

**PROPOSED BUDGET  
FY 1998 AND FY 1999  
ANALYSIS AND RECOMMENDATIONS**

**JLBC**

**Prepared By:  
THE STAFF OF THE  
JOINT LEGISLATIVE BUDGET COMMITTEE  
STATE OF ARIZONA  
JANUARY 14, 1997**

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

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

SENATE APPROPRIATIONS COMMITTEE  
 RUSSELL W. "RUSTY" BOWERS - Senate Chairman  
 Subcommittee Assignments - 43rd Legislature

<u>CRIMINAL JUSTICE/ TRANSPORTATION</u>	<u>HEALTH &amp; WELFARE</u>	<u>EDUCATION &amp; NATURAL RESOURCES</u>
CIRILLO, Chairman Members: Bundgaard, Freestone, Henderson, Rios, Bowers	WETTAW, Chairman Members: Richardson, Soltero, Bowers	HUPPENTHAL, Chairman Members: Arzberger, Conner, Gnant, Lopez, Bowers
*Accountancy, State Board of Administrative Hearings, Office of *Appraisal, State Board of Attorney General - Dept. of Law Auto Theft Authority Banking Department, State Boxing Commission, AZ State Building & Fire Safety, Dept. of Commerce, Department of *Contractors, Registrar of Corporation Commission CORRECTIONS, DEPT. OF Criminal Justice Commission, AZ Drug & Gang Prevention Resource Ctr. Executive Clemency, Board of Gaming, Department of Insurance, Department of JUDICIARY Court of Appeals Superior Courts Supreme Court JUVENILE CORRECTIONS, DEPT OF Law Enforcement Merit Syst. Cncl. Liquor Licenses & Control, Dept. of Lottery Commission, AZ State Public Safety, Dept. of Racing, AZ Dept. of Radiation Regulatory Agency Real Estate Department, State Residential Utility Consumer Office *Structural Pest Control Comm. *Technical Registration, St. Bd. of Tourism, Office of TRANSPORTATION, DEPT. OF Uniform State Laws, Comm. on	AHCCCS Auditor General *Barbers, Board of *Behavioral Health Exam., Bd. of *Chiropractic Examiners, St. Bd. of Coliseum & Exposition Ctr. Bd., AZ Constitutional Defense Council *Cosmetology, Board of *Dental Examiners, St. Board of ECONOMIC SECURITY, DEPT. OF Emer. & Mil. Affairs, Dept. of Equal Opportunity, Gov's. Ofc. of Equalization, St. Board of Governor - Office of the Gov's Ofc. of Management & Budget HEALTH SERVICES, DEPT. OF Hearing Impaired, AZ Council for the House of Representatives Indian Affairs, AZ Comm. of Industrial Commission of Arizona Joint Legislative Budget Cmte. Legislative Council Library, Archives & Pub. Rec, Dept. of *Medical Examiners, Board of *Nursing, State Board of Occupational Sfty & Hlth Rev. Bd. *Occupational Therapy Ex., Bd. of *Osteopathic Exam., AZ Bd. of *Pharmacy, AZ State Board of Pioneers' Home, Arizona Rangers' Pensions, Arizona *Respiratory Care Exam., Bd. of Retirement System, Arizona State Revenue, Department of Secretary of State - Dept. of State Senate Tax Appeals, State Board of Treasurer, State Veterans' Service Comm., Arizona Weights & Measures, Dept. of	ADMINISTRATION, DEPT. OF Agriculture, AZ Dept. of Arts, AZ Commission on the COMMUNITY COLLEGES Deaf & the Blind, Schools for the EDUCATION, DEPT. OF (K-12) Environmental Qual., Dept of *Funeral Directors & Embalmers, Bd. of Game & Fish Department, Arizona Geological Survey, Arizona Government Information Tech. Agency Historical Society, Arizona Historical Society, Prescott *Homeopathic Medical Examiners, Bd. of Land Department, State Medical Student Loans, Bd. of Mine Inspector, State Mines & Mineral Res., Dept. of *Naturopathic Phys. Bd. of Med. Exam. Navigable Stream Adjudication Comm. *Nursing Care Inst. Admin., Bd. of Exam. *Opticians, State Board of Dispensing *Optometry, State Board of Parks Board, Arizona State Personnel Board *Physical Therapy Examiners, Bd. of *Podiatry Examiners, State Board of Postsecondary Education, Comm. for *Private Postsecondary Educ., St. Bd. of *Psychologist Examiners, State Bd. of School Capital Facilities, St. Board for UNIVERSITIES Regents, Bd. of ASU - Main Campus ASU - East Campus ASU - West Campus NAU U of A - Main Campus U of A - Health Sciences Center *Veterinary Med. Examining Bd., AZ St. Water Resources, Department of

\* 90/10 Agencies

HOUSE APPROPRIATIONS COMMITTEE  
 ROBERT "BOB" BURNS - Chairman  
 Subcommittee Assignments - 43rd Legislature

<u>CRIMINAL JUSTICE/ TRANSPORTATION</u>	<u>HEALTH &amp; WELFARE</u>	<u>EDUCATION &amp; NATURAL RESOURCES</u>
COOLEY, Chairman Members: Armstead, Groscoast, Weason, Wong, Burns	WEIERS, Chairman Members: Gray, Horton, Nichols, Verkamp, Burns	KNAPEREK, Chairman Members: McGrath, McLendon, Schottel, Burns
*Accountancy, State Board of Administrative Hearings, Office of *Appraisal, State Board of Attorney General - Dept. of Law Auto Theft Authority Banking Department, State Boxing Commission, AZ State Building & Fire Safety, Dept. of Commerce, Department of *Contractors, Registrar of Corporation Commission CORRECTIONS, DEPT. OF Criminal Justice Commission, AZ Drug & Gang Prevention Resource Ctr. Executive Clemency, Board of Gaming, Department of Insurance, Department of JUDICIARY Court of Appeals Superior Courts Supreme Court JUVENILE CORRECTIONS, DEPT OF Law Enforcement Merit Syst. Cncl. Liquor Licenses & Control, Dept. of Lottery Commission, AZ State Public Safety, Dept. of Racing, AZ Dept. of Radiation Regulatory Agency Real Estate Department, State Residential Utility Consumer Office *Structural Pest Control Comm. *Technical Registration, St. Bd. of Tourism, Office of TRANSPORTATION, DEPT. OF Uniform State Laws, Comm. on	AHCCCS Auditor General *Barbers, Board of *Behavioral Health Exam., Bd. of *Chiropractic Examiners, St. Bd. of Coliseum & Exposition Ctr. Bd., AZ Constitutional Defense Council *Cosmetology, Board of *Dental Examiners, St. Board of ECONOMIC SECURITY, DEPT. OF Emer. & Mil. Affairs, Dept. of Equal Opportunity, Gov's. Ofc. of Equalization, St. Board of Governor - Office of the Gov's Ofc. of Management & Budget HEALTH SERVICES, DEPT. OF Hearing Impaired, AZ Council for the House of Representatives Indian Affairs, AZ Comm. of Industrial Commission of Arizona Joint Legislative Budget Cmte. Legislative Council Library, Archives & Pub. Rec, Dept. of *Medical Examiners, Board of *Nursing, State Board of Occupational Sfty & Hlth Rev. Bd. *Occupational Therapy Ex., Bd. of *Osteopathic Exam., AZ Bd. of *Pharmacy, AZ State Board of Pioneers' Home, Arizona Rangers' Pensions, Arizona *Respiratory Care Exam., Bd. of Retirement System, Arizona State Revenue, Department of Secretary of State - Dept. of State Senate Tax Appeals, State Board of Treasurer, State Veterans' Service Comm., Arizona Weights & Measures, Dept. of	ADMINISTRATION, DEPT. OF Agriculture, AZ Dept. of Arts, AZ Commission on the COMMUNITY COLLEGES Deaf & the Blind, Schools for the EDUCATION, DEPT. OF (K-12) Environmental Qual., Dept of *Funeral Directors & Embalmers, Bd. of Game & Fish Department, Arizona Geological Survey, Arizona Government Information Tech. Agency Historical Society, Arizona Historical Society, Prescott *Homeopathic Medical Examiners, Bd. of Land Department, State Medical Student Loans, Bd. of Mine Inspector, State Mines & Mineral Res., Dept. of *Naturopathic Phys. Bd. of Med. Exam. Navigable Stream Adjudication Comm. *Nursing Care Inst. Admin., Bd. of Exam. *Opticians, State Board of Dispensing *Optometry, State Board of Parks Board, Arizona State Personnel Board *Physical Therapy Examiners, Bd. of *Podiatry Examiners, State Board of Postsecondary Education, Comm. for *Private Postsecondary Educ., St. Bd. of *Psychologist Examiners, State Bd. of School Capital Facilities, St. Board for UNIVERSITIES Regents, Bd. of ASU - Main Campus ASU - East Campus ASU - West Campus NAU U of A - Main Campus U of A - Health Sciences Center *Veterinary Med. Examining Bd., AZ St. Water Resources, Department of

\* 90/10 Agencies

1/10/97

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

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Accountancy, State Board of Administration, Department of	Lisa Cotter Lynne Smith (1) Phil Case (2)	Ruth R. Lee Rudy Serino	255-3648 542-1500
Administrative Hearings, Office of Agriculture, Arizona Department of Arizona Health Care Cost Containment System	Jeffrey Schmied Chris Earnest Jeffrey Schmied (1) Lisa Cotter (2)	Cliff Vanell Keith Kelly Jack H. Kelly	542-9826 542-0998 417-4000
Appraisal, State Board of Arizona State University	Brad Regens John Lee (1) Bruce Groll (2)	Shirley L. Berry Lattie F. Coor, Ph.D	542-1539 965-5606
Arts, Arizona Commission on the Attorney General - Department of Law Auditor General	Jim Hillyard Karen Bock Bob Hull	Shelley M. Cohn Honorable Grant Woods Douglas R. Norton	255-5882 542-4266 553-0333
Auto Theft Authority Banking Department, State Barbers, Board of Behavioral Health Examiners, Board of Boxing Commission, Arizona State	Jim Hillyard Brad Regens Chris Earnest Jennifer Vermeer Jim Rounds	Alberto Gutier Richard C. Houseworth Mario Herrera David Oake Johnny Montano	255-4421 542-4498 542-1882 542-1417
Building & Fire Safety, Department of Chiropractic Examiners, State Board of Coliseum & Exposition Center Board, Arizona Commerce, Department of Community Colleges, State Board of Directors for	Chris Earnest Brad Regens Jim Rounds Lisa Cotter Bruce Groll (1) Lynne Smith (2)	Eric Borg Elaine LeTarte Gary D. Montgomery Jackie Vieh Donald E. Puyear, Ph.D.	255-4072 255-1444 252-6771 280-1306 255-4037
Compensation Fund, State Constitutional Defense Council Contractors, Registrar of Corporation Commission Corrections, State Department of	Jeffrey Schmied Bob Hull Lisa Cotter Brad Regens Lorenzo Martinez (1) Karen Bock (2)	Jerry N. LeCompte Michael P. Goldwater Honorable Carl Kunasek Terry L. Stewart	631-2050 542-1525 542-4140 542-5497
Cosmetology, Board of Court of Appeals, Division I Court of Appeals, Division II	Chris Earnest Karen Bock (1) Brad Regens (2) Karen Bock (1) Brad Regens (2)	Sue Sansom Honorable Ruth V. McGregor Honorable William E. Druke	784-4539 542-1478 520-628-6950
Criminal Justice Commission, Arizona Deaf and the Blind, Arizona State Schools for the	Jim Hillyard Stefan Shepherd	Rex M. Holgerson Wilbur Lewis, Ph.D.	542-1928 520-770-3735
Dental Examiners, State Board of Drug and Gang Prevention Resource Center, AZ. Economic Security, Department of	Brad Regens Jim Hillyard Marge Cawley (1) Stefan Shepherd (2) Steve Schimpp (1) Justin Garosi (2)	Julie N. Chapko Gail Chadwick Linda Blessing, DPA Honorable Lisa Graham Keegan	255-3696 727-2772 542-5678 542-5460
Education, Department of Emergency and Military Affairs, Department of	Lisa Cotter	Glen W. Van Dyke	267-2710
Environmental Quality, Department of Equal Opportunity, Governor's Office of Equalization, State Board of Executive Clemency, Board of Funeral Directors & Embalmers, State Board of	Chris Earnest Brad Regens Bob Hull Lorenzo Martinez Jim Rounds	Russell F. Rhoades Michael R. Moreno David Schweikert Duane Belcher, Sr. George Beard	207-2203 542-3711 542-7070 542-5656 542-3095
Game and Fish Department, Arizona Gaming, Department of Geological Survey, Arizona Governor - Office of the Governor's Office of Management & Budget	Bruce Groll Jim Rounds Chris Earnest Bob Hull Bob Hull	Duane L. Shroufe Gary Husk Larry D. Fellows Honorable Fife Symington Peter Burns	789-3278 604-1801 520-770-3500 542-4331 542-5381

<u>AGENCY/DEPT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Health Services, Department of	Jennifer Vermeer	Jack Dillenberg, D.D.S., M.P.H.	542-1025
Hearing Impaired, Arizona Council for the	Jennifer Vermeer	Stuart R. Brackney	542-3323
Historical Society, Arizona	Brad Regens	Ben Hill	628-5774
Historical Society of Arizona, Prescott	Brad Regens	Richard S. Sims	520-445-3122
Homeopathic Medical Examiners, Board of	Jim Hillyard	Elaine LuTarte	542-3095
House of Representatives	Bob Hull	Honorable Don Aldridge	542-5729
Indian Affairs, Arizona Commission of	Jim Rounds	Eleanor Descheeny-Joe	542-3123
Industrial Commission of Arizona	Jim Rounds	Larry J. Etchechury	542-4411
Insurance, Department of	Brad Regens	Charles R. Cohen	912-8456
Joint Legislative Budget Committee	Bob Hull	Ted Ferris	542-5491
Judicial Conduct, Commission on	Karen Bock (1)	Honorable Bernardo P. Velasco	542-5200
Juvenile Corrections, Department of	Brad Regens (2)	Eugene R. Moore	542-3987
	Phil Case (1)		
	Lorenzo Martinez (2)		
Land Department, State	Jim Rounds	M. J. Hassell	542-4621
Law Enforcement Merit System Council	Jim Hillyard	Captain C. H. Johnston	223-2286
Legislative Council	Bob Hull	Mike E. Braun	542-4236
Library, Archives and Public Records, Dept. of	Brad Regens	Gladys Ann Wells	542-4035
Liquor Licenses & Control, Department of	Chris Earnest	Howard Adams	542-9021
Lottery Commission, Arizona State	Jim Rounds	Joseph Spicola	921-4514
Medical Examiners, Board of	Jim Hillyard	Mark Speicher	255-3751
Medical Student Loans, Board of	Bruce Groll	Christopher A. Leadem, Ph.D.	626-6216
Military Airport Preservation Committee, Arizona	Jim Hillyard		
Mine Inspector, State	Chris Earnest	Honorable Douglas K. Martin	542-5971
Mines & Mineral Resources, Department of	Chris Earnest	H. Mason Coggin	255-3791
Naturopathic Physicians Board of Medical Examiners	Jim Hillyard	John L. Brewer	542-3095
Navigable Stream Adjudication Commission, AZ	Jim Rounds	Jay Brashear	542-9214
Northern Arizona University	John Lee (1)	Clara M. Lovett, Ph.D.	523-3232
	Bruce Groll (2)		
Nursing, State Board of	Jennifer Vermeer	Joey Ridenour	255-5092
Nursing Care Institution Administrators & Adult Care	Jim Rounds	Christine Springer	542-3095
Home Managers, Bd. of Examiners of			
Occupational Safety & Health Review Board	Jim Rounds	Carl Triphahn	542-4411
Occupational Therapy Exam., Board of	Lisa Cotter	Kenneth D. Fink	542-6784
Opticians, State Board of Dispensing	Jim Rounds	Caren J. Heinze	542-3095
Optometry, State Board of	Jim Hillyard	Florence Moore	542-3095
Osteopathic Examiners, Arizona Board of	Chris Earnest	Ann Marie Berger	255-1747
Parks Board, Arizona State	Bruce Groll	Ken Travous	542-4174
Personnel Board	Lynne Smith	Judith Henkel	542-3888
Pharmacy, Arizona State Board of	Lisa Cotter	Llyn Lloyd	255-5125
Physical Therapy Examiners, Board of	Jim Rounds	Janice Stille	542-3095
Pioneers' Home, Arizona	Jennifer Vermeer	Jeanine Dike	445-2181
Podiatry Examiners, State Board of	Jim Hillyard	Linda A. Wells	542-3095
Postsecondary Education, Commission for	Bruce Groll	Edward Johnson, Ph.D.	229-2592
Private Postsecondary Education, State Board for	Bruce Groll	Dona Marie Markley	542-5709
Psychologist Examiners, State Board of	Jim Hillyard	Maxine McCarthy	542-3017
Public Safety, Department of	Jim Hillyard	Joe Albo	223-2359
Racing, Arizona Department of	Jim Rounds	James Higginbottom	277-1704
Radiation Regulatory Agency	Lisa Cotter	Aubrey V. Godwin	255-4845
Rangers' Pensions, Arizona	Brad Regens	See Governor's Office	542-4331
Real Estate Department, State	Brad Regens	Jerry Holt	468-1414
Regents, Arizona Board of	John Lee	Frank Besnette, Ph.D.	229-2505
Residential Utility Consumer Office	Brad Regens	Greg Patterson	279-5659
Respiratory Care Examiners, Board of	Lisa Cotter	Mary Hauf Martin	542-5995

