director

**A.R.S. § 32-2062**

JLBC Analyst: Brad Mortensen

<b>Board of Psychologist Examiners Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	4.0	4.0	4.0
Personal Services	123,400	131,700	135,200
Employee Related Expenditures	20,700	23,400	24,300
Professional and Outside Services	45,500	46,300	46,300
Travel - In State	3,800	6,800	6,800
Travel - Out of State	3,300	2,500	2,500
Other Operating Expenditures	22,200	59,800	60,300
<b>Total Appropriations</b>	<b>218,900</b>	<b>270,500 <sup>1/</sup></b>	<b>275,400 <sup>2/</sup></b>

**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.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**DEPARTMENT OF PUBLIC SAFETY**

Joe Albo, Director

**A.R.S. § 41-1711**

JLBC Analyst: Lorenzo Martinez

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
<u>Program Summary</u>			
Criminal Investigations Bureau	17,601,900	18,978,100	19,244,600
Highway Patrol Bureau	36,176,500	43,946,000	47,492,000
Agency Support Bureau	26,261,000	28,348,000	28,994,500
Criminal Justice Support Bureau	12,328,400	14,965,400	18,456,100
Director's Office	6,134,600	5,608,300	5,811,200
Classification Maintenance Review	0	0	779,300
<b>Total Appropriations</b>	<b>98,502,400</b>	<b>111,845,800</b>	<b>120,777,700</b>
<u>Expenditure Detail</u>			
FTE Positions	1,592.0	1,695.5	1,735.5 <sup>1/</sup>
Personal Services	59,368,300	65,593,600	70,469,700
Employee Related Expenditures	12,057,600	16,374,700	17,407,100
Professional and Outside Services	400,500	601,200	544,200
Travel - In State	438,400	577,900	567,000
Travel - Out of State	188,900	154,500	154,500
Other Operating Expenditures	14,939,200	14,286,600	14,307,400
Equipment	4,261,200	5,008,500	6,763,900
<b>Operating Subtotal</b>	<b>91,654,100</b>	<b>102,597,000</b>	<b>110,213,800</b>
Automated Fingerprint Identification Network (AFIN)	1,260,400	1,642,200	2,034,300
Crime Lab Aid to Locals	0	252,500	260,100
Licensing	0	828,800	1,007,300
Project GITEM	5,468,700	6,330,500	6,159,500
Sex Offender Notification	119,200 <sup>2/</sup>	194,800 <sup>2/</sup>	457,100
<b>Total</b>	<b>98,502,400</b>	<b>111,845,800</b>	<b>120,132,100</b>
<b>Additional Appropriations -</b>			
Appropriation; Sex Offender Notification			
Employees, Ch. 179	0	0	45,600
Sex Offenders; Registration, Ch. 291	0	0	600,000 <sup>2/</sup>
<b>Total Appropriations</b>	<b>98,502,400</b>	<b>111,845,800</b>	<b>120,777,700 <sup>3/</sup></b>
<u>Fund Summary</u>			
General Fund	54,858,800	63,590,300	75,776,400
Criminal Justice Enhancement Fund	1,260,400	2,696,000	3,268,600
Crime Lab Assessment Fund	0	2,845,500	3,023,300
DNA Identification Fund	0	327,400	347,800
Arizona Highway Patrol Fund	5,472,000	11,636,600	12,611,600
Highway User Revenue Fund	17,410,900	15,000,000	12,500,000
State Highway Fund	19,500,300	15,000,000	12,500,000
Safety Enforcement and Transportation Infrastructure Fund	0	750,000	750,000
<b>Total Appropriations</b>	<b>98,502,400</b>	<b>111,845,800 <sup>4/</sup></b>	<b>120,777,700 <sup>4/</sup></b>



## 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 stateside communications systems, state crime laboratories and an automated fingerprint identification network, and performs aviation missions, special investigations, and other law enforcement activities.*

**Patrol Vehicles** — The FY 1999 supplemental amount includes an additional \$1,000,000 from the Arizona Highway Patrol Fund and \$300,000 from the state General Fund to purchase an additional 52 patrol vehicles. Combined with the original FY 1999 appropriation of \$2,340,000 from the state General Fund for the purchase of 90 patrol vehicles, the department has a total of \$3,640,000 to purchase 142 replacement patrol vehicles in FY 1999.

**Pinal GITEM Squad** — The FY 1999 supplemental amount includes \$389,600 from the state General Fund to continue the Pinal GITEM Squad created by Laws 1997, Chapter 220.

**Sex Offender Community Notification** — The approved amount includes the appropriation of the Sex Offender Community Notification Coordinator position created by Laws 1997, Chapter 136.

**Additional Appropriations: Appropriation; Sex Offender Notification Employees (Chapter 179)** — Appropriates \$45,572 to add an Administrative Assistant position to the Sex Offender Community Notification program.

**Sex Offenders; Registration (Chapter 291)** — The legislation amends statutes related to sex offenses and offender registration criteria. The legislation also directs DPS to establish an Internet sex offender web site for public access. Of the \$457,000 appropriated in FY 1997 (non-lapsing) and the \$457,000 appropriated in FY 1998 (lapsing) to DPS for Sex Offender Notification, \$600,000 is reappropriated to DPS to establish and maintain the sex offender web site. (See footnote 1)

**Additional Legislation: Fingerprinting (Chapter 270)** — The legislation establishes the Fingerprinting Division within the DPS in FY 2000. The legislation also establishes the Fingerprint Clearance Card Fund and appropriates 19.7 FTE Positions and \$1,806,500 from the state General Fund to the fund in FY 2000. The legislation also transfers a total of 6.3 FTE Positions and \$209,900 from the Department of Health Services, the Department of Juvenile Corrections, the Department of Economic

Security and the Department of Education to DPS in FY 2000. The Fingerprint Clearance Card Fund is continuously appropriated to DPS and will consist of fees collected from applicants or contract providers for a fingerprint clearance card.

The legislation also creates the Board of Fingerprinting in FY 2000 and appropriates \$60,000 from the state General Fund to the newly created Board of Fingerprinting Fund in FY 2000 for 2 FTE Positions, operating, and start-up costs of the board.

1/ Includes 1 FTE Position funded from Additional Appropriations in FY 1999.

2/ Laws 1998, Chapter 291 reappropriated a total of \$600,000 to establish a sex offender web site from the FY 1997 and FY 1998 appropriations for the Sex Offender Notification program. The department estimates that \$337,800 will be reappropriated from the non-lapsing FY 1997 appropriation of \$457,000, and the remaining \$262,200 will be reappropriated from the lapsing FY 1998 appropriation of \$457,000. The amounts in the Sex Offender Notification line item have been adjusted to reflect the reappropriated monies. (See Additional Appropriations section)

3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

4/ 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)

**ARIZONA DEPARTMENT OF RACING**

James Higginbottom, Director

**A.R.S. § 5-101**

JLBC Analyst: Jim Rounds

<b>General Fund and County Fair Racing Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
<u>Program Summary</u>			
Commercial Racing	2,365,100	2,643,600	2,653,200
County Fair Facing	229,400	300,600	305,100
<b>Total Appropriations</b>	<b>2,594,500</b>	<b>2,944,200</b>	<b>2,958,300</b>
<u>Expenditure Detail</u>			
FTE Positions	55.4	54.8	54.8
Personal Services	1,373,000	1,655,700	1,707,800
Employee Related Expenditures	327,400	375,800	389,000
Professional and Outside Services	42,200	55,900	55,900
Travel - In State	132,900	159,800	159,800
Travel - Out of State	6,500	4,800	4,800
Other Operating Expenditures	271,300	208,400	210,000
Equipment	34,200	52,800	0
<b>Operating Subtotal</b>	<b>2,187,500</b>	<b>2,513,200</b>	<b>2,527,300</b>
Drug Testing and Quality Assurance	407,000	431,000	431,000
<b>Total Appropriations</b>	<b>2,594,500</b>	<b>2,944,200</b>	<b>2,958,300<sup>1/</sup></b>
<u>Fund Summary</u>			
General Fund	2,365,100	2,643,600	2,653,200
County Fair Racing Fund	229,400	300,600	305,100
<b>Total Appropriations</b>	<b>2,594,500</b>	<b>2,944,200</b>	<b>2,958,300</b>

**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,*

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**RADIATION REGULATORY AGENCY**

Aubrey V. Godwin, Director

**General Fund and State Radiologic  
Technologist Certification Fund**

A.R.S. § 30-652 and 32-2802

JLBC Analyst: Lisa Cotter

	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	28.0	29.0	29.0 <sup>1/</sup>
Personal Services	700,300	764,600	807,000
Employee Related Expenditures	158,700	168,100	177,600
Professional and Outside Services	6,700	4,000	5,800
Travel - In State	37,400	33,800	30,000
Travel - Out of State	3,900	4,500	7,500
Other Operating Expenditures	204,400	192,600	181,100
Equipment	14,300	23,200	0
<b>Operating Subtotal</b>	<b>1,125,700</b>	<b>1,190,700</b>	<b>1,209,000</b>
MRTBE	106,700	110,800	113,200
Nuclear Emergency Management Fund	399,000	413,400 <sup>2/</sup>	413,400 <sup>2/</sup>
<b>Total Appropriations</b>	<b>1,631,400</b>	<b>1,715,000</b>	<b>1,735,600 <sup>3/</sup></b>
<u>Fund Summary</u>			
General Fund	1,524,700	1,604,200	1,622,400
State Radiologic Technologist Cert. Fund	106,700	110,800	113,200
<b>Total Appropriations</b>	<b>1,631,400</b>	<b>1,715,000</b>	<b>1,735,600</b>

**Agency Description** — *The department regulates the use, storage, and disposal of sources of radiation. This includes licensing or certifying users, inspecting x-ray equipment, developing emergency response capability, and monitoring environmental radiation.*

<sup>1/</sup> Includes 6 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> Appropriated by Laws 1997, Chapter 57.

<sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**ARIZONA RANGERS' PENSIONS**

Governor Jane D. Hull

**A.R.S. § 41-95I**

JLBC Analyst: Brad Regens

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	0.0	0.0	0.0
Other Operating Expenditures	<u>10,500</u>	<u>10,800</u>	<u>11,100</u>
<b>Total Appropriations</b>	<b>10,500</b>	<b>10,800</b>	<b>11,100 <sup>1/</sup></b>

**Agency Description** — *Provides a monthly benefit for retired rangers and their surviving spouses.*

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**STATE REAL ESTATE DEPARTMENT**

Jerry Holt, Commissioner

**A.R.S. § 32-2102**

JLBC Analyst: Brad Regens

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	67.0	67.0	67.0
Personal Services	1,785,600	1,890,200	1,948,400
Employee Related Expenditures	395,500	410,600	425,200
Professional and Outside Services	4,700	5,000	5,000
Travel - In State	47,900	57,000	57,000
Travel - Out of State	5,100	7,100	7,100
Other Operating Expenditures	460,300	568,500	550,300
Equipment	116,400	16,800	17,100
<b>Total Appropriations</b>	<b>2,815,500</b>	<b>2,955,200</b>	<b>3,010,100 <sup>1/</sup></b>

**Agency Description** — *The department issues licenses for real estate, cemetery, and membership campground sales. The department also regulates the real estate industry, including licensees, developers, subdividers, and real estate schools.*

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**RESIDENTIAL UTILITY CONSUMER OFFICE**

Greg Patterson, Director

**A.R.S. § 40-461**

JLBC Analyst: Brad Regens

<b>Residential Utility Consumer Office Revolving Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	11.0	11.0	11.0
Personal Services	405,500	519,600	535,400
Employee Related Expenditures	75,900	99,200	103,000
Travel - In State	5,400	10,000	10,000
Travel - Out of State	7,600	4,600	4,600
Other Operating Expenditures	150,600	109,200	109,800
Equipment	0	3,800	9,600
<b>Operating Subtotal</b>	<b>645,000</b>	<b>746,400</b>	<b>772,400</b>
Professional Witnesses	28,500	200,000	170,000 <sup>1/</sup>
<b>Total Appropriations</b>	<b>673,500</b>	<b>946,400</b>	<b>942,400</b> <sup>2/</sup>

**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.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**BOARD OF RESPIRATORY CARE EXAMINERS**

Mary Hauf Martin, Executive Director

**A.R.S. § 32-3501**

JLBC Analyst: Lisa Cotter

<b>Respiratory Care Examiners Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	4.0	4.0	4.0
Personal Services	105,100	117,100	120,800
Employee Related Expenditures	16,900	20,100	20,800
Professional and Outside Services	2,400	8,500	2,500
Travel - In State	1,800	2,000	2,000
Travel - Out of State	100	200	200
Other Operating Expenditures	31,300	36,400	34,800
Equipment	0	1,800	2,500
<b>Total Appropriations</b>	<b>157,600</b>	<b>186,100 <sup>1/</sup></b>	<b>183,600 <sup>2/</sup></b>

**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.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

# ARIZONA STATE RETIREMENT SYSTEM

LeRoy Gilbertson, Director

A.R.S. § 38-711

JLBC Analyst: Brad Mortensen

State Retirement System Administration Account	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	90.0	122.0	124.0
Personal Services	2,352,900	3,967,700	4,144,300
Employee Related Expenditures	501,700	859,900	902,800
Professional and Outside Services	109,100	768,700	1,131,300
Travel - In State	15,500	36,100	36,100
Travel - Out of State	26,000	13,600	13,600
Other Operating Expenditures	598,900	2,214,900	1,909,900
Equipment	22,700	211,200	114,700
<b>Operating Subtotal</b>	<b>3,626,800</b>	<b>8,072,100</b>	<b>8,252,700</b>
LTD Administration	0	755,000	755,000
Public Employee Retirement Information System	0	1,044,100 <sup>1/</sup>	78,000
Redeemed Service Costs	0	200,500 <sup>2/</sup>	0
<b>Total Appropriations</b>	<b>3,626,800</b>	<b>10,071,700</b>	<b>9,085,700 <sup>3/</sup></b>

**Agency Description** — *The Arizona State Retirement System (ASRS) provides retirement, survivors, health and disability benefits to employees of most public employers in Arizona, including public schools, most local and county governments, and the State of Arizona. As of June 30, 1997, ASRS membership included approximately 164,390 active (working and contributing) members, 49,779 retired members, 2,773 disabled retirees, and approximately \$17,000,000,000 in assets (market value).*

**FY 1997 Projects** — The approved supplemental appropriation adds \$371,500 of one-time funding in FY 1998 to complete five projects that were begun in FY 1997. At the end of FY 1997, the funds to complete these projects were no longer available. The distribution of the supplemental funding includes \$148,800 in Other Operating Expenditures for accelerated applications development, \$72,000 in Other Operating Expenditures for technical training and the purchase of a server, \$109,400 in Other Operating Expenditures for the printing and distribution of the member handbook, \$15,000 in Equipment for audio visual upgrades in the ASRS boardroom, and \$26,300 in Equipment for telephone system upgrades.

**Member Newsletter Postage** — The approved supplemental appropriation adds \$40,000 of one-time funding in FY 1998 for postage relating to the member newsletter.

**Payroll Deduction Service Purchase Implementation** — The approved supplemental appropriation adds \$51,800 in FY 1998 and \$30,000 in FY 1999 to implement the payroll deduction service purchase provisions of Laws 1997,

Chapter 280. The FY 1998 amount includes \$40,000 in Professional and Outside Services for contractor programming, \$7,400 in Personal Services and \$900 in Employee Related Expenditures for overtime programming by ASRS staff, and \$3,500 for one-time equipment purchases. The approved FY 1999 supplemental appropriation adds 1 FTE Position, \$23,900 in Personal Services and \$6,100 in ERE for a Fiscal Services Specialist III to establish and maintain individual service purchase accounts.

**Professional Service Contracts** — The FY 1998 and FY 1999 approved supplemental amounts add \$128,000 in FY 1998 and \$230,600 in FY 1999 to Professional and Outside Services for contracts with private entities. Of these amounts, \$40,000 in each year is intended for the actuary to fully fund the base contract, 2 program tests, and additional actuarial valuations and costs studies.

In addition, \$42,000 in FY 1998 and \$115,000 in FY 1999 is intended to fully fund the cost of outsourcing the retiree payroll for a larger than expected retiree population.

<sup>1/</sup> Monies appropriated for the Public Employee Retirement Information System Special Line Item in FY 1998 are exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations until June 30, 1999. (General Appropriation Act footnote)

<sup>2/</sup> Appropriated by Laws 1997, Chapter 280. This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations, until June 30, 1999.

<sup>3/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.



## ARIZONA STATE RETIREMENT SYSTEM (Cont'd)

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Originally the Legislature appropriated \$300,000 for the second half of FY 1998 and \$600,000 for all of FY 1999 for this purpose. These costs were based on 45,000 retirees. However, the number of retirees is more likely to approach 51,353 in FY 1998 and 53,675 in FY 1999. The supplemental amount are intended to address the greater than anticipated number of retirees.

Finally, \$46,000 in FY 1998 and \$75,600 in FY 1999 is included in the approved supplemental appropriation to outsource the payment of refunds for members who withdraw from ASRS. Similar to the payroll, this will be performed by the custodial bank. Based on the cost of \$6.28 per refund, the approved amounts, along with the cost savings associated with the outsourcing, will fund 9,000 refunds in the second half of FY 1998 and 15,375 refunds in FY 1999.

**DEPARTMENT OF REVENUE**

Mark Killian, Director

**A.R.S. § 42-102**

JLBC Analyst: Bob Hull

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
<u>Program Summary</u>			
Director's Office	900,400	972,500	996,900
Administrative Services	11,200,700	11,930,900	12,472,300
Property Valuation and Equalization	3,107,900	3,485,800	3,576,800
Special Support	1,956,000	2,131,500	2,196,600
Compliance	19,369,000	21,803,900	21,221,500
Taxpayer Support	3,799,800	4,150,600	4,305,800
Data Management	11,236,700	12,264,400	13,357,800
<b>Total Appropriations</b>	<b>51,570,500</b>	<b>56,739,600</b>	<b>58,127,700</b>
<u>Expenditure Detail</u>			
FTE Positions	1,244.0	1,255.0	1,255.0 <sup>1/</sup>
Personal Services	29,603,100	32,213,900	33,278,200
Employee Related Expenditures	6,804,600	7,383,000	7,644,900
Professional and Outside Services	2,897,500	2,642,100	2,912,100
Travel - In State	376,400	534,500	534,500
Travel - Out of State	606,300	703,200	753,200
Other Operating Expenditures	10,775,200	11,046,700	11,344,800
Equipment	319,300	303,100	303,100
<b>Operating Subtotal</b>	<b>51,382,400</b>	<b>54,826,500</b>	<b>56,770,800</b>
Building Permits Database	188,100	261,000	267,300
Attorney General Legal Services	0	145,000	145,000
Federal Employee Retirement Contribution Refund Project	0	1,344,100 <sup>2/</sup>	67,600 <sup>2/</sup>
Three Year 2000 Compliance Projects	0	163,000	877,000
<b>Total Appropriations</b>	<b>51,570,500</b>	<b>56,739,600</b>	<b>58,127,700</b> <sup>3/</sup>
<u>Fund Summary</u>			
General Fund	51,266,600	55,352,100	56,722,000
Tobacco Tax and Health Care Fund	303,900	345,700	352,900
Unclaimed Property Fund	0	1,041,800	1,052,800
<b>Total Appropriations</b>	<b>51,570,500</b>	<b>56,739,600</b>	<b>58,127,700</b>

**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.*

**Volume and Rate Increases** — The approved supplemental appropriation adds \$150,000 in FY 1998 and \$705,000 in FY 1999 for volume and rate increases. The \$150,000 in

FY 1998 is for postage. The FY 1999 amount includes \$225,000 for postage, \$150,000 for electronic funds transfer, \$110,000 for telecommunications, \$100,000 for

<sup>1/</sup> Includes 7 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> Monies appropriated for the Federal Employee Retirement Contribution Refund Project Special Line Item in FY 1998 are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 1999. The department may use any unexpended monies from the Federal Employee Retirement Contribution Refund Project Special Line for computer programming to implement the 10% assessment ratio provisions of the school finance reform legislation passed by the 43<sup>rd</sup> Legislature, 3<sup>rd</sup> Special Session. (Supplemental Appropriation Act footnote)

<sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

## **DEPARTMENT OF REVENUE (Cont'd)**

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printing, \$80,000 for temporary staff and \$40,000 for lien fees.