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Retirement System, Arizona State Revenue, Department of School Capital Facilities, State Board for Secretary of State - Department of State Senate	Jeffery Schmied Bob Hull Phil Case Lynne Smith Bob Hull	LeRoy Gilbertson Paul Waddell Judy M. Richardson Honorable Jane Dee Hull Honorable Brenda Burns	240-2050 542-3572 542-7562 542-3012 542-4233
Structural Pest Control Commission Superior Court	Lisa Cotter Karen Bock (1) Brad Regens (2)	J. H. Paulson David Byers	255-3664 542-9301
Supreme Court	Karen Bock (1) Brad Regens (2)	Honorable Thomas A. Zlaket	542-4531
Tax Appeals, State Board of Technical Registration, State Board of	Bob Hull Brad Regens	Mark C. Bohn Ronald W. Dalrymple	542-3288 255-4053
Tourism, Office of Transportation, Department of Treasurer, State Uniform State Laws, Commission on University of Arizona	Lisa Cotter - Bob Hull Lisa Cotter Chris Earnest John Lee (1) Bruce Groll (2)	Mark McDermott Larry S. Bonine Honorable Tony West James M. Bush Manuel T. Pacheco, Ph.D.	248-1490 255-7226 542-1463 257-5767 621-5511
Veterans' Service Commission, Arizona Veterinary Medical Examining Board, Arizona State Water Resources, Department of Weights & Measures, Department of	Jennifer Vermeer Jim Rounds Chris Earnest Jim Hillyard	Norman O. Gallion Louise Battaglia Rita P. Pearson John Hays	255-3373 542-3095 417-2410 255-5211
<u>OTHER ASSIGNMENTS</u>			
Capital Review Economic & Revenue Forecast	Phil Case Hank Reardon Kent Ennis Justin Garosi Arley Williams		
Federal Funds Fiscal Note Manager Non-Appropriated Funds Performance Budgeting	Richard Stavneak/Lisa Cotter Richard Stavneak Lorenzo Martinez/Jennifer Vermeer Marge Cawley/Stefan Shepherd		

- (1) Lead Assignment  
(2) Secondary Assignment

1/11/97



# FY 1998 and FY 1999 JLBC STAFF RECOMMENDATION

## DESCRIPTION OF METHODOLOGY AND MAJOR TECHNICAL ISSUES

### Biennial Budgeting

A.R.S. § 35-121 requires all but 11 major budget units to receive appropriations biennially with the dollar amounts itemized for each fiscal year. In this volume, the JLBC Staff is recommending FY 1998 funding for the 11 major budget units and both FY 1998 and FY 1999 funding for all other budget units.

### FY 1998 — JLBC Staff Recommended Changes from FY 1997

In developing its FY 1998 recommendation, the JLBC Staff has reviewed the current year's appropriation (FY 1997) as well as each agency's budget request, and has made adjustments for the following:

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

The individual agency descriptions in the Analysis and Recommendations book provide further narrative detail on these changes, which are explained in a section for each agency budget entitled, "FY 1998 — Recommended Changes from FY 1997." In addition, the book provides the line item detail of the JLBC Staff's recommendations for individual agency budgets. The major technical issues with regard to each of these line items are described below.

*FY 1997 Estimate* - This dollar amount represents the FY 1997 appropriations from the General Appropriation Act as well as appropriations from other legislation. We have adjusted the General Appropriation Act estimates for the distribution of technical adjustments which were not allocated to individual agencies at the time of the bill's passage. To facilitate an accurate comparison across years, we also have added the comparable FY 1997 dollar amounts for any funds which are appropriated for the first time in FY 1998.

*Full Time Equivalent (FTE) Positions* - The number of FTE positions reflects both personnel funded from Personal Services and from any special line items. The FY 1997 FTE position estimates also have been adjusted to include any new staff funded through separate appropriation bills. We also have added the comparable FY 1997 FTE Positions for any funds which are appropriated for the first time in FY 1998.

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

#### — Pay Annualization

This amount represents an increase in Personal Services and Employee Related Expenditures (ERE) in order to annualize a 1% plus \$500 salary increase, enacted by the Legislature effective April 1, 1997, and a \$1.8 million Classification Maintenance Review (CMR) adjustment for selected job classifications, enacted by the Legislature effective January 1, 1997. For the salary increase, the change adds 9 months of funding for FY 1998 to the 3 months of funding in each agency's FY 1997 base. For the CMR adjustment, the change adds 6 months of funding for FY 1998 to the 6 months of funding in each agency's FY 1997 base.

#### — ERE Rates

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

*Disability Insurance:* 0.47% of Personal Services for non-State Retirement System employees for FY 1998 and 0.55% for FY 1999. The cost of disability insurance for State Retirement System employees is incorporated in the overall retirement contribution rate (See Below).

*Federal Insurance Contributions Act (FICA)* - As required by federal law, a) Social Security taxes were applied at a rate of 6.2% up to \$62,700 of an employee's salary and b) Medicare taxes were applied at a rate of 1.45% on the full level of an employee's salary. These rates were used for both FY 1998 and FY 1999.

*Medical and Dental Insurance* - Each individual agency budget includes funding for the employer share of health insurance costs. With the exception of the Universities, the Arizona Department of Administration (ADOA) subsequently transfers health insurance appropriations from the individual agencies to the Health Insurance Trust Fund. The FY 1998 JLBC Staff recommendation is based upon each individual agency's actual average cost per employee in FY 1997 for medical and dental insurance. The FY 1999 rate is budgeted at 2% over this rate, based on national health insurance market trends. Although the insurance premiums charged to the state in FY 1997 are typically the same or slightly lower than for the prior year, due to changes in enrollment the statewide cost increased by approximately \$4.5 million.

*Life Insurance* - \$24.75 per employee per year for FY 1998 and \$24.84 for FY 1999.

*Personnel Services* - 0.9% of Personal Services for both FY 1998 and FY 1999. The ADOA Human Resources Division budget is funded from an assessment on the payroll of all agencies in the ADOA personnel system.

*Information Technology Planning* - 0.15% of Personal Services for both FY 1998 and FY 1999. The Government Information Technology Agency budget is funded from an assessment on the payroll of all state agencies.

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

Retirement System	FY 1998 JLBC Rate	FY 1999 JLBC Rate
State Retirement	3.54	3.54
Correctional Officers - DOC	6.52	6.52
Correctional Officers - DJC	7.36	7.36
Elected Officials	0.00	0.00
Liquor License	9.12	9.12
Dept. of Public Safety	6.91*	6.91*
NAU Police	3.24	3.24
U of A Police	2.83	2.83
ASU Police	4.83	4.83
Game and Fish	16.94	16.94
DEMA Firefighters	5.29	5.29
Attorney General Investigators	8.79	8.79
Capitol Police	7.14	7.14

\*Plus 5% member contributions paid by employer

*Unemployment Insurance* - 0.25% of Personal Services for both FY 1998 and FY 1999.

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

— Risk Management

Individual agency budgets (Other Operating Expenditures) include the FY 1998 and FY 1999 Risk Management rates to be billed by the ADOA Risk Management Section. The FY 1998 rates are estimated to result in total revenues of \$50.1 million, of which \$29.9 million is from the General Fund and \$20.2 million is from Other Appropriated and Non-Appropriated funds. The FY 1998 premium level of \$50.1 million is based on an annual actuarial estimate conducted for the state. The amount represents a \$3.7 million decrease from the prior year level. Individual agency Risk Management charges, therefore, generally decrease in each agency. Individual agency charges, however, also depend on the particular actuarial experience of that agency. The rates for biennial agencies represent an average of the FY 1998 and FY 1999 actuarial projections, while the rates for annual agencies are based only on the FY 1998 projections.

— Rent

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

State-owned Space: In both General Fund and non-General Fund agencies, the JLBC Staff recommends charging \$12.50 per square foot for office space in FY 1998, \$13 per square foot for office space in FY 1999, and \$4.50 per square foot for storage space in both years. The office space rate in FY 1997 was \$12.

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

Operations and Maintenance (O&M) Charges: The JLBC Staff recommends funding an operations and maintenance charge of \$4.75 per square foot in each agency occupying an RTC/Distressed Property acquisition, the same level as FY 1997. This charge includes standard levels for utilities, janitorial, maintenance, landscaping, minor repairs and pest control. While the O&M charge is appropriated to individual agencies, the funding is transferred to the Arizona Department of Administration, which is responsible for providing the service, either directly or under contract.

— Eliminate One-time Equipment

This amount represents the elimination of any equipment funded in FY 1997 but not required for FY 1998. The addition of any new equipment appears as a separate policy issue.

— Inflation

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

*Other Non-Appropriated and Federal Funds* - Each budget summary includes the level of non-appropriated and federal funds available to the agency. The detail of these funds can be found in the Non-Appropriated Fund section of the Analysis and Recommendation book. While the Executive does not include non-appropriated funds in their budget recommendation, their "Total-All Sources" estimates in this book have been adjusted for comparability. In most circumstances, the Executive numbers are based upon the agency request for non-appropriated funds. To facilitate an accurate comparison across years for any funds which are appropriated for the first time in FY 1998, the FY 1996 and FY 1997 dollar amounts are included in the appropriated amounts rather than with the non-appropriated fund amounts.

### **JLBC Staff Recommended Format**

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

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

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

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

For example:

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

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

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

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

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

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

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

### JLBC Staff Recommended Footnotes

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

We have classified footnotes into one of the following categories:

- *Standard Footnotes (Footnotes that have appeared in at least 2 consecutive General Appropriation Acts)*
- *Continuation of New FY 1997 Footnotes*
- *Modification of Prior Year Footnotes*
- *New Footnotes*
- *Deletion of Prior Year Footnotes*

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

## **JLBC Staff Recommended Statutory Changes**

The Analysis and Recommendation book includes the JLBC Staff's recommendations for any statutory changes required in order to enact the budget. These changes will be introduced as the Omnibus Reconciliation Bill (ORB).

### **1**

#### **Program Authorization Review**

Laws 1996, Chapter 339 required 34 programs and subprograms in 14 state agencies to undergo a Program Authorization Review (PAR). The PAR's began with an initial agency self-assessment. Subsequently, the JLBC Staff and OSPB jointly reviewed the agencies' programs. The JLBC Staff and OSPB jointly issued individual PAR reports for each of the programs. In addition to the individual reports, the two offices prepared a composite PAR document, the Program Authorization Review Executive Summaries, which provides a summary of the joint JLBC Staff and OSPB findings on each program. This composite document has been distributed to each legislator, the Governor, and the affected agencies.

The JLBC Staff and OSPB recommend either to "Retain, Eliminate, or Modify" (R.E.M.) the program. The Staff recommendation is contained in each agency's narrative as is a discussion of the Executive recommendation. In addition, a brief summary of the first year PAR report for each affected agency is provided in these agencies' analysis and recommendation narrative.

## **Other Issues for Legislative Consideration**

Arizona Revised Statutes Section 41-1273(D) requires the Legislative Budget Analyst (JLBC) to ". . . prepare for distribution an analysis of the Governor's budget as soon after the budget is presented to the Legislature as is possible. The analysis, among other things, shall include recommendations of the budget analyst for revisions in expenditures."

We have highlighted in our analysis the differences between the JLBC Staff and the Executive recommendation for each agency. Any policy issues recommended by the Governor and not addressed under the "FY 1998 — Recommended Changes from FY 1997" section are addressed under the heading "Other Issues for Legislative Consideration."

### *Auditor General Performance Audit*

The narrative section of the Analysis and Recommendations book also addresses recommendations from the Auditor General's Performance Audits published in calendar 1996 which have a fiscal impact.

**DEPARTMENT OF ADMINISTRATION  
(DOA)**

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Arizona Department of Administration  
Agency Summary

JLBC: Lynne Smith/Phil Case  
House Sub: Knaperek

OSP: Bret Cloninger  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSP	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Central Operations	16,520,000	18,556,500	18,913,200	19,358,000	19,221,800
General Services	22,916,500	23,721,800	23,725,900	22,128,200	22,485,400
Information Services	25,836,600	30,076,800	24,687,400	22,264,500	22,336,200
Risk Management	66,643,100	73,641,200	70,785,500	68,980,600	68,576,400
Human Resources	5,915,100	6,876,200	7,973,200	7,430,300	7,418,800
<b>AGENCY TOTAL</b>	<b>137,831,300</b>	<b>152,872,500</b>	<b>146,085,200</b>	<b>140,161,600</b>	<b>140,038,600</b>

**OPERATING BUDGET**

<i>Full Time Equivalent Positions</i>	1,015.7	1,014.0	973.6	876.8	877.0
Personal Services	21,051,800	24,183,800	23,255,700	23,118,300	23,077,300
Employee Related Expenditures	4,973,300	5,485,600	5,683,000	5,331,000	5,317,800
All Other Operating Expenditures:					
Professional and Outside Services	1,660,500	1,456,000	2,059,900	1,289,000	1,355,800
Travel - In State	197,900	174,500	174,100	170,900	173,600
Travel - Out of State	47,200	54,200	51,900	47,800	51,500
Other Operating Expenditures	15,136,100	15,314,100	13,859,700	13,030,000	13,172,000
Equipment	737,100	1,109,800	398,400	144,200	245,800
<b>OPERATING SUBTOTAL</b>	<b>43,803,900</b>	<b>47,778,000</b>	<b>45,482,700</b>	<b>43,131,200</b>	<b>43,393,800</b>
Special Line Items	94,027,400	105,094,500	100,602,500	97,030,400	96,644,800
<b>AGENCY TOTAL</b>	<b>137,831,300</b>	<b>152,872,500</b>	<b>146,085,200</b>	<b>140,161,600</b>	<b>140,038,600</b>

**BY FUND SOURCE**

General Fund	23,686,600	25,656,600	26,106,200	24,368,000	24,701,700
Other Appropriated Funds	114,144,700	127,215,900	119,979,000	115,793,600	115,336,900
Other Non-Appropriated Funds	227,316,400	236,513,200	244,622,500	244,622,500	244,622,500
<b>TOTAL - ALL SOURCES</b>	<b>365,147,700</b>	<b>389,385,700</b>	<b>390,707,700</b>	<b>384,784,100</b>	<b>384,661,100</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.*

**Change in Funding Summary:**

	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$ (954,900)	(3.7)%
Other Appropriated Funds	(11,879,000)	(9.3)%
Total Appropriated Funds	\$(12,833,900)	(8.4)%

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

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**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$ 440,800 OF	\$ 275,600 GF
ERE Rates	41,600 OF	34,900 GF
Risk Management	201,000 OF	71,500 GF
Rent	53,500 OF	(5,000) GF
<b>Eliminate One-time</b>		
Equipment	(1,019,100) OF	(80,100) GF
Other	75,500 OF	80,600 GF

<b>Reallocate Accounting</b>		
Programmer Costs	893,800 OF	6,600 GF
<b>PAR Tenant Improvement</b>		
Labor Cost	191,500 OF	(191,500) GF
Establish GITA	(1,632,000) OF	(293,400) GF
Bus Subsidy	426,000 OF	(360,000) GF
AFIS	-0- OF	(494,100) GF
<b>Losses and Related</b>		
Expenditures - WC	1,662,000 OF	-0- GF
Pre-employment Exams	388,600 OF	-0- GF
Insurance Premiums	358,600 OF	-0- GF
<b>Attorney General</b>		
Reallocation	263,300 OF	-0- GF
Software and Licenses	(401,200) OF	-0- GF
Automation Equipment	(1,142,500) OF	-0- GF
Alternative Fuels	(1,400,000) OF	-0- GF
<b>Information Services</b>		
Cost Containment	(1,654,500) OF	-0- GF
<b>Information Services</b>		
Operating Expenditures	(2,073,100) OF	-0- GF
<b>Losses and Related</b>		
Expenditures - RM	(3,771,000) OF	-0- GF
Decrease Outside Counsel	(3,781,800) OF	-0- GF

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



**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Arizona Department of Administration  
 PROG: Central Operations

JLBC: Lynne Smith/Phil Case  
 House Sub: Knaperek

OSPB: Bret Cloninger  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	202.2	204.2	209.0	208.5	207.7
Personal Services	4,165,700	4,742,700	5,107,400	5,057,000	4,943,600
Employee Related Expenditures	985,200	1,041,000	1,325,300	1,105,300	1,093,000
All Other Operating Expenditures:					
Professional and Outside Services	695,800	410,300	471,400	410,300	540,000
Travel - In State	3,200	8,400	10,300	8,300	10,400
Travel - Out of State	7,200	12,600	13,200	12,600	13,200
Other Operating Expenditures	1,104,700	1,059,200	1,063,400	1,150,600	1,165,700
Equipment	210,400	65,500	106,300	56,400	122,800
<b>OPERATING SUBTOTAL</b>	<b>7,172,200</b>	<b>7,339,700</b>	<b>8,097,300</b>	<b>7,800,500</b>	<b>7,888,700</b>
<b>SPECIAL LINE ITEMS</b>					
Capitol Police	1,695,000	1,764,500	1,776,800	1,788,400	1,774,800
Gov's Regulatory Review Council	340,800	367,700	391,500	375,100	375,100
Hearing Office	21,100	10,000	10,000	10,000	10,000
Employee Bus Subsidy	240,100	360,000	546,000	0	426,000
ENSCO COP	4,586,900	4,585,000	4,585,600	4,585,600	4,585,600
State-Owned Space Rent	953,400	900,800	770,100	770,100	770,200
Lease-Purchase Rent	525,400	619,700	894,500	751,900	745,300
AFIS II	927,900	2,552,000	1,841,400	2,281,400	2,605,500
Unoccupied Lease-Purchase	57,200	57,100	0	0	40,600
Rideshare Subsidy	0	0	0	995,000	0
<b>PROGRAM TOTAL</b>	<b>16,520,000</b>	<b>18,556,500</b>	<b>18,913,200</b>	<b>19,358,000</b>	<b>19,221,800</b>
<b>BY FUND SOURCE</b>					
General Fund	15,974,200	18,346,000	18,695,000	18,194,000	18,586,200
Other Appropriated Funds	545,800	210,500	218,200	1,164,000	635,600
Other Non-Appropriated Funds	532,900	1,168,500	843,200	843,200	843,200
<b>TOTAL - ALL SOURCES</b>	<b>17,052,900</b>	<b>19,725,000</b>	<b>19,756,400</b>	<b>20,201,200</b>	<b>20,065,000</b>

**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, which provide police officers and security aides for the Phoenix Capitol Mall and Tucson Office Complex.*

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$240,200	1.3%
Other Appropriated Funds	425,100	202.3%
<b>Total Appropriated Funds</b>	<b>\$665,300</b>	<b>3.6%</b>

Performance Measure	FY 96 Actual	FY 97 Estimate
Average Overall Customer Satisfaction Rating (Scale 1 Low - 8 High)	5.77	5.97

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

Pay Annualization	\$ 2,700 OF	\$ 136,400 GF
ERE Rates	400 OF	(3,000) GF
Risk Management	-0- OF	71,500 GF
Rent	-0- OF	(5,000) GF

**Reallocate Programmer Costs 893,800 GF**

In order to eliminate the General Fund appropriation to the Information Services Division, the recommended amount transfers a total of \$893,800 for computer programmers associated with statewide accounting and procurement services from the General Fund appropriation in the Information Services cost center to this cost center. This amount will be paid by the Finance Division as a Data Center charge for services delivered. The Executive concurs, but adds 3 associated FTE Positions to the State Procurement Office rather than the Data Center.

**Bus Subsidy 426,000 OF (360,000) GF**

The recommended amount includes an increase of \$66,000 to reflect increased bus usage. This will provide a total of \$426,000 to fund one-half of the cost of bus rides to work for non-university state employees in Maricopa County. The Legislature originally provided a total of \$539,000 per year, but the amount was decreased due to low ridership. In recent months, grants from the other sources, such as the Non-Appropriated Air Quality Fund, have provided the other half of the fare and bus ridership has increased over 36%. The JLBC Staff also recommends shifting funding for this program from the General Fund to the Air Quality Fund and continuing the footnote requiring that the appropriated monies be used for a 50% subsidy.

The Executive recommends shifting funding for this program from the General Fund to the Air Quality Fund, but also increases the amount by 1.8 FTE Positions and \$635,000, for a total of 1.8 FTE Positions and \$995,000 to fund the full cost of the bus rides and the associated operating costs in the Travel Reduction Program. To partially offset this increase,

the Executive would eliminate a statutory provision which annually allocates \$400,000 of Air Quality Fund monies to the department.

**Corrections Fund Accounting 12,500 OF**

The recommended amount includes an increase of a 0.5 FTE Position and \$12,500 from the Corrections Fund for purchasing and accounting associated with increased prison construction in FY 1997 and FY 1998. The Executive concurs.

**Accounting Services (494,100) GF**

The JLBC Staff recommends a decrease of \$(710,600) in the Arizona Financial Information System (AFIS) Special Line Item for computer run time for the state's accounting system, an increase of \$41,700 for LAN charges and equipment for the General Accounting Office (GAO) training room, and an increase of 2 FTE Positions and \$141,100 for 1 AFIS trainer and 1 in-house "consultant" for GAO to help other agencies develop budgetary and financial control procedures. This includes a total of \$42,700 in one-time equipment and supplies. For one example of another agency's need for help with financial controls, please see the "Other Issues for Legislative Consideration" section of the Arizona Pioneers' Home budget recommendation.

The Executive concurs with the LAN funding, but does not add the 2 FTE Positions and removes an additional \$(324,100) from the AFIS Data Center charge. The Executive also recommends reducing (from \$762,600 to \$480,400) the department's authority to collect from other funding sources to recover the costs of operating AFIS. This authority is provided in a footnote to the General Appropriation Act listed below under "Standard Footnotes." The JLBC Staff recommends that the other programs which use the accounting system continue to contribute at the same level as in prior years, as it is a proportionately low amount compared to the General Fund appropriation.

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

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

financial statement. The Executive does not add this position.

### Capitol Police Equipment -0- GF

The recommended amount maintains funding of \$210,000 for security systems and \$9,600 for replacement office equipment. The Legislature approved \$210,000 in FY 1996 and \$210,000 in FY 1997 for a project to repair, upgrade, and expand the Capitol Mall and Tucson Office Complex security systems. To date, 28 out of 45 buildings on the Capitol Mall and all 3 buildings on the Tucson Complex are covered by the systems, which provide fire, access, and video monitoring. The recommended amount will continue funding of \$210,000 and allow an additional 8 buildings to be brought onto the system, including 1616 West Adams, the State Department of Corrections (2 buildings), the Department of Health Services, the Corporation Commission, the State Data Center, the Hall of Fame Museum, and the Capitol Museum. The recommended funding represents the third year of an 8-year program to include all Capitol Mall buildings on the security system. An additional \$700,000 would be required to complete the project. The recommended funding of \$9,600 for replacement office equipment will complete the phase-in of replacement equipment in the Tucson and Phoenix Capitol Police offices. The funding represents the third and final year of a 3-year program. The Executive recommends \$212,600 for this issue.

### ENSCO COP 600 GF

The recommended amount reflects an updated lease-purchase payment requirement. The state utilized lease-purchase financing in the amount of \$55,825,000 in October 1991 to settle with ENSCO and acquire its partially constructed hazardous waste treatment site in Mobile. To date, the Legislature has appropriated approximately \$22,000,000 for annual principal and interest payments; an additional \$71,500,000 will be required through the year 2011. The department expends about \$40,000 annually to maintain the site, which is not currently being utilized. To fully pay off the lease purchase issue, a one-time payment of approximately \$48,000,000 would be required. The Executive concurs.

### Unoccupied Lease-Purchase (16,500) OF

The recommended amount includes a total of \$40,600 for this Special Line Item, which funds the lease-purchase payment on vacant space where tenants have not yet been identified. The Executive does not recommend this funding.

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for Employee Bus Subsidy, AFIS II, and ENSCO COP by Fund

## JLBC Staff Recommended Footnotes

### Standard Footnotes

The department may collect an amount not to exceed \$762,600 from other funding sources, excluding Federal Funds, to recover pro rata costs of operating AFIS II. All AFIS II operating costs below \$3,368,100 shall be proportionately distributed among all contributing funding sources, including the state General Fund.

The \$426,000 appropriated for the Employee Bus Subsidy shall be used only for a 50% subsidy of charges payable to a regional transit authority for public transportation expenses of non-university state employees in a vehicle emissions control area, as defined in A.R.S. § 49-541, of a county with a population of more than 1,500,000 persons according to the most recent federal decennial census.

### Modification of Prior Year Footnotes

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

### Deletion of Prior Year Footnotes

The JLBC Staff recommends deleting the one-time footnote concerning procurement laws.

## Other Issues for Legislative Consideration

### Classification Maintenance Review

The Executive recommends an increase of \$142,000 to fully fund the Classification Maintenance Review (CMR) adjustment for FTE Positions which were vacant during the FY 1996 CMR process. For all state agencies, the ADOA Human Resources Division allocated 25% funding for vacant positions eligible for CMR adjustments. Since that time, other FTE Positions in the department have attained degree requirements, vacancies have declined, and "underfills" (at reduced salaries) have been replaced with fully qualified staff. The JLBC Staff does not include this increase because the amount appropriated by the Legislature was intended to fully fund the CMR adjustments, as allocated by the Executive branch.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

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**Fiscal Service Specialist**

The Executive recommends an increase of 1 FTE Position and \$51,600 to reallocate a Fiscal Service Specialist from the Technology and Telecommunications Fund in the Information Services cost center to the General Fund in this cost center because the position maintains the fixed asset inventory for all of the department's divisions. The JLBC Staff recommends that the department reallocate resources within its base budget to reimburse the Data Center for the portion of the position (approximately half) which is devoted to other divisions.

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec.
Capital Outlay Stabilization Fund	\$124,900
Corrections Fund	84,700
Air Quality Fund	426,000
TOTAL	\$635,600

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Arizona Department of Administration  
 PROG: General Services

JLBC: Lynne Smith/Phil Case  
 House Sub: Knaperek

OSPB: Bret Cloninger  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	271.0	251.0	253.3	253.0	251.0
Personal Services	4,779,900	5,035,700	5,194,100	5,214,600	5,156,700
Employee Related Expenditures	1,290,200	1,302,000	1,319,500	1,367,300	1,354,000
All Other Operating Expenditures:					
Professional and Outside Services	46,700	92,900	96,600	92,900	92,900
Travel - In State	144,600	112,800	112,900	112,800	112,800
Travel - Out of State	300	2,000	2,000	2,000	2,000
Other Operating Expenditures	1,281,700	1,218,700	1,278,800	1,260,000	1,266,800
Equipment	73,200	119,400	113,000	80,100	113,000
<b>OPERATING SUBTOTAL</b>	<b>7,616,600</b>	<b>7,883,500</b>	<b>8,116,900</b>	<b>8,129,700</b>	<b>8,098,200</b>
<b>SPECIAL LINE ITEMS</b>					
Motor Pool	9,308,100	9,662,900	9,521,000	7,910,500	8,342,200
Relocation	18,800	190,400	103,000	103,000	60,000
Utilities	5,973,000	5,985,000	5,985,000	5,985,000	5,985,000
<b>PROGRAM TOTAL</b>	<b>22,916,500</b>	<b>23,721,800</b>	<b>23,725,900</b>	<b>22,128,200</b>	<b>22,485,400</b>
<b>BY FUND SOURCE</b>					
General Fund	6,070,700	6,159,200	6,332,800	6,174,000	6,115,500
Other Appropriated Funds	16,845,800	17,562,600	17,393,100	15,954,200	16,369,900
Other Non-Appropriated Funds	7,962,000	6,274,300	5,996,500	5,996,500	5,996,500
<b>TOTAL - ALL SOURCES</b>	<b>30,878,500</b>	<b>29,996,100</b>	<b>29,722,400</b>	<b>28,124,700</b>	<b>28,481,900</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 3 years, and develop an annual Capital Improvement Plan.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$ (43,700)	(0.7)%
Other Appropriated Funds	(1,192,700)	(6.8)%
Total Appropriated Funds	\$(1,236,400)	(5.2)%

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Performance Measure	FY 96	FY 97
	Actual	Estimate
Custodial/Grounds Services Customer Satisfaction Rating (Scale 1 Low - 8 High)	5.35	5.40

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$ 35,200 OF	\$ 115,300 GF
ERE Rates	5,900 OF	32,600 GF
Risk Management	118,400 OF	-0- GF
Rent	43,000 OF	-0- GF
<b>Eliminate One-time Equipment</b>	<b>(89,300) OF</b>	<b>(80,100) GF</b>

**Motor Pool Special Line Item (1,400,000) OF**

The recommended amount reflects elimination of a FY 1997 supplemental appropriation for conversion of Motor Pool vehicles to alternative fuels. The Executive concurs. The Executive also recommends a decrease of \$(420,800) for a reduction in replacement vehicles, gasoline, and operating expenditures. The JLBC Staff does not include this reduction because of a consistent waiting list for use of Motor Pool vehicles by state agencies. Rather than increase the number of vehicles to eliminate the waiting list, the JLBC Staff recommends that the department restructure its services to accommodate a continuing problem with the Department of Economic Security and still leave vehicles available for other agencies.