**Out-of-State Travel** — The approved supplemental appropriation adds \$50,000 in FY 1998 and \$100,000 in FY 1999 to increase the number of out-of-state audits of companies whose headquarters are outside Arizona.

**Federal Employee Retirement Contribution Refund Project** — The approved supplemental appropriation adds \$1,344,100 in FY 1998 and \$67,600 in FY 1999 for one-time increases to process 40,000 claims from federal employees for refunds of Arizona income taxes paid on their federal retirement plan contributions for tax years 1986 through 1990. In 1990 the Arizona statute was changed to provide federal employees the same tax treatment as that afforded state employees, who were allowed to deduct contributions to state retirement plans when calculating Arizona taxable income. During the summer of 1997, after several court decisions and a decision by the Arizona Board of Tax Appeals had made the likelihood of Arizona winning a further appeal remote, Governor Symington ordered the department to implement the project. Refunds are expected to total \$16,000,000, including \$14,000,000 in FY 1998 and \$2,000,000 in FY 1999, which is reflected as part of the JLBC Staff's revenue estimate for individual income tax returns.

**Three Year 2000 Compliance Projects** — The approved supplemental appropriation adds \$163,000 in FY 1998 and \$877,000 in FY 1999 for one-time increases to make 3 automated systems year 2000 compliant. The \$163,000 in FY 1998 and \$103,000 in FY 1999 are for the department's automated collections system. Also included in the FY 1999 amount are \$574,000 for the remittance processing and data entry system, and \$200,000 for 3 specialized phone systems.

**STATE BOARD FOR SCHOOL CAPITAL FACILITIES**

Tom Betlach, Acting Director

**A.R.S. § 15-1051**

JLBC Analyst: Phil Case

<b>General Fund and School Capital Equity Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	5.0	7.0	0.0
Personal Services	156,500	248,200	0
Employee Related Expenditures	29,300	50,200	0
Professional and Outside Services	41,300	184,700	0
Travel - In State	14,000	25,000	0
Travel - Out of State	0	5,000	0
Other Operating Expenditures	46,800	71,900	0
Equipment	0	15,000	0
<b>Operating Subtotal</b>	<b>287,900</b>	<b>600,000</b>	<b>0</b>
Loans and Grants to School Districts	2,531,800	29,400,000	0
Building Maintenance Inspection	0	400,000	0
<b>Total Appropriations</b>	<b>2,819,700</b>	<b>30,400,000</b>	<b>0</b>
<b>Fund Summary</b>			
General Fund	0	0	0
School Capital Equity Fund	2,819,700	30,400,000	0
<b>Total Appropriations</b>	<b>2,819,700 <sup>1/</sup></b>	<b>30,400,000</b>	<b>0</b>

**Agency Description** — *Laws 1996, Chapter 8, 5<sup>th</sup> Special Session, as amended by Laws 1996, Chapter 1, 7<sup>th</sup> Special Session, established the State Board for School Capital Facilities. The board was composed of 9 members appointed by the President of the Senate, the Speaker of the House of Representatives, and the Governor. The board was responsible for administering monies deposited to the School Capital Equity Fund, which annually received the first \$30,000,000 of proceeds from the Permanent State School Fund. Monies in the fund were distributed in the form of loans or grants to applicant school districts and were expended for buildings, land, capital improvements, pupil transportation vehicles, equipment, or technology. Distributions to school districts were 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 was available for the board's administrative costs.*

**Additional Legislation:** Students' FIRST (Chapter 1, 3<sup>rd</sup> Special Session) — Eliminates the board and transfers all outstanding obligations to the new School Facilities Board. Also eliminates the \$30,000,000 appropriation for FY 1999 from the School Capital Equity Fund. (See the *School Facilities Board write-up for more information.*)

<sup>1/</sup> The total expended in FY 1997 consists of \$2,819,700 from the \$100,000,000 appropriated by Laws 1996, Chapter 8, 5<sup>th</sup> Special Session and Laws 1996, Chapter 1, 7<sup>th</sup> Special Session. Of the remaining monies not subject to lapsing, \$97,180,300 was available for expenditure in FY 1998 in addition to other appropriations to the board.

**SCHOOL FACILITIES BOARD**

Director to be Named

**A.R.S. § 15-2001**

JLBC Analyst: Phil Case

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	0.0	9.0	9.0
<b>Additional Appropriations -</b>			
<b>Students' FIRST, Ch. 1, 3rd Special Session as amended</b>			
<b>by Education.; Financing; Assistance; Conditional</b>			
<b>Repeal, Ch. 164:</b>			
Operating Budget	0	200,000	3,200,000
New School Facilities Fund	0	0	200,000,000 <sup>1/</sup>
Building Renewal Fund	0	0	75,000,000 <sup>2/</sup>
Deficiencies Correction Fund	0	0	35,000,000 <sup>2/</sup>
<b>Total Appropriations</b>	<b>0</b>	<b>200,000</b>	<b>313,200,000</b>

**Agency Description** — *The School Facilities Board was created by Laws 1998, Chapter 1, 3<sup>rd</sup> Special Session, as amended by Laws 1998, Chapter 164. It is composed of 8 members appointed by the Governor, and the Superintendent of Education or her designee. The board administers the New School Facilities Fund, the Building Renewal Fund, and the Deficiencies Correction Fund to provide capital funding for K-12 school districts. School district voters may "opt-out" of this new funding system and retain the old system of capital funding which relies on issuing local bonds.*

**Additional Appropriations:** Students' FIRST (Chapter 1, 3<sup>rd</sup> Special Session) as amended by Education; Financing; Assistance; Conditional Repeal (Chapter 164) — Creates the School Facilities Board which replaces the State Board for School Capital Facilities. (See the State Board for School Capital Facilities write-up for more information.) The board shall perform the following major activities: 1) assess school facility and equipment deficiencies, and approve distributions from the Deficiencies Correction Fund; 2) develop a data base of school facilities to administer the Building Renewal Fund; 3) inspect school buildings at least once every 5 years to ensure compliance with building adequacy standards for new buildings and the maintenance of existing buildings; 4) review and approve student population projections to determine if school districts are entitled to monies from the New School Facilities Fund pursuant to standards established in statute; 5) certify that plans for new school facilities meet building adequacy standards; 6) provide technical support to school districts with respect to new construction and maintenance of school facilities; and 7) develop prototypical designs for elementary and high school facilities.

Appropriates General Fund operating budgets to the board of \$200,000 and 9 FTE Positions in FY 1998, and \$3,200,000 and 9 FTE Positions in FY 1999. Of the FY 1999 amount, up to \$2,000,000 may be expended by the board to contract for professional and outside services, subject to prior review by the Joint Legislative Budget

Committee. Also appropriates from the General Fund in FY 1999 \$200,000,000 to the New School Facilities Fund, \$75,000,000 to the Building Renewal Fund, and \$35,000,000 to the Deficiencies Correction Fund. Monies in the Building Renewal Fund and the Deficiencies Correction Fund are continuously appropriated and are non-lapsing. For FY 1999 and FY 2000, any unspent and unencumbered monies in the New School Facilities Fund, up to \$15,000,000, shall be deposited to the Capital Reserve Fund clearing account. Subsequently, at the start of the next fiscal year (FY 2000 or FY 2001), these unspent and unencumbered monies shall be transferred to the Deficiencies Correction Fund. If less than \$15,000,000 is transferred to the Deficiencies Correction Fund through this mechanism in either FY 2000 or FY 2001, the General Fund shall make up the difference.

Subject to annual authorization by the Legislature, the board may issue revenue bonds in a principal amount not exceeding \$200,000,000 each fiscal year. No revenue bonds are authorized for FY 1999. If revenue bonds are authorized and issued, monies from the Permanent State School Fund will be used to service that debt, but will first be transferred to a Revenue Bond Debt Service Fund that is created by the bill as a clearing fund for revenue bond debt service monies. If monies in the Permanent State School Fund are insufficient to cover revenue bond debt service payments, Transaction Privilege Tax revenues will automatically be transferred to the Revenue Bond Debt

<sup>1/</sup> Pursuant to Chapter 164, any unspent or unencumbered monies in the fund, up to \$15,000,000, shall be transferred to the Capital Reserve Fund at the end of FY 1999.

<sup>2/</sup> Monies in this fund are continuously appropriated and are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

## **SCHOOL FACILITIES BOARD (Cont'd)**

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Service Fund to make up the difference without requiring legislative appropriation. Transaction Privilege Tax revenues, however, are dedicated first to the 3 main funds administered by the board (the New School Facilities Fund, the Building Renewal Fund, and the Deficiencies Correction Fund). For each fiscal year beginning with FY 2000, the board shall determine the amounts necessary to fund those 3 funds, and shall report these amounts to the Joint Committee on Capital Review by December 1 of the prior fiscal year. Likewise, no later than January 1 of each prior fiscal year, it shall instruct the State Treasurer as to the amounts of transaction privilege tax revenues that are to be credited to the 3 funds (in equal quarterly installments) during the fiscal year.

**DEPARTMENT OF STATE - SECRETARY OF STATE**

The Honorable Betsey Bayless, Secretary of State

**A.R.S. § 41-121**

JLBC Analyst: Lynne Smith

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	36.0	38.0	38.0
Personal Services	805,900	899,900	933,500
Employee Related Expenditures	169,400	191,500	199,100
Professional and Outside Services	93,100	45,300	10,000
Travel - In State	1,700	200	200
Travel - Out of State	10,500	5,800	5,800
Other Operating Expenditures	817,200	844,100	850,200
Equipment	142,400	11,200	5,300
<b>Operating Subtotal</b>	<b>2,040,200</b>	<b>1,998,000</b>	<b>2,004,100</b>
Elections	1,978,700	807,300	2,370,600
<b>Total Appropriations</b>	<b>4,018,900</b>	<b>2,805,300</b>	<b>4,374,700 <sup>1/</sup></b>

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

**Elected Officials Salary Adjustment** — The approved supplemental amount includes \$2,800 for half-year FY 1999 funding to increase the salary of the Secretary of State from \$65,000 to \$70,000. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. They recommended the \$70,000 salary for the Secretary of State beginning January 1, 1999.