**Replacement Equipment 32,900 OF 80,100 GF**

The recommended amount from the General Fund (GF) would purchase electric-quality and air-quality measuring devices (\$8,500), 20 vacuum cleaners (\$6,500), 1 carpet extractor (\$6,000), 1 aerator (\$19,000), 1 electric cart (\$12,600), 1 parking lot sweeper (\$24,000), and assorted other items (\$3,500). The Other Fund (OF) amount from the Capital Outlay Stabilization Fund (COSF) would purchase 5 computers (\$13,900) to replace outdated IBM-compatible and Apple computers, 1 high-performance computer for computer aided design (\$4,000), 1 laser printer (\$2,000), and 1 copier (\$6,000). The OF amount from the Corrections Fund would purchase 2 computers (\$5,000) to replace outdated IBM-compatible computers and 1 laser printer (\$2,000). The Executive recommends \$56,100 GF and \$24,000 OF for equipment.

**Relocation Special Line Item (130,400) OF**

The recommended amount includes a decrease of \$(130,400) from COSF for agency relocations which have been completed. The remaining \$60,000 is intended for unanticipated relocations which promote the effective and efficient use of space. Funding for planned relocations which may occur in FY 1998 is included in individual agency

budgets. The recommended amount is based on \$3 per square foot to move a total of 20,000 square feet of space. The Executive recommends a total of \$103,000, which includes \$43,000 for planned relocations which the JLBC Staff has included in other agency budgets.

**1 Program Authorization Review — Tenant Improvement Labor Costs 191,600 OF (191,600) GF**

The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Facilities Management program during the last year. As a result of that review, the JLBC Staff recommends modifying the program with regard to the subsidization of tenant improvement projects. The review revealed that agencies are not charged for labor costs when tenant improvements are performed for them by "in-house" ADOA staff. Whereas, when tenant improvement projects are contracted out, agencies must pay the full cost, including labor. The JLBC Staff recommends that agencies be charged for tenant improvement labor provided by ADOA so as to level the playing field between the department and private contractors. Charges for labor costs received from agencies should be deposited to COSF, where it would be available for appropriation to ADOA for labor costs. The JLBC Staff recommends an increase of \$191,600 from COSF to replace the General Fund monies which currently fund tenant improvement laborers. The JLBC Staff further recommends a session law in the Omnibus Reconciliation Bill to allow ADOA to deposit charges for labor costs to COSF. Lastly, we recommend that ADOA pursue the necessary permanent statutory changes. The Executive concurs.

**1 Program Authorization Review — Infrastructure Repair and Major Maintenance -0- GF**

The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Facilities Management program during the last year. As a result of that review, the JLBC Staff recommends modifying the program with regard to infrastructure repair. The review demonstrated that the Facilities Management Program is hampered by a statutory restriction on the expenditure of building renewal monies for infrastructure repair. Currently, infrastructure can qualify for building renewal monies only if it was financed as part of the original construction cost of a building. It is inefficient to exclude this portion of state capital assets from the standard prioritization and planning process, especially where life/safety issues are concerned.

FY 1998 requests for building renewal and infrastructure funding reflect the condition of the state's infrastructure. The total value of FY 1998 building renewal requests is \$18,505,800. An additional \$10,291,800 is requested for infrastructure repair or replacement, but is currently not eligible for building renewal. The JLBC Staff recommends a session law in the Omnibus Reconciliation Bill to allow for

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

expenditures for infrastructure repair and replacement from building renewal appropriations. JLBC Staff further recommends that ADOA pursue the necessary permanent statutory changes. (See the "Capital Budget" write-up for more information.) The Executive concurs.

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

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

**JLBC Staff Recommended Statutory Changes**

The JLBC Staff recommends that ADOA deposit charges for tenant improvement labor to the Capital Outlay Stabilization Fund. See "Tenant Improvement Labor Costs" policy issue for more information.

**Other Issues for Legislative Consideration**

**1 Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the Facilities Management program during the last year. As a result of that review, the JLBC Staff recommends retaining the program with regard to custodial and grounds services. One PAR finding states that "Privatization of custodial and grounds services remains a viable option." However, data collection problems and the inability to make service level comparisons to the private sector make it difficult to make an overall assessment of these services. The department has started to analyze the costs and benefits of privatizing custodial and grounds functions through the Competitive Government model recently developed by the Governor's Office of Excellence in Government. A careful analysis using this model could clarify any privatization possibilities.

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec
Motor Pool Fund	\$ 8,342,200
Capital Outlay Stabilization Fund	7,574,100
Corrections Fund	453,600
TOTAL	\$16,369,900

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

DEPT: Arizona Department of Administration  
 PROG: Information Services

JLBC: Lynne Smith/Phil Case  
 House Sub: Knaperek

OSPB: Bret Cloninger  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	251.5	266.3	213.3	211.3	214.3
Personal Services	7,225,700	8,865,000	7,132,900	7,094,300	7,224,400
Employee Related Expenditures	1,623,200	1,897,300	1,652,000	1,554,500	1,563,200
All Other Operating Expenditures:					
Professional and Outside Services	435,800	625,900	919,000	311,900	311,900
Travel - In State	21,800	21,900	18,900	18,400	18,400
Travel - Out of State	36,600	25,700	19,700	19,300	19,300
Other Operating Expenditures	11,335,100	11,512,200	9,957,200	9,143,400	9,086,300
Equipment	402,400	844,900	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>21,080,600</b>	<b>23,792,900</b>	<b>19,699,700</b>	<b>18,141,800</b>	<b>18,223,500</b>
<b>SPECIAL LINE ITEMS</b>					
Automation Equipment	2,362,800	2,335,500	2,068,000	1,203,000	1,193,000
Software and Licenses	1,633,000	2,226,300	1,772,600	1,772,600	1,772,600
Maintenance and Repair	760,200	1,147,100	1,147,100	1,147,100	1,147,100
GITA	0	575,000	0	0	0
<b>PROGRAM TOTAL</b>	<b>25,836,600</b>	<b>30,076,800</b>	<b>24,687,400</b>	<b>22,264,500</b>	<b>22,336,200</b>
<b>BY FUND SOURCE</b>					
General Fund	1,641,700	1,151,400	1,078,400	0	0
Other Appropriated Funds	24,194,900	28,925,400	23,609,000	22,264,500	22,336,200
Other Non-Appropriated Funds	5,739,000	6,664,500	6,861,900	6,861,900	6,861,900
<b>TOTAL - ALL SOURCES</b>	<b>31,575,600</b>	<b>36,741,300</b>	<b>31,549,300</b>	<b>29,126,400</b>	<b>29,198,100</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$(1,151,400)	(100.0)%
Other Appropriated Funds	(6,589,200)	(22.8)%
<b>Total Appropriated Funds</b>	<b>\$(7,740,600)</b>	<b>(25.7)%</b>

Performance Measure	FY 96 Actual	FY 97 Estimate
Data Center Customer Satisfaction Rating (Scale 1 Low - 8 High)	5.6	6.0

### FY 1998 — Recommended Changes from FY 1997

**Standard Changes**  
**Pay Annualization**      \$ 197,000 OF      \$ 23,900 GF  
**ERE Rates**                      30,400 OF                      5,300 GF



**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

<b>Risk Management</b>	<b>35,900 OF</b>	<b>-0- GF</b>
<b>Rent</b>	<b>(48,100) OF</b>	<b>-0- GF</b>
<b>Eliminate One-time Equipment</b>	<b>(794,900) OF</b>	<b>-0- GF</b>

**Establish GITA (1,632,000) OF (293,400) GF**  
 Effective July 1, 1997, Laws 1996, Chapter 342 created 1) a separate Executive agency, the **Government Information Technology Agency (GITA)**, responsible for statewide information technology planning, coordinating, and consulting and 2) a Legislative, Executive, Judicial, and private sector committee, the **Information Technology Authorization Committee (ITAC)**, responsible for oversight of Executive, Legislative, and Judicial information technology (IT). The bill transferred the Executive Branch IT planning, coordinating and consulting functions from the Arizona Department of Administration (ADOA) Information Resource Management Group to GITA, leaving ADOA with responsibility for a centralized Data Center and telephone services to state agencies. Appropriate portions of the ADOA IRMG were transferred to GITA.

In FY 1997, ADOA is performing some GITA functions in an interim capacity until GITA is established in FY 1998. In FY 1998, the ADOA recommended amount includes reductions of (3) FTE Positions and \$(293,400) from the General Fund, (14) FTE Positions and \$(1,057,000) from the ADOA Technology and Telecommunications Fund, and \$(575,000) from the Information Technology Fund to eliminate funding for duties transferred to GITA. GITA and ITAC are expected to improve the coordination and effectiveness of IT used by state agencies. The new agency and committee also are expected to reduce waste and duplication associated with over \$200,000,000 spent annually on IT for state government. The Executive also makes these reductions but does not specifically designate them as related to GITA.

**Reallocate Programmers 893,800 OF (887,200) GF**  
 The JLBC Staff recommends eliminating the General Fund appropriation to the Information Services Division, which currently funds statewide IT planning and computer programmers associated with statewide accounting and procurement services. This statewide IT planning function has been transferred to GITA and the full cost of the statewide accounting system should be included in the General Accounting Office budget (in the Central Operations cost center.

The recommended amount transfers 18 FTE Positions responsible for computer programming associated with statewide accounting and procurement services from the General Fund to the Technology and Telecommunications Fund. In keeping with standard Data Center operations, the General Fund amount is added to the Central Operations

cost center, where statewide accounting and procurement services are funded. The Central Operations amount will be paid to this division as a Data Center charge to reimburse the Technology and Telecommunications Fund for costs. Along with the recommended transfer of positions to GITA (described above), this will eliminate the division's General Fund section. The Executive concurs, but adds 3 of the FTE Positions to the State Procurement Office rather than the Data Center.

**Software and Licenses (401,200) OF**  
 The reduced amount fully funds the department's software and license requirements. The Executive concurs.

**Automation Equipment (1,142,500) OF**  
 The reduced amount provides a total of \$1,193,000 for replacement of communications equipment and computer memory. The Executive concurs.

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

**Other Operating Expenditures (2,073,100) OF**  
 The recommended amount includes a decrease of \$(1,273,100) for reduced mainframe lease costs requested by the department and \$(800,000) to eliminate a contingency amount set aside by the department for any required federal reversions. The Executive concurs.

\* \* \*

**JLBC Staff Recommended Format — Lump Sum by Fund for the Program**

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Arizona Department of Administration  
 PROG: Risk Management

JLBC: Lynne Smith/Phil Case  
 House Sub: Knaperek

OSPB: Bret Cloninger  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	169.0	173.0	174.1	81.0	81.0
Personal Services	1,504,600	1,889,400	1,962,000	1,927,700	1,927,900
Employee Related Expenditures	343,800	426,900	467,800	439,600	442,200
All Other Operating Expenditures:					
Professional and Outside Services	295,400	263,900	279,900	118,000	118,000
Travel - In State	17,100	20,000	20,000	20,000	20,000
Travel - Out of State	2,300	9,400	9,400	9,400	9,400
Other Operating Expenditures	459,600	487,300	488,600	389,400	518,300
Equipment	23,600	70,000	179,100	6,000	10,000
<b>OPERATING SUBTOTAL</b>	<b>2,646,400</b>	<b>3,166,900</b>	<b>3,406,800</b>	<b>2,910,100</b>	<b>3,045,800</b>
<b>SPECIAL LINE ITEMS</b>					
Losses and Related Expenditures - RM	37,659,800	40,326,000	36,555,000	31,623,600	35,020,900
Attorney General Defense - RM	5,025,600	5,017,100	5,092,500	5,106,000	5,731,500
Insurance Premiums - RM	4,272,700	4,818,000	5,176,600	5,176,600	5,176,600
Loss Control Grants - RM	249,200	250,000	350,000	250,000	350,000
Workers' Compensation	764,400	839,200	1,041,300	777,700	728,400
Losses and Related Expenditures - WC	15,168,000	18,208,000	18,141,900	16,586,400	17,001,800
Premium Tax	228,500	292,800	292,800	444,200	444,200
Insurance Premiums	286,400	293,000	293,000	293,000	293,000
University Health Work Program	72,000	159,500	159,500	159,500	159,500
Loss Control Grants - WC	150,000	150,000	150,000	150,000	150,000
Attorney General Defense - WC	120,100	120,700	126,100	122,100	241,500
Contract Attorneys	0	0	0	4,931,400	0
Risk Management Information System	0	0	0	450,000	233,200
<b>PROGRAM TOTAL</b>	<b>66,643,100</b>	<b>73,641,200</b>	<b>70,785,500</b>	<b>68,980,600</b>	<b>68,576,400</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	66,643,100	73,641,200	70,785,500	68,980,600	68,576,400
<b>TOTAL - ALL SOURCES</b>	<b>66,643,100</b>	<b>73,641,200</b>	<b>70,785,500</b>	<b>68,980,600</b>	<b>68,576,400</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
Other Appropriated Funds	\$(5,064,800)	(6.9)%

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Performance Measure	FY 96	FY 97
	Actual	Estimate
Employee Safety Awareness Survey Results (Scale 1 Low - 3 High)	2.0	2.1

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

<b>Pay Annualization</b>	\$ 125,100 OF
<b>ERE Rates</b>	(8,600) OF
<b>Risk Management</b>	27,100 OF
<b>Rent</b>	8,500 OF
<b>Eliminate One-time Equipment</b>	(74,900) OF

**Losses and Related Expenditures - WC** 1,662,000 OF  
 The recommended amount includes an increase of \$1,662,000 for self-insured workers' compensation losses and expenditures related to settling those losses. The recommended amount reflects use of the 70% confidence interval in an annual actuarial study conducted for the state. Due to the high variability of workers' compensation losses and a resulting need for supplemental appropriations, the state started using the 70% confidence level for these losses in FY 1996. The Executive recommends a decrease of \$(930,000), which reflects use of the 50% confidence interval from the annual actuarial study.

**Insurance Premiums** 358,600 OF  
 The recommended amount includes an increase of \$358,600 for the cost of private insurance policies purchased for specific property and liability expenses where the department deems it more cost effective to cede risk to an outside insurer. The Executive concurs.

**Attorney General Reallocation** 263,300 OF  
 The JLBC Staff recommendation includes an increase of \$210,300 to reallocate funding for space in the Capitol Center from the Attorney General's General Fund budget to the Attorney General Defense-Risk Management Special Line Item in the Arizona Department of Administration (ADOA) budget. The increased space was approved by the Legislature, but allocation of the space to the Attorney General was delayed during asbestos abatement in the Capitol Mall. The Insurance Defense Section will now occupy a total of 23,289 square feet, or 224 square feet per person. The recommended amount also includes an increase of \$53,000 for Risk Management's share of costs associated with the Attorney General's information system. The Executive does not include these changes.

**Insurance Premium Tax** 151,400 OF  
 The recommended amount includes an increase of \$151,400 to fully fund the tax payable by the state as a self-insured employer. The Executive concurs.

**Workers' Compensation Loss Recovery** 36,800 OF  
 The recommended amount includes an increase of 1 FTE Position and \$36,800 from the Workers' Compensation Fund to recover monies paid out in Workers' Compensation losses for which others could be held liable. Workers' Compensation currently does not have a loss recovery position. The Executive concurs, but also reduces the Workers' Compensation Losses and Related Expenditures Special Line Item by \$(441,600) to reflect monies to be recovered by the new position. The JLBC Staff does not recommend this reduction since the duties have previously been performed by a Risk Management Fund loss recovery position and some level of loss recovery already has occurred.

**Equipment** 25,900 OF  
 The recommended amount includes a total of \$25,900 for replacement of 6 computers, 2 printers, 1 shredder, and 1 fax machine. The Executive recommends \$10,000 for replacement equipment.

**Attorney General Positions** -0- OF  
 The JLBC Staff recommendation reflects a reduction of (95) FTE Positions. These are attorneys and related staff which are supervised by the Attorney General. The FTE Positions and funding, however, historically have been included in this budget in the Attorney General Defense - Risk Management and Attorney General Defense - Workers' Compensation Special Line Items. In FY 1998, this funding totals \$5,973,000. Laws 1996, Chapter 335 requires the appropriation of the Attorney General intergovernmental service agreements (ISA). Consistent with that legislation, the JLBC Staff recommends appropriating these amounts in the Attorney General's ISA Fund. Rather than appropriate Risk Management and Workers' Compensation funds directly to the Attorney General, these amounts would continue to be appropriated to ADOA and then transferred to the Attorney General via an ISA. Since the FTE Positions are supervised by the Attorney General, the JLBC Staff is recommending deletion of the positions from this budget and addition of a like amount to the Attorney General budget. The Executive concurs with the FTE Position issue, but also moves \$4,931,400 for outside counsel from the Losses and Related Expenditures Special Line Item into a new Contract Attorneys Special Line Item in this budget unit. The JLBC Staff does not recommend moving the outside counsel amount into a separate Special Line Item, as this would limit the state's flexibility to decide on a case by case basis how to best resolve each claim.

**Loss Control Grants** -0- OF  
 The recommended amount transfers \$100,000 from the Losses and Related Expenditures Special Line Item to the Loss Control Grants Special Line Item. The department evaluates proposals from state agencies for loss prevention and safety projects, then grants monies for cost-effective

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

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proposals. Proposals for loss control projects have increased by 79% since FY 1993. After the addition of \$100,000, the department could fund approximately 44% of all proposed projects. The Executive does not include this change.

**Risk Management Information System (RMIS) (29,300) OF**  
 The recommended amount transfers a total of \$233,200 (\$116,600 from the Workers' Compensation Fund and \$116,600 from the Risk Management Fund) into a new Risk Management Information System Special Line Item, as a one-time increase to replace the division's data management system. The JLBC Staff also recommends a decrease of \$(29,300) from the Risk Management Fund which, along with the transferred amounts, represents expected operating savings from the new system. The Executive also recommends a new data management system, but transfers a total of \$450,000 from the base budget to the new Special Line Item.

**Transfer Claims (57,900) OF**  
 The JLBC Staff recommends an increase of 2 FTE Positions and \$67,100 for a Claims Adjuster II and Accounting Tech III to handle approximately 700 pre-1994 state Workers' Compensation claims. This amount includes \$6,300 in one-time office equipment. Administration of prior claims was retained by the State Compensation Fund when this function was transferred to ADOA in 1994. The JLBC Staff also recommends a decrease of \$(125,000) for expected cost reductions associated with bringing the claims in-house. This reduction will be annualized to \$(250,000) in FY 1999. The Executive concurs but takes the full \$(250,000) in FY 1998.

**Losses and Related Expenditures - RM (3,771,000) OF**  
 The JLBC Staff recommends a decrease of \$(3,771,000) for self-insured Risk Management losses and expenditures related to settling these losses. The recommended amount reflects use of the 50% confidence interval in an annual actuarial study conducted for the state. The reduction primarily results from fewer than expected liability losses last year. The Executive concurs.

**Decrease Outside Counsel (3,781,800) OF**  
 The Joint Legislative Committee on Legal Representation of State Agencies recommended in its December 1995 Final Report that funding for private attorneys to handle Risk Management and Workers' Compensation cases be reduced and these monies be reallocated to fund additional Attorney General (AG) positions. Accordingly, the recommended amount includes increases of 2 Workers' Compensation AG positions, 7 Risk Management AG positions, and \$520,500, which includes \$38,200 in one-time expenditures for office equipment. The JLBC Staff also recommends decreases of \$(2,868,200) from the Workers' Compensation Fund and \$(1,434,100) from the Risk Management Fund for reduced outside counsel costs. The Executive does not include this change.

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

**Other Issues for Legislative Consideration**

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec.
Risk Management Fund	\$49,441,400
Workers' Compensation Fund	19,135,000
<b>TOTAL</b>	<b>\$68,576,400</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Arizona Department of Administration  
 PROG: Human Resources

JLBC: Lynne Smith/Phil Case  
 House Sub: Knaperek

OSP: Bret Cloninger  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSP	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	122.0	119.5	123.9	123.0	123.0
Personal Services	3,375,900	3,651,000	3,859,300	3,824,700	3,824,700
Employee Related Expenditures	730,900	818,400	918,400	864,300	865,400
All Other Operating Expenditures:					
Professional and Outside Services	186,800	63,000	293,000	355,900	293,000
Travel - In State	11,200	11,400	12,000	11,400	12,000
Travel - Out of State	800	4,500	7,600	4,500	7,600
Other Operating Expenditures	955,000	1,036,700	1,071,700	1,086,600	1,134,900
Equipment	27,500	10,000	0	1,700	0
<b>OPERATING SUBTOTAL</b>	<b>5,288,100</b>	<b>5,595,000</b>	<b>6,162,000</b>	<b>6,149,100</b>	<b>6,137,600</b>
<b>SPECIAL LINE ITEMS</b>					
Special Recruitment	12,600	43,500	43,500	43,500	43,500
Personnel Automation Project	175,000	175,000	175,000	175,000	175,000
Classification Project	439,400	0	0	0	0
Federal Reversion	0	0	530,000	0	0
HRMS Data Center Services	0	1,062,700	1,062,700	1,062,700	1,062,700
<b>PROGRAM TOTAL</b>	<b>5,915,100</b>	<b>6,876,200</b>	<b>7,973,200</b>	<b>7,430,300</b>	<b>7,418,800</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	5,915,100	6,876,200	7,973,200	7,430,300	7,418,800
Other Non-Appropriated Funds	213,082,500	222,405,900	230,920,900	230,920,900	230,920,900
<b>TOTAL - ALL SOURCES</b>	<b>218,997,600</b>	<b>229,282,100</b>	<b>238,894,100</b>	<b>238,351,200</b>	<b>238,339,700</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
Other Appropriated Funds	\$542,600	7.9%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Hiring Supervision Satisfaction With Quality of Candidates (1 Unsatisfied - 5 Satisfied)	4.0	4.5

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
 Pay Annualization **\$ 80,800 OF**  
 ERE Rates **13,500 OF**

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

**Risk Management** 19,600 OF  
**Rent** 50,100 OF  
**Eliminate One-time Equipment** (10,000) OF

### **Pre-Employment Exams** 388,600 OF

The recommended amount includes 3.5 FTE Positions and an increase of \$388,600 to transfer funding for pre-employment medical exams and associated tests from the Health Insurance Trust Fund (HITF) to the Personnel Fund. This function is not related to employee health insurance, so should not be funded from the HITF. The pre-employment exams are used for jobs with strenuous physical requirements to screen out applicants unable to perform a job safely. They are also used to identify necessary physical accommodations (such as those required by the Americans with Disabilities Act). Since implementation of the program in 1989, Workers' Compensation claims for individuals tested prior to employment have been 11% fewer in number and 24% less costly than for untested employees. The Executive basically concurs, recommending 3.5 FTE Positions and \$405,700.

### **HRMS Data Center Services** -0- OF

The recommended amount transfers half of the cost of a manager and a secretary from the General Fund in the Information Services cost center to the Personnel Fund in this cost center. These positions perform Data Center services for both the Human Resources Management System (HRMS) and the Arizona Financial Information System (AFIS). The other half of the cost is transferred to the Central Operations cost center, which funds AFIS Data Center charges. The Executive recommends an increase of \$46,700 for this transfer, while the JLBC Staff recommends that this amount be absorbed within the base funding.

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**JLBC Staff Recommended Format** — Lump Sum by Fund for the Program

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

#### **Supplemental Appropriation**

The JLBC Staff recommends a FY 1997 supplemental appropriation of \$513,600 from the General Fund to reimburse the federal government for its share of monies reverted from the Personnel Fund to the General Fund. Since the federal government participates in payments to the Personnel Fund, recent federal audits have concluded that the state must reimburse the proportionate federal contribution when reverting excess monies to the General Fund. The recommended amount includes \$127,074 for FY 1992, \$343,388 for FY 1995, and approximately \$43,100 for interest. The Executive concurs. To prevent the need for future supplemental appropriations, the department plans to introduce legislation to allow it to reimburse the federal share

concurrently with any reverts from the Personnel Fund to the General Fund.

#### **Classification Project**

Since FY 1994, the Classification Project Special Line Item appropriation has provided total expenditure authority of \$1,343,500 to enable the department to design a new job classification system for the Arizona Department of Administration (ADOA) personnel system. The appropriations included \$300,000 as a non-lapsing supplemental appropriation in FY 1994, \$604,000 in FY 1995 (actual expenditures from a \$702,600 appropriation), and \$439,500 in FY 1996 (actual expenditures from a \$426,900 appropriation).

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

Pursuant to a footnote in the General Appropriation Act, in November 1994 ADOA reported on its Classification Project for the review and advice of the Joint Legislative Budget Committee (required prior to expenditure of the FY 1995 appropriation). The Committee adopted a motion that the Request for Proposal issued by the department be amended to require that the contractor present implementation and funding options and associated time tables, including a "zero net increase" cost option. The Executive branch has not yet presented implementation and funding options to the Legislature, but continues to study personnel system reform options.

**AHCCCS  
(AHC)**

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Arizona Health Care Cost Containment System  
Agency Summary

JLBC: Jeffrey Schmied/Lisa Cotter  
House Sub: Weiers

OSP: Shelli Silver  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSP	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	99,317,000	103,346,700	105,014,700	99,336,700	100,729,500
Long-Term Care	359,261,800	412,757,300	442,347,400	447,801,200	447,214,000
Acute Care	1,067,553,700	1,191,110,100	1,318,934,400	1,345,498,600	1,326,772,000
<b>AGENCY TOTAL</b>	<b>1,526,132,500</b>	<b>1,707,214,100</b>	<b>1,866,296,500</b>	<b>1,892,636,500</b>	<b>1,874,715,500</b>

**OPERATING BUDGET**

Full Time Equivalent Positions	2,197.4	2,209.7	2,209.7	2,209.7	2,259.2
Personal Services	27,071,900	28,129,300	28,672,500	28,832,800	28,835,300
Employee Related Expenditures	6,368,100	6,541,000	7,626,900	6,959,200	6,841,500
All Other Operating Expenditures:					
Professional and Outside Services	6,920,300	7,518,700	7,413,700	7,414,100	7,413,700
Travel - In State	198,000	262,900	262,900	262,900	262,900
Travel - Out of State	42,500	70,000	70,000	70,000	70,000
Other Operating Expenditures	12,657,900	12,245,300	11,474,600	10,803,800	10,618,400
Equipment	1,891,400	2,086,600	1,945,000	1,626,900	1,702,600
<b>OPERATING SUBTOTAL</b>	<b>55,150,100</b>	<b>56,853,800</b>	<b>57,465,600</b>	<b>55,969,700</b>	<b>55,744,400</b>
Special Line Items	1,470,982,400	1,650,360,300	1,808,830,900	1,836,666,800	1,818,971,100
<b>AGENCY TOTAL</b>	<b>1,526,132,500</b>	<b>1,707,214,100</b>	<b>1,866,296,500</b>	<b>1,892,636,500</b>	<b>1,874,715,500</b>

**BY FUND SOURCE**

General Fund	420,814,000	479,038,300	478,336,300	506,552,200	513,492,400
Federal Funds	913,768,400	999,025,600	1,091,938,800	1,123,978,900	1,116,425,300
County Funds	186,853,400	207,606,200	220,141,300	221,729,100	220,597,300
Third Party Collections	4,696,700	5,000,000	5,000,000	5,000,000	5,000,000
Tobacco Tax Funds	0	16,544,000	70,880,100	35,376,300	19,200,500
<b>TOTAL - ALL SOURCES</b>	<b>1,526,132,500</b>	<b>1,707,214,100</b>	<b>1,866,296,500</b>	<b>1,892,636,500</b>	<b>1,874,715,500</b>

**Agency Description** — *The Arizona Health Care Cost Containment System, or (AHCCCS), is Arizona's alternative to a traditional fee for service Medicaid system. Started in 1982, AHCCCS operates on a health maintenance organization model in which contracted providers receive a predetermined monthly capitation payment for the medical services cost of enrolled members. AHCCCS members gain eligibility through a variety of federal and state programs. 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, a Medicaid program that provides long-term nursing care in nursing facilities or home and community based settings.*



**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$34,454,100	7.2%
Federal Funds	117,399,700	11.8
County Funds	12,991,100	6.3
Tobacco Tax Funds	2,656,500	16.1
<b>Total Funds</b>	<b>\$167,501,400</b>	<b>9.8%</b>

Performance Measure	FY 96 Actual	FY 97 Estimate
% of Customer Satisfaction	90.0	90.0

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$1,460,900 TF	\$701,800 GF
ERE Rates	196,100 TF	98,900 GF
Risk Management	(94,300) TF	(23,700) GF
Rent	(992,500) TF	(548,900) GF
Eliminate One-time Equipment	(2,086,600) TF	(1,120,200) GF

**ADMINISTRATION**

Reduction of Operating Expenditures	(847,300) TF	(344,900) GF
Data Center Charges	(3,509,200) TF	(1,728,900) GF
Fund Source Adjustment	-0- TF	1,519,400 GF
ALTCS Eligibility	633,400 TF	316,700 GF
PAR - CMDP	1,619,500 TF	465,500 GF
Nursing Care Audits	(105,000) TF	(57,000) GF
DES MEDICS	(8,600) TF	(13,800) GF
DHS Licensure	(122,300) TF	42,600 GF
DHS Indirect Costs	(137,700) TF	(42,600) GF
Equipment	1,376,400 TF	739,500 GF

**LONG-TERM CARE**

ALTCS Lump Sum Appropriation	35,456,700 TF	12,991,100 CF
Eliminate One-time Additional Appropriation	(1,000,000) TF	(1,000,000) GF

**ACUTE CARE**

FY 1997 Estimated Acute Care Variance	11,202,100 TF	(6,613,000) GF
Demographic Change	18,449,400 TF	5,072,700 GF
Medical Inflation and Capitation Rate Increase	36,957,700 TF	15,937,400 GF
Elimination of \$10 M Reduction on		

State-Only Hospital Bills	-0- TF	10,000,000 GF
Continue Phase-Down of Quick Pay Discount	9,181,400 TF	-0- GF
Disproportionate Share Payments	30,240,500 TF	11,074,900 GF
Medicare Premiums Qualified Medicare Beneficiaries (QMBs)	2,877,500 TF	946,300 GF
PAR - CMDP	574,300 TF	186,500 GF
Prenatal/Postpartum Services for ESP Recipients	10,711,900 TF	2,794,900 GF
Maternity Length of Stay	(3,950,000) TF	(3,950,000) GF
HIV/AIDS Treatment	12,761,200 TF	-0- GF
	6,655,900 TF	-0- GF

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

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Arizona Health Care Cost Containment System  
 PROG: Administration