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**STATE BOARDS' OFFICE**

Delores DeBaca, Office Manager

JLBC Analyst: Jim Rounds/Brad Mortensen

Special Services Revolving Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	2.5	3.0	3.0
Personal Services	53,900	73,900	76,300
Employee Related Expenditures	13,200	19,700	20,200
Professional and Outside Services	11,300	5,100	5,100
Other Operating Expenditures	<u>97,100</u>	<u>89,400</u>	<u>89,400</u>
<b>Total</b>	<b>175,500</b>	<b>188,100</b>	<b>191,000</b>
<b>Additional Appropriations-</b>			
Acupuncture Board of Examiners, Ch. 239	<u>0</u>	<u>0</u>	<u>9,500</u>
<b>Total Appropriations</b>	<b>175,500</b>	<b>188,100<sup>1/</sup></b>	<b>200,500<sup>1/</sup></b>

**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 Management 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. The table includes the FY 1999 addition of the Board of Acupuncture Examiners.

<b>Board</b>	<b>FY 1999</b>
Funeral Directors & Embalmers, State Board of	\$26,400
Homeopathic Medical Examiners, Board of	9,800
Naturopathic Physicians Board of Medical Examiners	14,200
Nursing Care Inst. Admin. & Adult Care Home Mgrs., Brd. of Exam.	26,800
Opticians, State Board of Dispensing	13,200
Optometry, State Board of	17,700
Physical Therapy Examiners, Board of	24,600
Podiatry Examiners, State Board of	13,000
Veterinary Medical Examining Board, AZ State	29,700
Other	<u>15,600</u>
<b>Sub-Total</b>	<b><u>\$191,000</u></b>
Acupuncture Examiners, Board of	<u>9,500</u>
<b>Total</b>	<b><u>\$200,500</u></b>

<sup>1/</sup> The State Boards' Office is funded through appropriations to 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**

J. H. "Bud" Paulson, Executive Director

**A.R.S. § 32-2302**

JLBC Analyst: Lisa Cotter

**Structural Pest Control Commission Fund  
& Structural Pest Control Commission  
Inspection Support Fund**

	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	30.0	31.0	31.0
Personal Services	711,300	804,000	828,800
Employee Related Expenditures	165,900	199,700	215,500
Professional and Outside Services	78,400	106,200	106,200
Travel - In State	97,600	79,200	79,100
Travel - Out of State	14,700	5,000	5,000
Other Operating Expenditures	213,600	198,400	198,600
Equipment	94,900	19,000	42,100
<b>Total Appropriations</b>	<b>1,376,400</b>	<b>1,411,500 <sup>1/</sup></b>	<b>1,475,300 <sup>2/3/</sup></b>

**Agency Description** — *The commission licenses and regulates professional pest control companies and conducts examinations of applicators of structural pesticides.*

**Annual Leave Payoff** — The approved supplemental amount includes one-time funding of \$9,000 in FY 1999 for annual leave payoff for the Executive Director, who will retire in FY 1999 and has accrued significant annual leave that will have to be paid out upon retirement.

<sup>1/</sup> 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)

<sup>2/</sup> The Structural Pest Control Commission shall submit a report to the Appropriations Criminal Justice Subcommittee by September 1, 1998 with a description of its inspection tracking system and an evaluation of the 1:200 inspector to industry member ratio in statute. It is the intent of the Legislature to consider funding new inspector positions for FY 2000 contingent on reporting to the Joint Legislative Budget Committee Staff with data demonstrating the need for new inspectors. The reporting shall begin in July 1998. (General Appropriation Act footnote as amended by Laws 1998, Chapter 1, 4<sup>th</sup> Special Session)

<sup>3/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**STATE BOARD OF TAX APPEALS**

William L. Raby, Chairperson

**A.R.S. § 42-171**

JLBC Analyst: Bob Hull

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	4.5	4.5	4.5
Personal Services	194,400	206,400	211,800
Employee Related Expenditures	32,100	32,100	33,300
Professional and Outside Services	100	0	0
Travel - In State	1,600	2,200	2,200
Other Operating Expenditures	38,100	39,300	40,200
Equipment	0	12,000	2,000
<b>Total Appropriations</b>	<b>266,300</b>	<b>292,000</b>	<b>289,500 <sup>1/</sup></b>

**Agency Description** — *The board consists of 3 members appointed by the Governor. The board provides an independent appeals process for taxpayers with disputes relating to income, sales, use, estate, and luxury tax decisions from the Department of Revenue and resolves jurisdictional disputes between municipalities regarding the imposition of transaction privilege and use taxes.*

**Rent** — The approved supplemental appropriation adds \$8,100 in FY 1999 for additional rent of private office space, due to the board's move to a new location from the Courts Building to accommodate expansion of the Judicial Department in early FY 1998.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**STATE BOARD OF TECHNICAL REGISTRATION**

Ronald W. Dalrymple, Executive Director

**A.R.S. § 32-102**

JLBC Analyst: Brad Regens

<b>General Fund and Technical Registration Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	15.0	15.0	16.5
Personal Services	354,300	377,100	418,100
Employee Related Expenditures	82,300	85,800	96,500
Professional and Outside Services	23,800	49,300	82,700
Travel - In State	6,500	10,000	11,500
Travel - Out of State	11,200	13,000	13,000
Other Operating Expenditures	217,300	228,900	239,000
Equipment	6,200	5,500	11,500
<b>Operating Subtotal</b>	<b>701,600</b>	<b>769,600</b>	<b>872,300</b>
Examinations	40,900	62,000	62,000
<b>Total Appropriations</b>	<b>742,500</b>	<b>831,600</b> <sup>1/</sup>	<b>934,300</b> <sup>2/</sup>
<b>Fund Summary</b>			
General Fund	0	10,000	0
Technical Registration Fund	742,500	821,600	934,300
<b>Total Appropriations</b>	<b>742,500</b>	<b>831,600</b>	<b>934,300</b>

**Agency Description** — *The agency licenses, investigates, and conducts examinations of architects, assayers (assessors of mineral value), engineers, geologists, land surveyors, and landscape architects.*

**Greenfields Pilot Program** — The approved FY 1999 supplemental appropriation adds 1.5 FTE Positions and \$103,600 from the Technical Registration Fund for costs associated with certifying remediation specialists.

<sup>1/</sup> 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)

<sup>2/</sup> 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

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	21.0	22.0	22.0 <sup>1/</sup>
Personal Services	578,900	663,400	683,500
Employee Related Expenditures	105,700	120,700	125,100
Professional and Outside Services	79,100	35,000	35,000
Travel - In State	6,900	13,000	13,000
Travel - Out of State	23,700	11,500	11,500
Other Operating Expenditures	387,900	415,000	415,000
Equipment	6,400	0	0
<b>Operating Subtotal</b>	<b>1,188,600</b>	<b>1,258,600</b>	<b>1,283,100</b>
Toll-Free Line Production and Placement	2,777,700	3,229,900 <sup>2/</sup>	3,630,100 <sup>3/</sup>
Toll-Free Line Response	1,121,700	1,321,700	1,421,700
International and Domestic Marketing	835,500	894,000	894,000
Research and Data Repository	193,700	194,000	194,000
Welcome Center Operations	313,500	321,200	327,600
Media and Public Relations	286,100	286,100	286,100
Cooperative Marketing (TIFS)	739,800	790,000	790,000
<b>Total Appropriations</b>	<b>7,456,600</b>	<b>8,295,500</b>	<b>8,826,600 <sup>4/</sup></b>

**Agency Description** — *The office is responsible for promoting tourism within the state, which includes planning and developing an information campaign, advertising, exhibitions, and operating a visitors' center.*

<sup>1/</sup> Includes 4 FTE Positions funded from Special Line Items FY 1999.

<sup>2/</sup> The FY 1998 appropriation for the Toll-Free Line Production and Placement Special Line Item included an estimated Tourism Fund deposit of \$2,502,700 pursuant to Laws 1997, Chapter 3, 1<sup>st</sup> Special Session.

<sup>3/</sup> 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)

<sup>4/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**STATE TREASURER**

The Honorable Tony West, Treasurer

**A.R.S. § 41-171**

JLBC Analyst: Lisa Cotter

General Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	34.0	36.0	36.0
Personal Services	1,105,300	1,307,400	1,354,500
Employee Related Expenditures	254,400	289,300	300,700
Professional and Outside Services	142,700	154,300	154,300
Travel - In State	2,100	2,000	2,000
Travel - Out of State	16,300	13,800	13,800
Other Operating Expenditures	251,100	215,500	219,500
Equipment	0	30,100	56,700
<b>Operating Subtotal</b>	<b>1,771,900</b>	<b>2,012,400</b>	<b>2,101,500</b>
Justice of the Peace Salaries	2,131,000	2,308,300	2,348,900
Summer Youth Employment and Training	1,000,000	1,000,000 <sup>1/</sup>	0
<b>Total Appropriations</b>	<b>4,902,900</b>	<b>5,320,700</b>	<b>4,450,400<sup>23/</sup></b>

**Agency Description** — *The State Treasurer is an elected Constitutional Officer. The primary responsibilities of the office are to receive and keep custody over all monies belonging to the state that are not required to be kept by 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.*

**Elected Officials Salary Adjustment** — The approved supplemental amount includes half-year FY 1999 funding to increase the salary of the State Treasurer from \$65,000 to \$70,000. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. They recommended the \$70,000 for the State Treasurer beginning January 1, 1999.

**Justice of the Peace Salaries** — The approved amount includes an increase of \$71,300 in FY 1998 in the Justice of the Peace Salaries Special Line Item to cover FY 1997 Justice of the Peace reimbursements above the appropriated amount. This 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, which are then used to determine the percentage of a Superior Court Judge salary to be paid to each Justice of the Peace.

**Summer Youth Employment and Training** — Laws 1998, Chapter 226 appropriates funding for the Summer Youth Employment and Training Program to the Department of Economic Security (DES) rather than the State Treasurer. Laws 1996, Chapter 309 and Laws 1997, Chapter 220 each appropriated \$1,000,000 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. Chapter 226 appropriates \$1,000,000 for the program in FY 1999, but makes DES responsible for distributing the funds to cities and counties. *Please see the Department of Economic Security pages for further discussion.*

<sup>1/</sup> Appropriated by Laws 1997, Chapter 220.