JLBC: Jeffrey Schmied/Lisa Cotter  
 House Sub: Weiers

OSPB: Shelli Silver  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	2,197.4	2,209.7	2,209.7	2,209.7	2,259.2
Personal Services	27,071,900	28,129,300	28,672,500	28,832,800	28,835,300
Employee Related Expenditures	6,368,100	6,541,000	7,626,900	6,959,200	6,841,500
All Other Operating Expenditures:					
Professional and Outside Services	6,920,300	7,518,700	7,413,700	7,414,100	7,413,700
Travel - In State	198,000	262,900	262,900	262,900	262,900
Travel - Out of State	42,500	70,000	70,000	70,000	70,000
Other Operating Expenditures	12,657,900	12,245,300	11,474,600	10,803,800	10,618,400
Equipment	1,891,400	2,086,600	1,945,000	1,626,900	1,702,600
<b>OPERATING SUBTOTAL</b>	<b>55,150,100</b>	<b>56,853,800</b>	<b>57,465,600</b>	<b>55,969,700</b>	<b>55,744,400</b>
<b>SPECIAL LINE ITEMS</b>					
DOA Data Center	6,081,400	7,247,100	7,746,600	3,737,900	3,737,900
Indian Advisory Council	173,300	193,700	196,400	198,800	199,000
DES Eligibility	36,280,800	36,824,200	37,629,600	37,470,600	37,460,400
DES DDSA	149,400	202,400	205,600	200,800	203,200
DES PASARR	64,200	204,200	207,100	201,600	202,200
DES MEDICS	1,062,500	369,400	360,800	360,800	360,800
DHS Licensure	185,400	866,900	754,400	748,700	754,400
DHS PASARR	126,500	210,800	212,100	211,300	211,200
DHS Indirect Costs	43,400	374,200	236,500	236,500	236,500
Comprehensive Medical and Dental Program	0	0	0	0	1,619,500
<b>PROGRAM TOTAL</b>	<b>99,317,000</b>	<b>103,346,700</b>	<b>105,014,700</b>	<b>99,336,700</b>	<b>100,729,500</b>
<b>BY FUND SOURCE</b>					
General Fund	47,719,400	48,340,900	48,638,900	48,090,800	48,345,300
Federal Funds	51,597,600	55,005,800	56,375,800	51,245,900	52,384,200
<b>TOTAL - ALL SOURCES</b>	<b>99,317,000</b>	<b>103,346,700</b>	<b>105,014,700</b>	<b>99,336,700</b>	<b>100,729,500</b>

**Program Description** — Administration responsibilities related to health plan contracting include rate negotiations, health plan auditing and financial oversight, and assisting with the formulation of new health plans. Other major Administration responsibilities include the development and maintenance of the management information system, adjudicating provider or eligibility grievances, policy development and research, and agency finance and accounting. Additionally, the Administration performs eligibility determinations for the Arizona Long-Term Care System and for SSI Pickle 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.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$4,400	0.0%
Federal Funds	(2,621,600)	(4.8)%
Total Funds	\$(2,617,200)	(2.5)%

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$1,460,900 TF	\$701,800 GF
ERE Rates	196,100 TF	98,900 GF
Risk Management	(94,300) TF	(23,700) GF
Rent	(992,500) TF	(548,900) GF
Eliminate One-time Equipment	(2,086,600) TF	(1,120,200) GF

**Reduction of**

**Operating Expenditures** (847,300) TF (344,900) GF  
 The JLBC Staff recommends a decrease of \$(344,900) GF and \$(847,300) TF in Other Operating Expenditures due to anticipated reductions in postage, telephone services, maintenance contracts and operating supplies. The Executive concurs with the reduction at a higher amount.

**Data Center Charges** (3,509,200) TF (1,728,900) GF  
 The JLBC Staff recommends a decrease of \$(1,728,900) GF and \$(3,509,200) TF for the Arizona Department of Administration (ADOA) Data Center Special Line Item. Usage of the Data Center continues to increase due to an increasing number of on-line agency users and expanded storage needs. The net decrease is a result of the ADOA reducing its rates for FY 1998. The Executive concurs.

**Fund Source Adjustment** -0- TF 1,519,400 GF  
 The JLBC Staff recommends an increase of \$1,519,400 GF to correct a historically inaccurate fund source proportion between state and federal monies for the Administration program. The amount of state funds needed to draw down Federal Funds is determined by the federal government and varies according to specific program. Additionally, the federal level of participation may be further reduced because the AHCCCS Medically Needy/Medically Indigent program is funded exclusively with state funds. An inappropriate level of state participation to draw down Federal Funds means the Administration loses federal dollars and as a result, cannot spend up to its Total Fund appropriation. The state participation shortfall began in FY 1995 as state-only program costs decreased and technology projects that were funded at a greater percentage by the federal government were completed. Fortunately, the Administration was able to transfer money from other programs to alleviate the shortfall in past fiscal years.

State Participation	FY 1995	FY 1996	FY 1997
Actual	48.80%	47.82%	48.17%
Appropriated	43.36%	45.13%	45.17%

The JLBC Staff recommends correcting the fund source proportion in FY 1998 by utilizing the expected Administration expenditure plan for FY 1997. This change results in a state participation rate of 47.83%. The Executive concurs in a differing amount.

**ALTCS Eligibility Determination**

**633,400 TF 316,700 GF**  
 The JLBC Staff recommends \$160,100 GF and \$321,000 TF for the automation of the ALTCS Pre-Admission Screen (PAS) assessment. ALTCS applicants are required to have an initial medical eligibility assessment in addition to a financial eligibility determination. In this capacity the PAS assists in controlling ALTCS costs by ensuring that persons are medically eligible for the program. The automation of the screening tool will decrease the amount of time needed to determine eligibility by eliminating duplicative data entry resulting in reduced fee-for-service costs. Currently, the PAS is recorded by hand and later entered into the system by clerical staff. Fee-for-service costs are incurred while an applicant is awaiting eligibility approval. Once approved, the member can be enrolled with a Program Contractor at a significantly lower capitated rate.

The recommendation also includes \$156,600 GF and \$312,400 TF for an additional ALTCS field office in Phoenix. The amount includes one-time costs of \$124,900 and annual rent, utilities and maintenance of \$187,500. The increased space is recommended to accommodate a portion of the additional 92 staff appropriated to the Member Services Division since FY 1994. The Executive does not recommend this change.

Performance Measure	FY 96 Actual	FY 97 Estimate
% of ALTCS Eligibility Accuracy as Measured by Quality Control Sample	95	95

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

### 1 Program Authorization Review —

#### Comprehensive Medical and Dental

Program 1,619,500 TF 465,500 GF

The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Comprehensive Medical and Dental Program (CMDP) during the last year. As a result of that review, the JLBC Staff recommends modifying the program.

CMDP is the program through which foster children receive medical, dental and behavioral health services. The PAR found that the mission of CMDP fits better with AHCCCS's agency mission than it does with DES's agency mission.

The JLBC Staff recommends the program be moved to AHCCCS in its current form. In other words, the program will remain a fee-for-service medical program and remain as a separate program in AHCCCS. Although savings may exist, the JLBC Staff recommends the program retain the savings and develop a better dental provider network as well as improving other aspects of its services.

The transfer to AHCCCS includes 15 GF and 49.5 TF FTE Positions and \$465,500 GF and \$1,619,500 TF in the Operating Budget. Additional funds are recommended to be transferred to the AHCCCS Acute Care program for services. The Executive does not recommend this change.

#### Nursing Care

Institution Audits (105,000) TF (57,000) GF

The JLBC Staff recommends a decrease of \$(57,000) GF and \$(105,000) TF in Professional and Outside Services due to improvements in on-time billing associated with financial audits of Title XIX long-term care nursing facilities. AHCCCS Administration has the capacity to contract for financial audits of 1/3 of its nursing care providers each year. The Executive concurs.

#### DES MEDICS

(8,600) TF (13,800) GF

The JLBC Staff recommends a decrease of \$(13,800) GF and \$(8,600) TF for the scheduled lease-purchase payment for hardware associated with the Medical Eligibility Determinations and Information Control System (MEDICS.) The lease-purchase is expected to be complete in FY 2000. The Executive concurs.

#### DHS Licensure

(122,300) TF 42,600 GF

The JLBC Staff recommends an increase of \$42,600 GF and a decrease of \$(122,300) TF for DHS Licensure. The recommendation provides funding for Medicaid certification of Behavioral Health facilities. An overall Total and Federal Funds decrease is the result of a realignment of funding sources necessary to draw down the appropriate amount of Federal Funds. The Executive recommends transferring the necessary funds from the DHS Assurance and Licensure Division.

DHS Indirect Costs (137,700) TF (42,600) GF

The JLBC Staff recommends a decrease of \$(42,600) GF and \$(137,700) TF for indirect costs associated with licensing and inspection of Title XIX-certified nursing care facilities. The decrease is a result of a 31% decrease in the indirect cost rate. The Executive concurs.

Equipment 1,376,400 TF 739,500 GF

The JLBC Staff recommends an increase of \$739,500 GF and \$1,376,400 TF for Equipment (\$805,400 TF in replacement equipment and \$571,000 TF in new equipment.) Included in replacement equipment are 8 alternative fuel vehicles exceeding 5 years usage, 11 file servers and 23 printers. New equipment includes funding for contingency planning hardware required by federal Health Care Financing Administration (HCFA), a financial software package and 2 communications servers to facilitate telecommuting.

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

#### JLBC Staff Recommended Footnotes

##### Standard Footnotes

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

Of the \$100,729,000 expenditure authority for Administration, \$48,345,300 is appropriated from the State General Fund.

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.

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.

##### Deletion of Prior Year Footnotes

The JLBC Staff recommends the deletion of 2 technical footnotes involving fund sourcing.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

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

JLBC: Jeffrey Schmied/Lisa Cotter  
 House Sub: Weiers

OSPB: Shelli Silver  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0	0.0	0.0
<b>SPECIAL LINE ITEMS</b>					
ALTCS Lump Sum Appropriation	359,106,700	411,547,600	442,137,700	447,591,500	447,004,300
Board of Nursing	155,100	209,700	209,700	209,700	209,700
Additional Appropriations	0	1,000,000	0	0	0
<b>PROGRAM TOTAL</b>	<b>359,261,800</b>	<b>412,757,300</b>	<b>442,347,400</b>	<b>447,801,200</b>	<b>447,214,000</b>
<b>BY FUND SOURCE</b>					
General Fund	0	1,000,000	0	0	0
Federal Funds	238,944,600	270,840,600	288,895,600	292,761,600	293,306,200
County Funds	120,163,900	140,916,700	153,451,800	155,039,600	153,907,800
Third Party Collections	153,300	0	0	0	0
<b>TOTAL - ALL SOURCES</b>	<b>359,261,800</b>	<b>412,757,300</b>	<b>442,347,400</b>	<b>447,801,200</b>	<b>447,214,000</b>

**Program Description** — *The Arizona Long-Term Care System (ALTCS) was established in 1989 to provide federal Medicaid long-term care services to persons meeting federally prescribed income and resources standards and at risk of being institutionalized. ALTCS program costs are funded entirely with county and federal dollars, while the non-federal share of the administrative cost of ALTCS is borne by the state. The AHCCCS Administration conducts ALTCS eligibility 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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$(1,000,000)	(100.0)%
County Funds	12,991,100	9.2 %
Federal Funds	22,465,600	8.3 %
<b>Total Funds</b>	<b>\$34,456,700</b>	<b>8.3 %</b>

Performance Measure	FY 96	FY 97
	Actual	Estimate
% of Customer Satisfaction	90	90

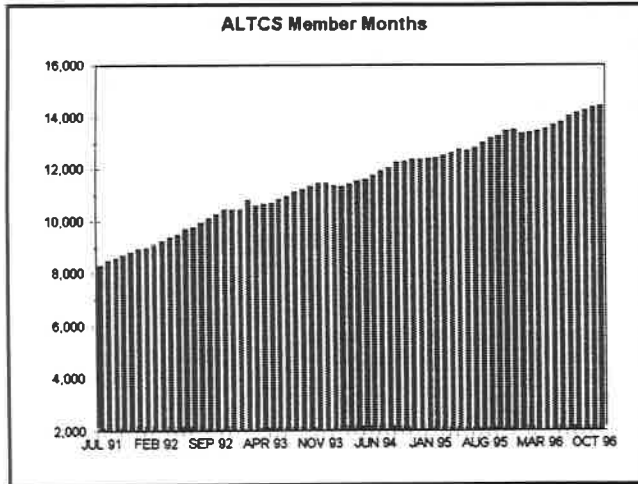
inflation for the remainder of the year. The FY 1998 estimate reflects 3.25% medical inflation for an average per member per month cost of \$2,339, which includes the cost of Capitation, Fee-For-Service, Reinsurance, Medicare Premiums and Nurse Aid Training costs.

**FY 1998 — Recommended Changes from FY 1997**

**ALTCS Lump Sum Appropriation**      **35,456,700 TF**      **12,991,100 CF**  
 The JLBC Staff recommendation is based on 15,835 average annual member years and 9% population growth over the Staff's revised FY 1997 estimate. The revised FY 1997 estimate includes projected growth of 8.5% and 3% medical

The enrollment for the ALTCS program has grown steadily at the 8% to 9% range for the last few years. The following graph displays the growth in ALTCS enrollment since 1991.

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Medical inflation, or cost per client, has fluctuated over the life of the program due to increased utilization of home-and-community-based services (HCBS). Placements into HCBS are currently capped by the Health Care Financing Administration at 40% of program enrollment. Statewide, the actual enrollment is approximately 36%. Once the cap is reached, the overall cost per client may cease to decline.

The JLBC Staff recommendation would require a county Long-Term Care contribution of \$153,907,800 for FY 1998 which is an increase of \$12,991,100, or 9.2% over the FY

1997 appropriation. The increase is attributable to 9% population growth, 3.25% medical inflation, a reduction in the federal matching percentage and other factors. In accordance with Laws 1993, Chapter 184 (H.B. 2160), the county Long-Term contribution shall be specified in the General Appropriation Act. The amount will be collected through the withholding of sales tax distributions by the county-by-county percentages set forth in Chapter 184.

Prior to FY 1989, the counties had sole responsibility for funding Long-Term Care services and eligibility determination. Laws 1988, Chapter 302 created the AHCCCS ALTCS program. The new program made possible the acquisition of Federal Funds to assist in providing Long-Term Care services. The counties continued to be responsible for the state share of these costs. The following table displays the history of county contributions for the AHCCCS ALTCS program. By adding the county Acute Care contribution and comparing to the total state and county expenditures, we arrive at the county share. Although, as previously noted, the county ALTCS share is expected to increase by 9.2%, the JLBC Staff is recommending that the county Acute Care contribution be held constant at \$66,689,500. Thus, the total county share of AHCCCS costs is projected to increase by just 6.3%, which compares favorably to the state's increase of 7.2% and the federal government's increase of 11.8%. Consequently, the county share of total non-federal costs declines from 31.8% to 31.3%.

Fiscal Years	County Acute Care	County ALTCS <sup>1/</sup>	Subtotal	State Acute Care	State & County Total	County Share
			County Acute & ALTCS			
(in millions)						
1984	\$63.1	\$0.0	\$63.1	\$76.2	\$139.2	45.3%
1985	63.1	0.0	63.1	117.1	180.2	35.0
1986	61.8	0.0	61.8	132.4	194.2	31.8
1987	58.4	0.0	58.4	117.5	175.9	33.2
1988	58.4	0.0	58.4	170.3	228.7	25.5
1989	58.4	19.7	78.1	216.3	294.4	26.5
1990	58.4	59.9	118.3	228.7	346.9	34.1
1991	58.4	88.0	146.4	292.5	438.9	33.4
1992	65.1	87.5	152.6	380.0	532.6	28.7
1993	65.1	86.6	151.6	439.3 <sup>2/</sup>	591.0	25.7
1994	77.9	85.2	163.1	428.1 <sup>2/</sup>	591.2	27.6
1995	74.1	102.8 <sup>2/</sup>	176.9	430.4 <sup>2/</sup>	607.3	29.1
1996	66.7	126.2	192.9	385.6 <sup>4/</sup>	578.5	33.3
1997	66.7	140.9	207.6	446.2 <sup>4/</sup>	653.8	31.8
1998	66.7	153.9	220.6	484.3 <sup>4/</sup>	704.9	31.3

<sup>1/</sup> Amounts shown are net of refunds and waived payments.  
<sup>2/</sup> Amount shown does not reflect \$9,347,800 accounting error in June 1995. County Contribution should be decreased and State share increased by \$9,347,800.  
<sup>3/</sup> Includes Administrative Adjustments to date.  
<sup>4/</sup> Includes \$16,544,000 of Tobacco Tax Funds in FY 1997 and \$19,200,500 in FY 1998 for comparability.