<sup>2/</sup> 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)

<sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**COMMISSION ON UNIFORM STATE LAWS**

James M. Bush, Director

**A.R.S. § 41-1306**

JLBC Analyst: Chris Earnest

<b>General Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	0.0	0.0	0.0
Personal Services	1,300	1,600	2,000
Travel - In State	500	800	900
Travel - Out of State	6,500	6,500	8,100
Other Operating Expenditures	20,900	21,700	22,700
<b>Total Appropriations</b>	<b>29,200</b>	<b>30,600</b>	<b>33,700 <sup>1/</sup></b>

**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.*

**New Commissioner** — The approved supplemental appropriation adds \$2,100 in FY 1999 for the per diem and travel expenses of an additional commissioner that was appointed by the Governor in 1998.

<sup>1/</sup> 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

<b>General Fund and Other Appropriated Funds</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
<u>Program Summary</u>			
Veterans' Services and Administration	1,460,100	1,492,900	1,547,200
Veterans' Home	6,829,200	9,122,400	8,009,200
<b>Total Appropriations</b>	<b>8,289,300</b>	<b>10,615,300</b>	<b>9,556,400</b>
<u>Expenditure Detail</u>			
FTE Positions	243.5	243.5	243.5
Personal Services	3,973,500	5,495,800	5,590,700
Employee Related Expenditures	994,000	1,475,800	1,404,000
Professional and Outside Services	1,396,000	1,485,000	45,500
Travel - In State	41,400	44,100	55,900
Travel - Out of State	4,000	9,400	10,200
Food	262,100	344,200	413,500
Other Operating Expenditures	1,575,700	1,693,600	1,972,200
Equipment	2,600	27,400	24,400
<b>Operating Subtotal</b>	<b>8,249,300</b>	<b>10,575,300</b>	<b>9,516,400</b>
Special Line Items	40,000	40,000	40,000
<b>Total Appropriations</b>	<b>8,289,300</b>	<b>10,615,300</b>	<b>9,556,400</b> <sup>1/</sup>
<u>Fund Summary</u>			
General Fund	983,000	964,900	1,005,100
State Veterans' Conservatorship Fund	477,100	528,000	542,100
State Home for Veterans' Trust Fund	6,829,200	9,122,400	8,009,200
<b>Total Appropriations</b>	<b>8,289,300</b>	<b>10,615,300</b>	<b>9,556,400</b>

**Agency Description** — *The agency assists veterans in developing and filing claims for federal entitlements, acts as a guardian or conservator for incapacitated veterans or their families and supervises state educational and training programs for veterans. In addition, the agency 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.*

<sup>1/</sup> 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 1997  
Actual**

**FY 1998  
Estimate**

**FY 1999  
Approved**

FTE Positions	41.0	41.0	41.0
Personal Services	815,700	941,200	970,400
Employee Related Expenditures	217,500	234,300	242,300
Professional and Outside Services	11,700	0	0
Travel - In State	40,900	43,900	43,900
Travel - Out of State	2,100	8,000	8,000
Other Operating Expenditures	329,600	218,200	218,200
Equipment	2,600	7,300	24,400
<b>Operating Subtotal</b>	<b>1,420,100</b>	<b>1,452,900</b>	<b>1,507,200</b>
Veterans' Organization Contracts	40,000	40,000	40,000
<b>Total Appropriations</b>	<b>1,460,100</b>	<b>1,492,900</b>	<b>1,547,200</b>
<u>Fund Summary</u>			
General Fund	983,000	964,900	1,005,100
State Veterans' Conservatorship Fund	477,100	528,000	542,100
<b>Total Appropriations</b>	<b>1,460,100</b>	<b>1,492,900</b>	<b>1,547,200</b> <sup>1/</sup>

**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.*

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum for the Program.



**ARIZONA VETERANS' SERVICE COMMISSION - VETERANS' HOME**

A.R.S. § 41-602

State Home for Veterans' Trust Fund	FY 1997 Actual	FY 1998 Estimate	FY 1999 Approved
FTE Positions	202.5	202.5	202.5
Personal Services	3,157,800	4,554,600	4,620,300
Employee Related Expenditures	776,500	1,241,500	1,161,700
Professional and Outside Services	1,384,300	1,485,000	45,500
Travel - In State	500	200	12,000
Travel - Out of State	1,900	1,400	2,200
Food	262,100	344,200	413,500
Other Operating Expenditures	1,246,100	1,475,400	1,754,000
Equipment	0	20,100	0
<b>Total Appropriations</b>	<b>6,829,200</b>	<b>9,122,400</b>	<b>8,009,200</b> <sup>1/</sup>

**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.*

**Supplemental Costs** — The approved amount for FY 1998 includes a supplemental appropriation of \$1,292,400 from the State Home for Veterans' Trust Fund to address operating costs at the Home. In addition, the bill made non-lapsing until the end of FY 1999 the \$1,000,000 appropriated from the General Fund to the Department of Administration for the operating costs of the Veterans' Home in FY 1998.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum for the Program.

**ARIZONA STATE VETERINARY MEDICAL EXAMINING BOARD**

Louise Battaglia, Executive Director

**A.R.S. § 32-2201**

JLBC Analyst: Jim Rounds

<b>Board of Veterinary Medical Examining Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
FTE Positions	3.5	3.5	3.5
Personal Services	118,300	130,800	134,100
Employee Related Expenditures	27,800	28,100	28,900
Professional and Outside Services	35,200	50,800	51,600
Travel - In State	4,300	11,100	11,100
Travel - Out of State	1,300	2,600	2,600
Other Operating Expenditures	20,700	14,300	12,500
Equipment	0	2,500	0
<b>Total Appropriations</b>	<b>207,600</b>	<b>240,200 <sup>1/</sup></b>	<b>240,800 <sup>2/</sup></b>

**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.*

<sup>1/</sup> 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)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**DEPARTMENT OF WATER RESOURCES**

Rita P. Pearson, Director

A.R.S. § 45-102  
JLBC Analyst: Chris Earnest

<b>General Fund and Arizona Water Protection Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
<b>Program Summary</b>			
Administration	12,559,400	7,592,600	7,685,400
Surface Water Management	2,245,500	4,628,800	7,629,100
Groundwater Management	2,813,400	2,600,600	2,678,800
Hydrology	2,019,100	2,032,200	2,081,100
<b>Total Appropriations</b>	<b>19,637,400</b>	<b>16,854,200</b>	<b>20,074,400</b>
<b>Expenditure Detail</b>			
FTE Positions	212.7	214.7	214.7 <sup>1/</sup>
Personal Services	6,846,900	7,441,000	7,676,700
Employee Related Expenditures	1,475,000	1,570,000	1,629,500
Professional and Outside Services	656,900	451,600	423,500
Travel - In State	235,500	220,800	220,800
Travel - Out of State	32,100	37,700	37,700
Other Operating Expenditures	2,630,400	2,561,100	2,589,300
Equipment	10,400	57,800	57,800
<b>Operating Subtotal</b>	<b>11,887,200</b>	<b>12,340,000</b>	<b>12,635,300</b>
USGS Cooperative Agreement	329,400	353,800	354,800
Early Flood Warning System	88,600	90,000	90,000
Flood Control Development	20,000	50,000	50,000
Colorado River/CAP Study	48,500	50,000	50,000
Flood Warning System	196,600	196,600	196,600
Indian Water Rights	67,100	98,800	100,500
Arizona Water Protection Fund	5,000,000	1,600,000	4,517,200 <sup>2/</sup>
Arizona Water Banking Authority	2,000,000	2,000,000	2,000,000
Lower Colorado Agreement	0	75,000 <sup>3/</sup>	80,000 <sup>3/</sup>
<b>Total Appropriations</b>	<b>19,637,400</b>	<b>16,854,200</b>	<b>20,074,400 <sup>4/</sup></b>
<b>Fund Summary</b>			
General Fund	19,637,400	16,779,200	19,994,400
Arizona Water Protection Fund	0	75,000	80,000
<b>Total Appropriations</b>	<b>19,637,400</b>	<b>16,854,200</b>	<b>20,074,400</b>

<sup>1/</sup> Includes 2 FTE Positions funded from Special Line Items in FY 1999.

<sup>2/</sup> 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)

<sup>3/</sup> 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)

<sup>4/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

## DEPARTMENT OF WATER RESOURCES (Cont'd)

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**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.*

**DEPARTMENT OF WEIGHTS AND MEASURES**

John Hays, Director

**A.R.S. § 41-2065**

JLBC Analyst: Brian Schmitz

<b>General Fund and Air Quality Fund</b>	<b>FY 1997 Actual</b>	<b>FY 1998 Estimate</b>	<b>FY 1999 Approved</b>
<u>Program Summary</u>			
General Services	1,340,800	1,356,800	1,364,900
Vapor Recovery	254,700	338,500	340,400
Oxygenated Fuel	324,000	568,700	745,100
<b>Total Appropriations</b>	<b>1,919,500</b>	<b>2,264,000</b>	<b>2,450,400</b>
<u>Expenditure Detail</u>			
FTE Positions	37.0	40.0	43.5
Personal Services	996,800	1,183,900	1,274,000
Employee Related Expenditures	245,700	271,400	298,600
Professional and Outside Services	58,000	151,800	364,100
Travel - In State	148,400	192,200	185,900
Travel - Out of State	9,100	7,700	17,800
Other Operating Expenditures	442,700	407,200	310,000
Equipment	18,800	24,800	0
<b>Operating Subtotal</b>	<b>1,919,500</b>	<b>2,239,000</b>	<b>2,450,400</b>
Technical and Management Improvements	0	25,000 <sup>1/</sup>	0
<b>Total Appropriations</b>	<b>1,919,500</b>	<b>2,264,000</b>	<b>2,450,400</b> <sup>2/</sup>
<u>Fund Summary</u>			
General Fund	1,595,500	1,845,300	1,705,300
Air Quality Fund	324,000	418,700	745,100
<b>Total Appropriations</b>	<b>1,919,500</b>	<b>2,264,000</b>	<b>2,450,400</b>

**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. All programs investigate consumer complaints.*

**Oxygenated Fuel Program** — The supplemental appropriation provides an increase of \$320,400 and 1 FTE Position from the Air Quality Fund in FY 1999 to enable the department to implement a gasoline reformulation program. This program was first established by Laws 1997, Chapter 117, which appropriated \$150,000 in FY 1998 to establish a set of administrative rules concerning the accepted gasoline formulas in Maricopa County. The supplemental amount allows the department to implement and enforce the cleaner burning gasoline program through registration and regulation of suppliers, oxygenate blenders, and transporters.

**Vapor Recovery Program** — The supplemental appropriation provides an increase of \$86,000 and 2.5 FTE Positions from the General Fund in FY 1999 for enhanced enforcement of vapor recovery in gasoline dispensing devices located in Maricopa County. Laws 1997, Chapter 269 appropriated \$90,000 in FY 1998 for this purpose but did not authorize FY 1999 funding. The supplemental amount provides on-going funding for an additional 2 inspectors to perform compliance inspections and a half-time data entry person to enter inspection data into a database.

<sup>1/</sup> 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)

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

## OTHER ENTITIES <sup>1/</sup>

### **Williams Gateway Airport Authority**

**Capital Outlay:** (Chapter 7, 4<sup>th</sup> Special Session) — Appropriates \$4,000,000 from the Highway User Revenue Fund in FY 1999 to the Commerce and Economic Development Commission (CEDC) Fund. Chapter 7 subsequently appropriates \$4,000,000 from the CEDC Fund to the Williams Gateway Airport Authority in FY 1999 for the completion of roadway and related infrastructure development at the Williams Gateway Airport. The work to be completed must be recommended by the CEDC and approved by the State Transportation Board. The monies may not be used for the installation of water, sewer, gas, or electrical transmission lines.

### **Santa Cruz County**

**Additional Appropriations:** Juveniles; Employment; Training; Detention (Chapter 226) — Appropriates \$400,000 from the General Fund in FY 1999 to partially assist with the criminal justice costs of Santa Cruz County. Acceptable uses of these monies include the arrest, pre-conviction incarceration, prosecution and defense of juvenile illegal aliens charged with a state crime.

<sup>1/</sup> These appropriations have been made to non-state agencies.

## **ECONOMIC AND REVENUE FORECAST**

# THE JLBC STAFF FORECAST

## Overview

The JLBC Staff published a detailed economic and revenue forecast in January (see the *Summary of Recommendations and Economic and Revenue Forecast*). This document continues to be the basic description of our view of the future of U.S. and Arizona economies. In this *Appropriations Report*, we will cover highlights and possible changes in our outlook.

## Outlook For The Nation

The overall forecast of continued, but gradually declining, state and national economic growth remains intact. Economic news released since the January publication of the *Economic and Revenue Forecast* has not significantly altered this outlook. If anything, national economic news through the first quarter of CY 1998 suggests that the fiscal year ending June 30, 1998 will be slightly better than anticipated. Real GDP growth, as forecast by the WEFA Group, an economic consulting firm, is expected to be 3.5% in FY 1998 compared to the JLBC's forecast of 3.4% in January.

Inflation, as measured by the Consumer Price Index, is expected to be 1.8% in FY 1998, not 2.0%, the lowest rate of change in almost 30 years. The broader GDP Price Deflator is expected to be 1.70%, not 1.80%. The unemployment rate is expected to average 4.7%, the lowest rate in 28 years.

Looking forward, there is still concern about the possible effects of the "Asian economic flu," a series of currency devaluations and economic recessions throughout much of Asia which started in the summer of 1997. To the surprise of many analysts, the impact on the U.S. economy has been very small so far, and there is no evidence that it has had a noticeable effect on the Arizona economy yet. Some predict the effects may be felt later in CY 1998.

The economy grew much faster than expected (4.2% annual rate) in the first quarter of CY 1998, and there is some concern that it may be overheating. The April unemployment rate of 4.3% was the nation's lowest since February of 1970. With labor markets so tight, it should not be surprising that national wage inflation (4.0% over the 12 months ending in March) is now much higher than productivity growth (0.2% in the first quarter). If wage inflation continues to outpace productivity growth, it will inevitably produce general inflationary pressures. This could effectively force the Federal Reserve to raise interest rates to restrain inflation. A significant rate hike would slow the economy, although it would not necessarily cause a recession.

In January, we identified a stock market correction as a potential risk to the forecast. By standard valuation measures which relate average earnings per share to the long-term "risk-free" interest rate, the stock market is even more overvalued than it was in January. As such, the potential risk from a market correction is greater. Since U.S. consumers, on average, hold the greatest proportion of their savings in mutual funds, the impact on consumer confidence and spending of a major stock market 'correction' is not known. The stock market has probably been a major contributor to higher state tax and personal income tax revenues in the past three years. Widespread holding of mutual funds and employee compensation increasingly tied to stock options and performance bonuses have undoubtedly contributed to higher aggregate taxable incomes in Arizona. Unfortunately, both at the state and national level, it will be at least another year before statistics related to capital gains will be released for analysis.

Finally, at the national level, since January there has been increasing concern about the 'Y2K' problem of computer program malfunctions on January 1, 2000. This could have some impacts to the economy if companies are not prepared and systems fail. On the other hand, spending on new hardware and software to anticipate the problem can only be beneficial.

## Outlook For The State

State personal income, which passed the \$100 billion threshold in mid-year, is expected to grow 7.6% to \$106.2 billion during FY 1998. The outlook is still good with aggregate state personal incomes expected to grow 7.3% in FY 1999 and 6.8% in FY 2000.

In addition, the Maricopa and Pima labor markets remain very tight and employers are currently having even greater difficulty finding qualified employees, especially in high tech industries. While there are certainly a lot of interstate transfers and relocations to Arizona's strong job market, this overall labor constraint is probably slowing growth below what it otherwise could be at this stage of the business cycle.

In addition, Arizona wage rates are, as in other regions of the U.S., probably rising faster than state and local statistics are showing. Along these lines, it was announced recently that Metro-Phoenix Consumer Price Index (CPI), published by Arizona State University for over 25 years, would cease to be published in 1998. This is because the methodology used to construct the national CPI, which was successfully duplicated by ASU researchers, now uses new techniques that cannot be duplicated locally within a reasonable cost, according to ASU. The result will be that there will not be a local measure of inflation in the future. This has been important in the past because prices in



Maricopa County have tended to rise one, two or more percent faster than national CPI averages during good times, and lie at or below national price changes during slower periods.

As mentioned, there is no sign yet of any important impact in Arizona from the Asian economic slowdown. Only the copper industry's outlook has temporarily dimmed since January, because of falling prices which are due to worldwide supply and demand conditions, not only of economic problems in Asia.

Housing starts in the second half of CY 1998 may start to cool, but only slightly from the last two record years. Housing starts and car sales are very important 'drivers' of the state sales tax. Sales taxes on housing construction contracts and expenditures on furniture, appliances, and miscellaneous household items have been important contributors to the sales tax growth of recent years.

A 'shock' scenario for the economy can never be dismissed, except that there is not one on the horizon, unless the Asian economic situation suddenly has a large impact in the U.S. The conclusion is, as in January's publication, that national and state growth should continue to moderate from record levels through FY 2000.

## General Fund Revenue

In its January recommendations, the JLBC Staff forecasted revenues of \$5.25 billion for FY 1998 and \$5.50 billion for FY 1999. The enacted budget was based on slightly different estimates, \$5.26 billion for FY 1998 and \$5.36 billion for FY 1999. The enacted budget forecast is shown in detail in Table 1.

As highlighted in the chart below, the enacted budget made three changes to the January forecast:

- Base adjustments of \$10.4 million in FY 1998 and \$4.5 million in FY 1999. These dollar amounts represent increased deposits to General Fund revenue by the Department of Economic Security.
- A revenue adjustment of \$(15.6) million to reflect a compromise forecast with the Executive branch. In January, the JLBC Staff's combined FY 1998 and FY 1999 forecast was \$46.9 million higher than the Executive. In April, the JLBC Staff increased its revenue forecast by \$16.4 million, which increased the difference with the Executive to \$63.3 million. As a compromise, the Legislature and the Governor agreed to a revenue forecast midway between the JLBC April and Executive forecasts. This compromise reduced the JLBC April forecast by \$32.0 million and the January forecast by \$15.6 million. This adjustment is reflected in FY 1999 individual income tax revenues.

- Tax/revenue reductions of \$(128.0) million in FY 1999. See the Legislative Adjustments section and Table 2 for more detail.

As usual, there may be fluctuations in the enacted budget forecast. Currently, Sales and Individual Income taxes may exceed the forecast, while Corporation Income and Motor Vehicle License Taxes may be below.

<u>General Fund Revenue Revisions</u>		
(\$ in 000's)		
	1998	1999
January Forecast	\$5,252,256.4	\$5,502,953.4
• Base Adjustments	10,385.0	4,514.8
• Compromise Revenue Adjustments		(15,600.0)
• Tax/Rev. Legislation	100.0	(128,009.2)
<b>FINAL FORECAST</b>	<b>\$5,262,741.4</b>	<b>\$5,363,859.0</b>

## Legislative Adjustments

During the recent session, the Legislature continued its practice of enacting legislation to reduce taxation/revenue. This legislation will reduce revenue by \$(128.0) million in FY 1999 and \$(199.2) million in FY 2000. These legislative adjustments are detailed by bill number and by revenue category in Table 2.