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It is important to note that the amounts shown for ALTCS do not include expenditures for the Developmental Disabilities (DD) program as the DD portion of the ALTCS program is administered by the Department of Economic Security. Since the inception of the program, the State General Fund has provided the entire state share of matching funds necessary for the ALTCS DD program. The General Fund share of this program has increased from \$11,500,000 in FY 1989 to \$55,800,000 in FY 1997.

overpayment, the debt has been recorded as a receivable and included in the JLBC Staff's FY 1997 revenue forecast. The Executive has recommended the Legislature take appropriate action to forgive the entire amount of the debt.

The Executive recommends an increase of \$35,043,900 TF. This would require a county Long-Term Care contribution of \$155,039,600 for FY 1998. The Executive uses a population growth factor of 6.16% for FY 1998, coupled with a 3.61% medical inflation rate.

### **Eliminate One-time Additional**

Appropriation	(1,000,000) TF	(1,000,000) CF
The JLBC Staff recommends the removal of \$(1,000,000) provided to assist certain counties with Long-Term Care contributions in FY 1997. Laws 1996, Chapter 312 provided the one-time General Fund appropriation of \$481,722 to Pinal County, \$434,002 to Gila County, \$45,737 to Santa Cruz County and \$38,539 to Cochise County.		

\* \* \*

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

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

Pursuant to A.R.S. § 11-292B, the FY 1997-1998 non-federal portion of the costs of providing Long-Term Care System services is \$153,907,800.

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.

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

#### **June 1995 County Withhold**

The county contribution for the ALTCS program normally is made monthly through withholding the appropriate amount from their shared sales tax distribution. Due to a misinterpretation of accounting records, the June 1995 county ALTCS payment was not made and the General Fund supplied the necessary funds. The result was a \$9,347,800 overpayment to the counties through the shared sales tax distribution and a \$9,347,800 ALTCS payment by the General Fund. The Executive is under statutory obligation to make the General Fund whole and therefore must recover the \$9,347,800 unless legislative action is taken to forgive the debt to the state. Since the state is obligated to recover the

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

JLBC: Jeffrey Schmied/Lisa Cotter  
 House Sub: Weiers

OSPB: Shelli Silver  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0	0.0	0.0
<b>SPECIAL LINE ITEMS</b>					
Capitation	722,140,600	769,668,300	845,947,800	835,122,600	823,443,500
Fee-For-Service	208,398,200	250,588,400	299,395,000	300,181,700	286,493,300
Reinsurance	12,160,300	34,839,200	35,261,000	39,506,400	39,455,400
Medicare Premiums	17,893,900	14,224,000	19,818,100	21,651,600	17,658,400
Qualified Medicare Beneficiaries	3,809,000	7,603,300	4,325,600	4,608,900	4,582,100
Disproportionate Share Payments	100,651,700	114,186,900	114,186,900	144,427,400	144,427,400
Temporary Assistance to Counties	2,500,000	0	0	0	0
Comprehensive Medical and Dental Program	0	0	0	0	10,711,900
<b>PROGRAM TOTAL</b>	<b>1,067,553,700</b>	<b>1,191,110,100</b>	<b>1,318,934,400</b>	<b>1,345,498,600</b>	<b>1,326,772,000</b>
<b>BY FUND SOURCE</b>					
General Fund	373,094,600	429,697,400	429,697,400	458,461,400	465,147,100
Federal Funds	623,226,200	673,179,200	746,667,400	779,971,400	770,734,900
County Funds	66,689,500	66,689,500	66,689,500	66,689,500	66,689,500
Third Party Collections	4,543,400	5,000,000	5,000,000	5,000,000	5,000,000
Tobacco Tax Funds	0	16,544,000	70,880,100	35,376,300	19,200,500
<b>TOTAL - ALL SOURCES</b>	<b>1,067,553,700</b>	<b>1,191,110,100</b>	<b>1,318,934,400</b>	<b>1,345,498,600</b>	<b>1,326,772,000</b>

**Program Description** — *The AHCCCS Acute Care Program is the medical services component of Arizona's Medicaid Demonstration Project. The program is based on prepaid monthly capitation payments to contracted providers for the full range of authorized medical services 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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$35,449,700	8.2%
Federal Funds	97,555,700	14.5%
Tobacco Tax Funds	2,656,500	16.1%
<b>Total Funds</b>	<b>\$135,661,900</b>	<b>11.4%</b>



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Performance Measure	FY 96	FY 97
	Actual	Estimate
% of Health Plans and Program Contractors That Meet Refined AHCCCS Provider Network Standards	N/A	85

**FY 1998 — Recommended Changes from FY 1997**

**FY 1997 Estimated Acute**

**Care Variance**                      **11,202,100 TF**              **(6,613,000) GF**

The JLBC Staff is estimating General Fund expenditures for the Acute Care program to be \$(6,613,000) less than the FY 1997 appropriation. This surplus is due primarily to lower than projected Reinsurance expenditures. A relatively minor surplus in Qualified Medicare Beneficiary expenditures is expected to be offset by a projected deficit in Capitation expenditures. The increase in Capitation expenditures can be attributed to a 7.6% capitation rate increase for the major state-only population category (MN/MI.) Several factors are expected to contribute to an overall Total Funds deficit of \$11,202,100 over the FY 1997 appropriation. Indian Health Service (IHS) Facilities charges increased by 55% beginning in FY 1997. IHS Facilities expenditures are funded entirely with Federal Funds and therefore affect only the Federal and Total Funds amounts. Also contributing, Fee-For-Service inpatient hospital rates increased by 6.4% as result of an annual AHCCCS evaluation required by law. This adjustment affects both Federal and General Fund expenditures and is expected to diminish any surplus expected in the Fee-For-Service expenditure line. The Estimated Acute Care Variance adjustment is shown so that the following amounts accurately reflect the amounts of cost increases or decreases associated with FY 1998 estimates. The Executive projects a slight General Fund surplus for FY 1997.

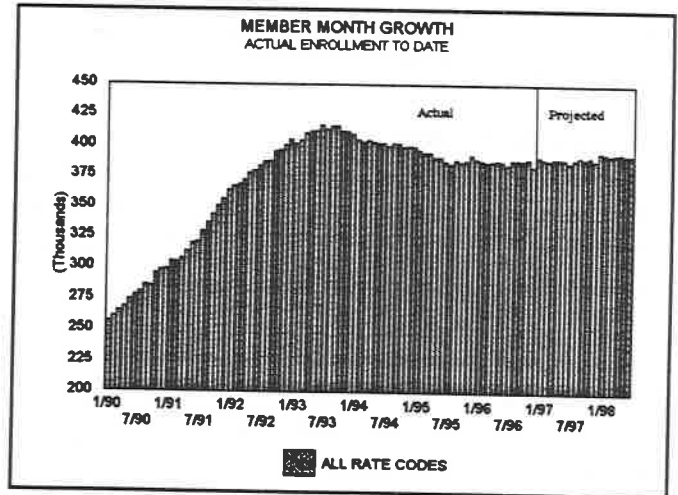
**Demographic, Inflationary and Capitation**

**Rate Increases**                      **55,407,100 TF**              **21,010,100 GF**

The JLBC Staff recommends a \$21,010,100 GF and \$55,407,100 TF increase in Capitation, Fee-For-Service and Reinsurance. These estimates reflect demographic and inflationary increases for those AHCCCS members enrolled in capitated health plans, and other populations whose services are paid on a fee-for-service basis. Such populations include Native Americans served by Indian Health Services facilities or referred off-reservation, and persons eligible for only emergency services coverage.

The JLBC Staff recommendation includes 3% per member per month cost growth for FY 1998 for Fee-For-Service and Reinsurance. Monthly capitation rates are determined through a competitive bid process with AHCCCS typically awarding 2 or 3-year Acute Care contracts. FY 1998 is a bid procurement year and capitation rates are subject to the most

change. The JLBC Staff recommendation allows for a combined average enrollment and capitation rate increase of 4.6% across all rate codes.



Using a combination of demographic changes and medical inflation, the Executive recommends an increase of approximately \$21,700,000 GF and \$64,800,000 TF for Capitation, Fee-For-Service and Reinsurance.

**Elimination of \$10,000,000 Reduction**

**on State-Only Hospital Bills**              **-0- TF**              **10,000,000 GF**

The JLBC Staff recommendation assumes the elimination of the \$10,000,000 reduction in private hospital reimbursement on state-only (MN/MI) bills continues for FY 1998. The elimination of the reduction was funded with Tobacco Tax monies in FY 1997 but the JLBC Staff recommends using the General Fund to pay for the reimbursement in FY 1998. The JLBC Staff believes the General Fund to be a more appropriate funding source than the Tobacco Tax Fund for this continuing obligation that existed prior to the new Tobacco Tax being approved. This shift will also prevent Tobacco Tax expenditures from exceeding Tobacco Tax revenues. (See Tobacco Tax discussion in Other Issues for Legislative Consideration.) The Executive does not recommend this change.

**Continue Phase-Down of Quick**

**Pay Discount**                              **9,181,400 TF**              **-0- GF**

The JLBC Staff recommends continuing the phase-down of the "Quick Pay Discount" for FY 1998 (8% state-only; 1% federal), resulting in an additional cost of \$9,181,400 TF. The JLBC Staff also recommends that the state share of this cost, \$3,456,000, be funded from the Tobacco Tax Fund. This quick pay discount is a reduction in the reimbursement for bills paid "quickly" by AHCCCS (within 30 days of receipt.) The quick pay discount for state-only reimbursement is being lowered by 1% each year until reaching 1% in 2005. On March 1, 1998, the state-only rate

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will be lowered to 8%. The rate was previously as high as 10%.

The federal reimbursement is being lowered from 3% on October 1, 1997 to 1%. No further reductions are planned. The rate was previously as high as 6%. The state share of the FY 1997 quick pay phase-down was funded with \$4,522,000 in Tobacco Tax monies; the JLBC Staff recommendation assumes that those funds will continue to be used in FY 1998. In total, the use of Tobacco Tax monies for the quick pay phase-downs will equal \$7,978,800. The Executive concurs. The JLBC Staff recommends that the session law provision allowing use of Tobacco Tax monies for these purposes be continued.

### **County Acute Care Contribution -0- TF -0- GF**

The JLBC Staff recommendation maintains the county contribution to the Acute Care program at the current year level of \$66,689,500. Under this recommendation, the state would bear a state match increase of \$38,106,200 for Acute Care (General Fund and Tobacco Tax Funds), while the counties would continue to bear the increase in ALTCS which is estimated to be \$12,991,100 for FY 1998 (See AHCCCS ALTCS cost center for an expanded analysis of county contributions.) The Executive concurs. The county contribution is set annually in a session law provision in the Omnibus Reconciliation Bill.

### **Change in the Federal Medical**

#### **Assistance Percentage (FMAP) -0- TF -0- GF**

The JLBC Staff recommends an increase of \$2,123,800 state match for a change in the federal matching rate known as the FMAP. This rate is based on a relationship between a 3-year "moving average" for Arizona per capita income and national average per capita income. For federal FY 1998, Arizona's FMAP is estimated to decrease from 65.53% to 65.33%, producing a state match increase. The JLBC Staff recommends using Tobacco Tax Funds to support the resulting loss of federal matching funds. The state share of this cost was funded with \$2,021,200 in Tobacco Tax monies in FY 1997; the JLBC Staff recommendation assumes those funds will continue to be used in FY 1998. In total, the use of Tobacco Tax monies to fund the state share of the change in the FMAP will equal \$4,145,000. The Executive concurs at a cost to the state of \$3,187,800. The JLBC Staff recommends that the session law provision allowing use of Tobacco Tax monies for these purposes be continued.

### **Disproportionate Share**

#### **Payments 30,240,500 TF 11,074,900 GF**

The JLBC Staff recommendation includes increased funding of \$11,074,900 GF and \$30,240,500 TF for a change in the amount of disproportionate share money estimated by AHCCCS. The amount reflects the difference between the expected FY 1998 award and the appropriated FY 1997 amount. The JLBC Staff estimates the FY 1997 award will

be higher than the appropriated amount by \$8,337,600 GF and \$23,354,200 TF, in which case, a FY 1997 supplemental would be required to draw down the entirety of the award. Based on the expected FY 1997 award, the FY 1998 award is expected to be higher by a further \$2,737,300 GF and \$6,886,300 TF.

Disproportionate Share is a federal Medicaid program for providing supplemental payments to hospitals that serve disproportionately large numbers of low income patients, many of whom may not be able to pay for their care, thus creating large amounts of uncompensated, or charity care, for such hospitals. Payments are based on a share of hospital patient days used by Medicaid-eligible patients, or by a hospital's "low income" utilization rate. States may also make payments to optional state-defined categories of hospitals. In Arizona, these include county and state-operated hospitals and hospitals affiliated with AHCCCS health plans. In addition to hospital payments, this appropriation also provides payments to counties not having county-operated hospitals. These are referred to as county in-lieu payments.

It is important to note that the Disproportionate Share Payment figures are only preliminary and will change. At the end of this program section is a table which shows a simplified depiction of the Disproportionate Share Program since its creation. The Executive concurs. This recommendation requires annual session law language in the Omnibus Reconciliation Bill.

#### **Medicare Premiums 2,877,500 TF 946,300 GF**

The JLBC Staff recommendation includes increased funding of \$946,300 GF and \$2,877,500 TF for Medicare Premiums. This line item represents the purchase of Medicare Part B (supplemental medical insurance) on behalf of those eligible for Medicaid and Medicare Part A (hospital insurance) coverage. This "buy-in" reduces state costs since the federal government, through Medicare, absorbs some costs that otherwise would have been paid by AHCCCS. The recommended increase reflects both population growth and the increased cost of Part B premiums. Included in the recommendation is a reallocation of funds between the Medicare Premiums and Qualified Medicare Beneficiaries line items to more accurately reflect the expenditures. The Executive concurs with the reallocation and recommends an increase of \$2,411,800 GF and 6,870,700 TF.

### **Qualified Medicare**

#### **Beneficiaries (QMBs) 574,300 TF 186,500 GF**

The JLBC Staff recommendation includes \$186,500 GF and \$574,300 TF for the QMBs line item. Federal law requires states to pay Medicare Part A and Part B premiums, deductibles and co-payments for eligible low income Medicare recipients. The recommended amount is based on 5,944 member years and \$64.24 per member per month.

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Included in the recommendation is a reallocation of funds between the Medicare Premiums and Qualified Medicare Beneficiaries line items to more accurately reflect the expenditures. The Executive concurs with the reallocation and recommends an increase of \$217,300 GF and \$601,100 TF.

### **1 Program Authorization Review — Comprehensive Medical and Dental Program**

**Program 10,711,900 TF 2,794,900 GF**

The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Comprehensive Medical and Dental Program (CMDP) during the last year. As a result of that review, the JLBC Staff recommends modifying the program.

CMDP is the program through which foster children receive medical, dental and behavioral health services. The program currently operates as an AHCCCS health plan and receives funds through the Capitation line for payment of services. Additional funds to supplement capitation payments are made available to the program through the DES budget. The PAR found that the mission of CMDP fits better with AHCCCS's agency mission than it does with DES's agency mission.

Under the JLBC recommendation, the program remains a separate Fee-For-Service program within AHCCCS. The transfer includes funding for administration of the program (See AHCCCS Administration cost center for details) and \$2,794,900 GF and \$10,711,900 TF for additional medical services. The Executive does not recommend this change.

### **Prenatal/Postpartum Services for Emergency Services**

**Program Recipients (3,950,000) TF (3,950,000) GF**

The JLBC Staff recommends eliminating coverage of routine prenatal/postpartum services for Federal Emergency Services (FES) eligibles (largely undocumented aliens.) As a result of an April 1996 federal court ruling, HCFA will no longer reimburse AHCCCS for non-emergency prenatal/postpartum care under the FES program. At the Governor's direction, for the remainder of FY 1997, the state and federal share of these costs will be paid with state funds. Approximately 9,600 FES births are expected in FY 1997 at a total cost of \$5,874,700 TF. The JLBC recommendation includes savings of \$(3,950,000) GF and \$(3,950,000) TF from the elimination of these services in FY 1998 (delivery-related hospital costs will remain.) The savings do not include an additional \$1,924,700 TF required for payment of lagging claims received in FY 1998. The Executive concurs with the elimination of the services at a differing savings amount.