The bill with the largest revenue reduction impact is the Tax Relief Act of 1998 (Laws 1998, Chapter 3, 4<sup>th</sup> Special Session). The act will produce tax reductions in FY 1999 and FY 2000 as follows:

<u>Tax Relief Act of 1998</u>		
(\$ in 000's)		
	FY 1999	FY 2000
Individual Income	\$30,000.0	\$50,000.0
Corporation Income	10,000.0	30,000.0
Vehicle License	80,000.0	100,000.0
	<u>\$120,000.0</u>	<u>\$180,000.0</u>

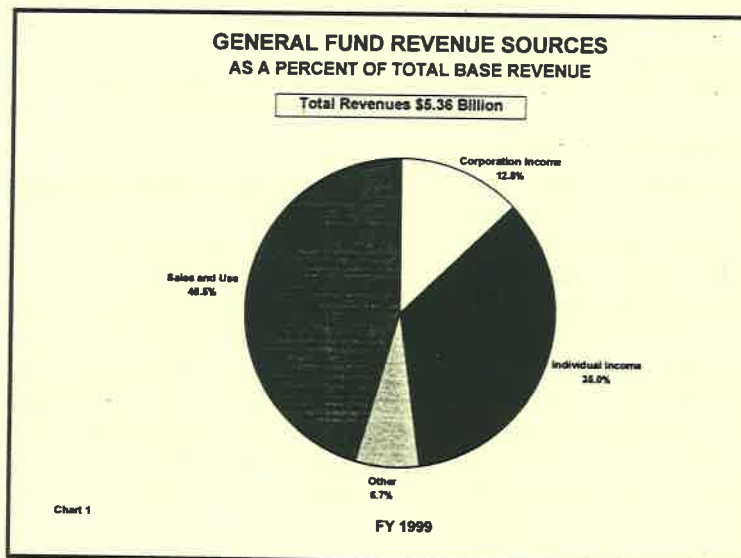
All revenue-related legislation will be described in more detail in the forthcoming *Tax Handbook Supplement*.

## General Fund Revenue Shares

Chart 1, based on FY 1999 forecasted General Fund revenue, shows that the bulk of General Fund revenue is raised from three sources. The largest of these is the Sales and Use Tax, which is projected to generate 45.5% of General Fund revenues in FY 1999. The Individual Income Tax is the next largest source, accounting for 35.0%, while the Corporation Income Tax share is 12.8%. Together, these three taxes are expected to provide 93.3% of total FY 1999 General Fund revenue.

STATE OF ARIZONA  
GENERAL FUND  
TOTAL BASE REVENUE  
AFTER LEGISLATIVE ADJUSTMENTS  
(S Thousands)

	Actual FY 1997		Forecast FY 1998		Forecast FY 1999	
	Amount	%	Amount	%	Amount	%
<b>Taxes</b>						
Sales and Use	\$2,211,159.0	5.1	\$2,322,440.0	5.0	\$2,439,005.8	5.0
Income - Individual	1,727,412.9	14.3	1,831,260.0	6.0	1,879,211.0	2.6
- Federal Retiree Project	(59,565.7)	240.9	(3,000.0)	(95.0)	0.0	
- Active Fed. Employees Suit			(14,000.0)		(2,000.0)	(85.7)
- Corporation	600,890.4	34.1	641,000.0	6.7	688,348.0	7.4
-Urban Revenue Sharing	(257,800.5)	18.0	(291,243.6)	13.0	(340,310.6)	16.8
Property	51,193.5	(72.8)	46,400.0	(9.4)	46,500.0	0.2
Luxury	67,340.5	(8.1)	61,500.0	(8.7)	58,390.0	(5.1)
Insurance Premium	120,516.3	5.6	129,000.0	7.0	146,000.0	13.2
Motor Vehicle License	167,648.7	12.2	172,800.0	3.1	96,600.0	(44.1)
Estate	65,432.3	20.7	69,400.0	6.1	73,000.0	5.2
Other Taxes	2,309.2	(5.9)	2,400.0	3.9	2,500.0	4.2
Sub-Total - Taxes	<u>4,696,536.6</u>	<u>6.5</u>	<u>4,967,956.4</u>	<u>5.8</u>	<u>5,087,244.2</u>	<u>2.4</u>
<b>Other Non-Tax Revenues</b>						
Lottery	24,903.0	(24.0)	19,000.0	(23.7)	17,900.0	(5.8)
Licenses, Fees and Permits	17,834.0	(59.6)	19,900.0	11.6	20,900.0	5.0
Interest	60,326.0	19.9	68,100.0	12.9	61,500.0	(9.7)
Sales and Services	30,773.3	847.4	34,000.0	10.5	34,500.0	1.5
Miscellaneous	45,647.1	37.1	24,400.0	(46.5)	25,000.0	2.5
Transfers and Reimbursements	63,942.0	230.9	40,385.0	(36.8)	39,514.8	(2.2)
From BSF Due to Cap.	0.0		0.0		0.0	
Disproportionate Share Revenue	99,895.8	43.4	89,000.0	(10.9)	77,300.0	(13.1)
Sub-Total - Other Non-Tax Revenues	<u>343,321.2</u>	<u>34.7</u>	<u>294,785.0</u>	<u>(14.1)</u>	<u>276,614.8</u>	<u>(6.2)</u>
<b>Total Base Revenue</b>	<u><u>\$5,039,857.8</u></u>	<u><u>8.1</u></u>	<u><u>\$5,262,741.4</u></u>	<u><u>4.4</u></u>	<u><u>\$5,363,859.0</u></u>	<u><u>-1.9</u></u>



**BILLS WITH A GENERAL FUND REVENUE IMPACT**  
( \$ Thousands)

Chap No.	Bill Number	Reference Title/Effective Date	FY 1998	FY 1999	FY 2000	Revenue Category
<b>Second Regular Session</b>						
121	HB 2346	Enterprise Zones; Three-year Extension [1/1/98] <sup>1/</sup>		(552.0)	(2,323.1)	Corporate
122	HB 2365	R & D Tax Credit [1/1/99] <sup>2/</sup>		0.0	(2,100.0)	Corporate
130	SB 1158	Income Tax; Flat Rate Withholding [8/21/98]		Unknown	Unknown	Interest
132	SB 1081	Sales and Use Tax; Printing [1/1/99]		(100.0)	(200.0)	Sales
137	SB 1320	Income Tax Credit; Coal Taxes [1/1/98]		(1,600.0)	(1,600.0)	Corporate
165	HB 2098	Sales Tax Return Thresholds [1/1/99]		(50.0)	0.0	Sales
177	SB 1234	Sales Tax Exemption; Flight Property [7/1/88]		(110.0)	(30.0)	Sales
220	SB 1137	Telecommunications Property [12/31/98]		0.0	(19.3)	Property
221	SB 1269	Alternative Fuels [Various]		(577.0)	(1,434.6)	Sales
				(923.0)	(2,854.8)	Individual
		Subtotal - Ch 221		(1,500.0)	(4,289.4)	
261	HB 2463	Widows, Widowers' Disabled Exemption [12/31/98]		0.0	(32.3)	Property
283	SB 1229	Omnibus Taxation Act [1/1/98]	160.0	(3,240.0)	(6,410.0)	Individual
286	SB 1253	Tax Exemptions; Deductions; Credits [Various]	(60.0)	(857.2)	(296.5)	Sales
				0.0	(1,347.0)	Individual
				0.0	(577.3)	Corporate
		Subtotal - Ch 286	(60.0)	(857.2)	(2,220.8)	
<b>Fourth Special Session</b>						
3	SB 1007	Tax Relief Act of 1998 [1/1/98]		(30,000.0)	(50,000.0)	Individual
				(10,000.0)	(30,000.0)	Corporate
				(80,000.0)	(100,000.0)	VLT
		Subtotal - Ch 3		(120,000.0)	(180,000.0)	
<b>Total - Bills with a Revenue Impact</b>			100.0	(128,009.2)	(199,224.9)	
<b>By Revenue Category:</b>						
	Sales		(60.0)	(1,694.2)	(1,961.1)	
	Individual Income		160.0	(34,163.0)	(60,611.8)	
	Corporate Income		0.0	(12,152.0)	(36,600.4)	
	Vehicle License		0.0	(80,000.0)	(100,000.0)	
	Property		0.0	0.0	(51.6)	
	<b>Total by Revenue Category</b>		100.0	(128,009.2)	(199,224.9)	

<sup>1/</sup> Expires June 30, 2001

<sup>2/</sup> Expires December 31, 2003

## ARIZONA BUDGET STABILIZATION FUNDS

Arizona now has three funds which can be used for budget contingencies. These are the Budget Stabilization Fund, the Temporary Assistance for Needy Families (TANF) Stabilization Fund, and the AHCCCS Medical Services Stabilization Fund.

### 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 BSF, 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 BSF 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. A change to the formula was made in statute in 1998 (Laws 1998, Chapter 6, 4<sup>th</sup> Special Session) which allows withdrawals only when annual adjusted income growth is both *below 2.0% and below the seven-year average trend*. The intent of this is to avoid withdrawals from the BSF when annual growth levels are gradually declining after an extended high growth period.

The annual budget recommendations of the Governor and JLBC Staff shall include estimates of appropriations to or transfers from the BSF, for the upcoming year based on the formula requirements. By June 1 of that following year, the Arizona Economic Estimates Commission (EEC) subsequently makes a determination of the annual growth rate of inflation-adjusted total state personal income, the trend growth rate over the past seven years, and the appropriation to or transfer from the BSF. The Legislature ultimately must approve any appropriations or transfers.

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.

- 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.
- If the annual growth rate is less than 2% and the trend growth rate, the deficiency, when multiplied by the General Fund revenue of the prior year, would equal the amount to be withdrawn from the BSF.
- 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 1998 Legislature appropriated \$75.115 million to the BSF for FY 1999. (Laws 1998, Chapter 2, 4<sup>th</sup> Special Session). With this deposit, the total BSF balance in FY 1999 is projected to be \$385.1 million, or approximately 7.1% of General Fund revenue. Laws 1997, Chapter 199 had originally capped the BSF balance at 6.33% of General Revenue in FY 1999 and 7.0% in FY 2000 and thereafter. Laws 1998, Chapter 6, 4<sup>th</sup> Special Session allows balances in excess of 6.33% to stay in the BSF in FY 1999.

Table 1 shows the actual deposits to the BSF for FY 1995, FY 1996 and FY 1997, as well as estimates for FY 1998 and FY 1999. For a further history of the BSF, please see the JLBC Staff's *Summary of Recommendations and Economic and Revenue Forecast* published in January 1998.

### TANF Stabilization Fund - Background

Laws 1997, Chapter 300 created a new Temporary Assistance for Needy Families (TANF) Stabilization Fund. This new Stabilization Fund, authorized in A.R.S. § 46-138.03, shall be used to supplement existing appropriations when caseloads for the TANF program operated by the Department of Economic Security (DES) exceed budgeted projections. The fund, administered by DES, consists of monies appropriated to it by the Legislature and is subject to legislative appropriation.

The Legislature appropriated \$5,141,000 GF to the TANF Stabilization Fund in FY 1998. Laws 1998, Chapter 208 allowed the transfer of \$2,000,000 from the fund in FY 1999 to begin implementation of a new computer system for TANF eligibility determination. The expected



**ESTIMATED CHANGES TO THE BUDGET STABILIZATION FUND**  
**FY 1995 THROUGH FY 1999**  
 (Amounts in Dollars)

	<u>Actual</u> <u>FY 1995</u>	<u>Actual</u> <u>FY 1996</u>	<u>Actual</u> <u>FY 1997</u>	<u>Estimate</u> <u>FY 1998</u>	<u>Estimate</u> <u>FY 1999</u>
General Fund Revenues	4,663,732,000	4,661,181,800	5,039,857,800	5,262,741,400	5,363,869,000
Maximum Balance	233,187,000	233,130,000	251,992,890	296,503,000	339,532,900
Statutory Limit	5.000%	5.000%	5.000%	5.634%	6.330%
BSF Beginning Balance	42,051,988	223,187,000	233,130,000	245,810,900	290,980,500
BSF Formula Recommendation	178,817,000	223,196,380	121,660,300	66,526,100	--
Actual Deposit	178,816,944	--	--	30,000,000	75,115,000
Balance Before Interest	220,868,932	223,187,000	233,130,000	275,810,900	366,095,500
Effective Interest Rate	5.50%	5.44%	5.44%	5.50%	5.20%
Interest Earnings	4,130,468	12,149,000	12,680,900	15,169,600	19,040,000
Refund to General Fund	-1,812,400	-2,206,000			
<b>Ending BSF Balance</b>	<b><u>223,187,000</u></b>	<b><u>233,130,000</u></b>	<b><u>245,810,900</u></b>	<b><u>290,980,500</u></b>	<b><u>385,135,500</u></b>

fund balance on July 1, 1999 is \$3,141,000. The FY 1999 budget does not include an additional deposit into the TANF Stabilization Fund. Caseloads for the TANF program in DES have declined approximately 27% in the past 12 months; although that type of decrease in caseloads is expected to slow down in FY 1999, we do not foresee caseload increases that could require use of the Stabilization Fund.

### Medical Services Stabilization Fund - Background

The AHCCCS Medical Services Stabilization Fund is authorized in A.R.S. § 36-2922. It is to be used if the appropriation for AHCCCS in a fiscal year is insufficient to cover the cost of AHCCCS medical services. AHCCCS must notify the Chairperson of the Joint Legislative Budget Committee and the Director of the Governor's Office of Strategic Planning and Budgeting that the appropriation is insufficient, and the JLBC may recommend that AHCCCS withdraw an amount from the Medical Services Stabilization Fund to cover the shortfall.

A.R.S. § 36-2921A(2) authorized the monthly transfer of \$1,250,000 (\$15,000,000 per year) from the Medically Needy Account of the Tobacco Tax and Health Care Fund to the Medical Services Stabilization Fund. In addition, Laws 1996, Chapter 368 authorized an additional one-time transfer of \$30,000,000 to the Stabilization Fund. Interest earnings are retained in the fund. At the end of FY 1997,

the fund balance was \$61,267,700. Laws 1998, Chapter 4, 4<sup>th</sup> Special Session discontinued the monthly transfer to the Medical Services Stabilization Fund after July 1, 1998.

Laws 1998, Chapter 214 also authorized that \$8,000,000 from the Medical Services Stabilization Fund be expended in FY 1999 for Healthcare Group, a health insurance program for small businesses and local governments administered within AHCCCS.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
BSF	\$245,810	\$290,980	\$385,135
TANF Fund	0	5,141	3,141
AHCCCS Fund	<u>61,268</u>	<u>79,706</u>	<u>76,963</u>
	<b>\$307,078</b>	<b>\$375,827</b>	<b>\$465,239</b>

**FY 1998  
GENERAL FUND ADJUSTMENTS**

## FY 1998 GENERAL FUND ADJUSTMENTS <sup>1/</sup>

	Original Forecast	<sup>2/</sup> Change	Revised Estimate
<b>REVENUES</b>			
Balance Forward	\$347,458.3	\$168,515.7	\$515,974.0
Revenue	4,869,508.7	\$393,232.7	5,262,741.4
<b>TOTAL REVENUES</b>	<b>\$5,216,967.0</b>	<b>\$561,748.4</b>	<b>\$5,778,715.4</b>
<b>EXPENDITURES</b>			
Original Operating Budget	5,091,721.3	0.0	5,091,721.3
- 2nd Special Session	0.0	13,247.1	13,247.1
- 3rd Special Session	0.0	200.0	200.0
- 4th Special Session	0.0	31,371.1	31,371.1
Other Bills - 2nd Regular Session	0.0	3,308.3	3,308.3
Subtotal - Operating Budget	5,091,721.3	48,126.5	5,139,847.8
Original Capital Outlay	99,287.3	0.0	99,287.3
- 4th Special Session	0.0	10,899.6	10,899.6
Subtotal - Capital Budget	99,287.3	10,899.6	110,186.9
Budget Stabilization Fund Deposit	30,000.0	0.0	30,000.0
Administrative Adjustments/Emergencies	27,500.0	19,200.0	46,700.0
Revertments	(56,000.0)	(15,362.8)	(71,362.8)
<b>TOTAL EXPENDITURES</b>	<b>\$5,192,508.6</b>	<b>\$62,863.3</b>	<b>\$5,255,371.9</b>
<b>ENDING BALANCE</b>	<b>\$24,458.4</b>	<b>\$498,885.1</b>	<b>\$523,343.5</b>

For the sixth year in a row, the General Fund did not require mid-year revenue increases, expenditure reductions or fund transfers to remain balanced. The FY 1998 budget, however, did require certain supplemental appropriations.

The 2<sup>nd</sup> Special Session approved the following adjustments:

- \$5,728,800 for AHCCCS county long term care costs and
- \$7,518,300 for Children Protective Services and related costs.

The 3<sup>rd</sup> Special Session on K-12 school finance issues included a \$200,000 FY 1998 supplemental for the School Facilities Board.

The 4<sup>th</sup> Special Session on the budget approved net General Fund operating budget supplementals of \$31,371,100 and capital outlay supplementals of

\$10,899,600. This Special Session reduced FY 1998 Other Appropriated Fund operating budgets by a net \$(1,851,900) and capital budgets by \$(14,800,000). The detail for these adjustments appears on the next page.

In addition, the 2<sup>nd</sup> Regular Session bills added another \$3,308,300 in FY 1998 General Fund spending, while Other Appropriated Funds were reduced by \$(1,322,400).

Higher-than-anticipated carry-forward balances from FY 1997 and revenue growth throughout the fiscal year financed this additional FY 1998 spending. This growth occurred mainly in corporate and individual income tax collections. Individual income tax collections nationwide exceeded expectations, which most economists believe is related to larger than normal capital gains from financial transactions related to stock options and mutual funds. *This issue is discussed in more detail in the General Fund Revenue section of the JLBC Staff's Proposed Budget 1999 - Summary of Recommendations.*

<sup>1/</sup> This General Fund statement reflects the status of the FY 1998 budget as of the adjournment of the 1998 Regular Session.

<sup>2/</sup> The original forecast reflects the FY 1998 budget as of the adjournment of the 1997 Regular Session.

**FY 1998 SUPPLEMENTAL SUMMARY  
GENERAL FUND**

<b>OPERATING BUDGETS</b>	<u>FY 98</u>
<b><u>Annual Budget Units</u></b>	
Corrections, Department of	(2,207,600) 1/
Economic Security, Department of	15,364,000 2/
Health Services, Department of	15,246,700
Judiciary	570,700
Juvenile Corrections, Department of	321,100
<b><u>Biennial Budget Units</u></b>	
Equalization, Board of	(112,000)
Governor, Office of the	200,000
Governor's Ofc. of Management & Budgeting	(200,000)
House of Representatives	500,000
Parks Board	(161,800)
Personnel Board	71,600
Revenue, Department of	1,707,100
Treasurer, State	71,300
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SUBTOTAL - OPERATING	31,371,100
<b>CAPITAL OUTLAY</b>	
New DJC Complex	7,042,000
DOC - Tucson Lock Replacement 1/	2,207,600 1/
Health Services, Dept of - State Hospital Renovations	1,650,000 3/
SUBTOTAL - CAPITAL OUTLAY	<u>10,899,600</u>
TOTAL - FY 1998 SUPPLEMENTALS	42,270,700

**FY 1998 SUPPLEMENTAL SUMMARY  
OTHER APPROPRIATED FUNDS**

<b>OPERATING BUDGETS</b>	<u>FY 98</u>
<b><u>Annual Budget Units</u></b>	
Administration, AZ Department of	1,042,200
Health Services, Department of	(2,966,900)
Judiciary	138,000
Juvenile Corrections, Department of	300,000
Transportation, Department of	700,000
<b><u>Biennial Budget Units</u></b>	
Commerce, Department of	500,000
Dental Examiners, Board of	38,200
Environmental Quality, Department of	(3,787,300)
Gaming, Department of	262,500
Homeopathic Medical Examiners, Bd. of	5,600
Library, Archives & Public Records, Dept. of	15,000
Naturopathic Phys Bd. of Med. Examiners	17,100
Retirement System, Arizona State	591,300
Veterans' Service Commission	1,292,400
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SUBTOTAL - OPERATING	(1,851,900)
<b>CAPITAL OUTLAY</b>	
Health Services, Dept of - Remove Tobacco Tax Funding of Health Lab	<u>(14,800,000)</u>
SUBTOTAL - CAPITAL OUTLAY	(14,800,000)
TOTAL - FY 1998 SUPPLEMENTALS	(16,651,900)

- 1/ Monies are reappropriated from DOC operating budget in the FY 1998 General Appropriation  
2/ Offset by deposits to the General Fund of \$10,385,000 in FY 1998 and \$4,474,800 in FY 1999.  
3/ Offset by revertment of \$1,225,000.