### **Maternity Length of Stay 12,761,200 TF -0- GF**

The JLBC Staff recommendation includes funding for expected increases in the length of stay for mothers and infants following birth. In accordance with a new federal

law, health plans may not restrict hospital stays to less than 48 hours following a normal delivery or 96 hours following a caesarean section. Under the law, the length of stay may be shortened if the decision is made by the attending physician in consultation with the mother. The Congressional Budget Office (CBO) estimated the nationwide fiscal impact to the states of the increased length of stay at \$15,000,000 annually. The CBO estimate is based on costs that are not comparable to AHCCCS rates due to the per diem rate system utilized by AHCCCS. In addition, both the CBO and other states agree the cost will be lessened because doctors will still have input as to the length of stay. Nevertheless, CBO has obviously made a gross underestimate of this new mandate. (Note: Under the "Unfunded Federal Mandates" law, a Congressional point-of-order cannot be raised unless statewide costs exceed \$50,000,000.)

The JLBC Staff recommendation assumes that 50% of mothers will stay an additional day after a regular birth and 60% of mothers will require an additional 1, 2 or 3 days after a caesarean section. Since the additional cost results from a change in covered services, the JLBC Staff recommends the state share, \$4,424,300, be funded from the Medically Needy Account of the Tobacco Tax and Health Care Fund. The Executive concurs at a cost to the state of \$9,402,600. This recommendation requires a change in law.

### **HIV/AIDS Treatment 6,655,900 TF -0- GF**

The JLBC Staff recommendation includes funding to provide a specific drug therapy to Title XIX HIV/AIDS recipients. The coverage of these "protease inhibitors" is required by the federal Health Care Financing Administration as a successful means of delaying the progression to AIDS and prolonging life. Since the additional cost results from a change in covered services, the JLBC Staff recommends the state share of the cost, \$2,652,400, be funded from the Medically Needy Account of the Tobacco Tax and Health Care Fund. The Executive concurs. This recommendation requires a change in law.

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

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

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

## **Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

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 \$\_\_\_\_\_, if the disproportionate share payments are less than \$\_\_\_\_\_. For each county that would receive less than \$\_\_\_\_\_ from these in-lieu payments, the system administration shall make an additional in-lieu payment that will provide the county with a total payment of \$\_\_\_\_\_. *(These numbers will be added later when the Disproportionate Share numbers are final.)*

Of the \$1,326,772,000 expenditure authority for Acute Care, \$465,147,100 is appropriated from the State General Fund.

### **JLBC Staff Recommended Statutory Changes**

The JLBC Staff recommends authorizing AHCCCS in FY 1998 to use the Medically Needy Account of the Tobacco Tax and Health Care Fund to continue the quick pay phase-down, replace reduced Federal Funds, fund extended maternity length of stay coverage, and fund a newly required HIV/AIDS treatment.

The JLBC Staff recommends setting the FY 1998 county Acute Care contribution at \$66,689,500, the same level as FY 1997.

The JLBC Staff recommends continuing the annual Omnibus Reconciliation Bill provision of adjusting the upcoming fiscal year's county repayment requirement under the Disproportionate Share Hospital (DSH) program in line with projected federal funding. The JLBC Staff also recommends continuing the provision of extending the county expenditure limit adjustments associated with DSH payments an additional year.

The JLBC Staff recommends authorizing the transfer to the General Fund of excess Arizona State Hospital DSH funds earned in FY 1996 and FY 1997.

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

#### **Options Under TANF**

The federal welfare reform bill enacted August 22, 1996 does not fundamentally restructure Medicaid as it does AFDC, but it has implications for the state regarding AHCCCS eligibility of legal immigrants and a small group of children no longer eligible for Supplemental Security Income (SSI).

The welfare reform bill replaces Aid to Families with Dependent Children (AFDC) with Temporary Assistance to Needy Families (TANF), a block grant to states. Previously, those eligible for AFDC were automatically eligible for Medicaid. This automatic link is severed under the welfare reform bill, but citizens who meet AFDC eligibility criteria as of July 16, 1996 will remain eligible for Medicaid even if

they do not qualify for TANF assistance. In determining AHCCCS categorical eligibility, there may be some administrative changes necessary because of the severing of the automatic link between AFDC and Medicaid.

Prior to the passage of the welfare reform bill, noncitizen legal immigrants in the U.S. were eligible for most public assistance programs. However, with several exceptions, the welfare reform bill makes legal immigrants ineligible for Food Stamps and SSI and gives states the option of excluding most legal immigrants from receiving TANF and Medicaid benefits. The bill treats legal immigrants in the U.S. prior to the passage of the bill and those who arrive after the bill's enactment differently.

Regarding legal immigrants in the country prior to the bill's enactment, the state has the option as of January 1, 1997 of either providing full Medicaid benefits or only providing emergency services. (There are several legal immigrant exceptions for whom the state must provide Medicaid benefits.) AHCCCS's very preliminary estimates show that a maximum of 22,600 people in Arizona would need to have their eligibility redetermined under the immigrant provisions of the welfare bill. Since legal immigrants are no longer eligible for SSI benefits, the state would have to create a new eligibility category if it decided to retain AHCCCS categorical eligibility for legal immigrants who previously qualified for AHCCCS through the SSI program. If the state opts to retain legal immigrants' categorical eligibility, the federal government will continue to pay its share of the costs. If the state opts to deny most legal immigrants categorical eligibility, it could also exclude them from the state-only MN/MI program.

With exceptions, legal immigrants who arrive in the U.S. after the bill's enactment may only receive emergency services (no transplants or prenatal care) for their first 5 years in the country. After the 5-year ban expires, those who have worked 40 qualifying quarters are eligible for full Medicaid benefits and the state has the option of providing full benefits to other legal immigrants as well. If the state opts to include legal immigrants in the AHCCCS categorical program after 5 years, each immigrant's sponsor's income must be "deemed", or included as part of the immigrant's income, when determining eligibility.

The final population who may lose Medicaid eligibility under the welfare reform bill are some children who previously qualified for SSI. The bill narrows the definition of a disabled child eligible for SSI. The Congressional Budget Office (CBO) estimates that 315,000 children nationwide will no longer be eligible for SSI under the new law. Of this group, CBO estimates most will retain Medicaid eligibility because they were born after September 30, 1983 and their incomes fall below the poverty line. Approximately 47,250 children nationwide will lose Medicaid benefits because they

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are adolescents or because their family income is above the federal poverty line.

Pending legislative consideration of these issues during the 1997 session, the FY 1998 JLBC Staff recommendation has retained funding for these populations.

### **Summary of the Tobacco Tax and Health Care Fund**

The JLBC Staff recommends that the level of Tobacco Tax expenditures for on-going programs not exceed the annual level of new Tobacco Tax revenue. The Tobacco Tax is a somewhat uncertain funding source. The goal of numerous tobacco tax programs is to reduce the use of tobacco products. Such a decline would demonstrate success of the program, but obviously reduce Tobacco Tax revenue. As a result, the JLBC Staff believes it would be fiscally imprudent to commit to permanent spending in excess of annual revenue.

In FY 1998, the JLBC Staff projects that both Tobacco Tax revenues and expenditures will equal approximately \$122,000,000. The projected expenditures include \$19,200,500 for items in the AHCCCS budget. This amount includes:

— Phase-down of the Quick Pay Discount	\$7,978,800
— Change in Federal Medical Assistance	\$4,145,000
— Expanded Maternity Length of Stay	\$4,424,300
— HIV/AIDS Treatment	\$2,652,400

The statutes that govern the use of Tobacco Tax Funds do not permit the use of these monies to supplant the cost of services covered prior to July 1, 1993. The JLBC Staff believes the use of Tobacco Tax Funds for each of the above purposes is appropriate as they represent new state obligations since the passage of the Tobacco Tax initiative.

To ensure that proposed expenditures do not exceed current revenues, the JLBC Staff has recommended that the Elimination of the \$10,000,000 Reduction on State-only Hospital Bills be shifted from Tobacco Tax Funds to the General Fund. The projected \$122,000,000 level includes the shift.

In prior years, Tobacco Tax revenue has substantially exceeded expenditures. As a result, the Tobacco Tax surplus is approximately \$130,000,000. Again as fiscally prudent policy, the JLBC Staff recommends that these monies support one-time expenditures instead of on-going programs. As a result, the JLBC Staff recommends that \$42,365,000 of FY 1997 surplus monies be set aside for 2 Department of Health Services (DHS) construction projects, the DHS Health Laboratory and the new Arizona State Hospital. Since this fund finances a wide range of health programs in the state, the Tobacco Tax and Health Care Fund represents a logical funding source for these projects.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

<b>Tobacco Tax and Health Care Fund</b>	<b><u>FY 1996</u></b>	<b><u>FY 1997</u></b>	<b><u>FY 1998</u></b>
<b><u>Funds Available</u></b>			
Revenue	<u>124,987,200</u>	<u>124,000,000</u>	<u>122,000,000</u>
<b><u>Allocation</u></b>			
DOR Administration	314,300	331,000	320,000
Transfer to AHCCCS-Medically Needy	89,036,200	88,237,200	86,818,600
Transfer to DHS-Health Education	27,093,000	28,992,200	28,526,100
Transfer to DHS-Health Research	8,404,000	6,302,700	6,201,300
Transfer to DOC Corrections	<u>139,700</u>	<u>136,900</u>	<u>134,000</u>
<b>Total Allocation</b>	<u>124,987,200</u>	<u>124,000,000</u>	<u>122,000,000</u>
<b>AHCCCS Medically Needy Account</b>			
<b><u>Funds Available</u></b>			
Balance Forward	\$39,369,600	\$101,523,600	\$76,516,500
Transfer In - Tobacco Tax and Health Care Fund	<u>89,036,200</u>	<u>88,237,200</u>	<u>86,818,600</u>
<b>Total Funds Available</b>	<u>128,405,800</u>	<u>189,760,800</u>	<u>163,335,100</u>
<b><u>Allocation</u></b>			
Offset Loss in Federal Funding	0	2,021,200	4,145,000
Phase-Down of Quick Pay Discount	0	4,522,800	7,978,800
\$10 M Hospital Reimbursement	0	10,000,000	0
Maternity Length of Stay	0	0	4,424,300
HIV/AIDS Treatment	0	0	2,652,400
Transplants	734,800	8,365,800	10,495,600
Transfer to AHCCCS-Medical Services Stab Fund	14,065,400	46,912,500	15,652,500
Transfer to AHCCCS-Premium Sharing Demo Project	0	20,000,000	20,000,000
Transfer to DHS-Medically Needy	<u>12,082,000</u>	<u>21,422,000</u>	<u>22,059,200</u>
<b>Total Allocation</b>	<u>26,882,200</u>	<u>113,244,300</u>	<u>87,407,800</u>
<b>Balance Forward</b>	<u>\$101,523,600</u>	<u>\$76,516,500</u>	<u>\$75,927,300</u>
<b>AHCCCS Medical Services Stabilization Fund</b>			
<b><u>Funds Available</u></b>			
Balance Forward	\$0	\$14,065,400	\$60,977,900
Transfer In - AHCCCS-Medically Needy	<u>14,065,400</u>	<u>46,912,500</u>	<u>15,652,500</u>
<b>Total Funds Available</b>	<u>\$14,065,400</u>	<u>\$60,977,900</u>	<u>\$76,630,400</u>
<b>AHCCCS Premium Sharing Demo Project Fund</b>			
<b><u>Funds Available</u></b>			
Balance Forward	\$0	\$0	\$19,925,000
Transfer In - AHCCCS-Medically Needy	<u>0</u>	<u>20,000,000</u>	<u>20,000,000</u>
<b>Total Funds Available</b>	<u>0</u>	<u>20,000,000</u>	<u>39,925,000</u>
<b><u>Allocation</u></b>			
Administrative and Analysis Expenses	<u>0</u>	<u>75,000</u>	<u>0</u>
<b>Balance Forward</b>	<u>\$0</u>	<u>\$19,925,000</u>	<u>\$39,925,000</u>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

<b>DHS Health Education Account</b>	<b>FY 1996</b>	<b>FY 1997</b>	<b>FY 1998</b>
<u>Funds Available</u>			
Balance Forward	\$12,938,400	\$30,322,100	\$9,558,100
Transfer In - Tobacco Tax and Health Care Fund	27,093,000	28,992,200	28,526,100
<b>Total Funds Available</b>	<u>40,031,400</u>	<u>59,314,300</u>	<u>38,084,200</u>
<u>Allocation</u>			
Operating Subtotal	9,709,300	15,000,000	28,526,100
DHS Construction	0	34,756,200 <sup>1/</sup>	0
<b>Total Allocation</b>	<u>9,709,300</u>	<u>49,756,200</u>	<u>28,526,100</u>
<b>Balance Forward</b>	<u>\$30,322,100</u>	<u>\$9,558,100</u>	<u>\$9,558,100</u>
<b>DHS Health Research Account</b>			
<u>Funds Available</u>			
Balance Forward	\$0	\$7,996,100	\$1,622,800
Transfer In - Tobacco Tax and Health Care Fund	8,404,000	6,302,700	6,201,300
<b>Total Funds Available</b>	<u>8,404,000</u>	<u>14,298,800</u>	<u>7,824,100</u>
<u>Allocation</u>			
Disease Control Research Commission	407,900	5,067,200	5,611,300
DHS Construction	0	7,608,800 <sup>1/</sup>	0
<b>Total Allocation</b>	<u>407,900</u>	<u>12,676,000</u>	<u>5,611,300</u>
<b>Balance Forward</b>	<u>\$7,996,100</u>	<u>\$1,622,800</u>	<u>\$2,212,800</u>
<b>DHS Medically Needy Allocations</b>			
<u>Funds Available</u>			
Balance Forward	\$0	\$637,200	\$0
Transfer In - AHCCCS-Medically Needy	12,082,000	21,422,000	22,059,200
<b>Total Funds Available</b>	<u>12,082,000</u>	<u>22,059,200</u>	<u>22,059,200</u>
<u>Allocation</u>			
Primary Care Programs	3,600,000	5,100,000	5,100,000
Qualifying Community Health Centers	3,600,000	5,100,000	5,100,000
Telemedicine	255,000	255,000	255,000
Mental Health Programs for Non-Title 19	3,489,800	5,000,000	5,000,000
Detoxification Services	500,000	500,000	500,000
Renal Disease Management	0	150,000	150,000
Basic Children's Medical Services Program	0	5,100,000	5,100,000
Evaluations	0	854,200	854,200
<b>Total Allocation</b>	<u>11,444,800</u>	<u>22,059,200</u>	<u>22,059,200</u>
<b>Balance Forward</b>	<u>\$637,200</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL EXPENDITURE EARMARKS <sup>2/</sup></b>	<b>\$37,453,400</b>	<b>\$176,144,400</b>	<b>\$121,999,200</b>

<sup>1/</sup> Represents expenditures of \$27,565,000 for the Arizona State Hospital and \$14,800,000 for the State Health Lab.

<sup>2/</sup> For the purposes of this table, transfers to the Medical Services Stabilization Account and Premium Sharing Demonstration Project Fund are included as expenditures. Also included for FY 1997 is a one-time expenditure of \$42,365,000 for the DHS Construction project.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

**Summary of Disproportionate Share Payments**

	FY 1996 Actual	FY 1997 Appropriated	FY 1997 Estimated	FY 1998 Estimated
<b>Maricopa County</b>				
Revenues	75,886,800	69,968,100	68,863,100	74,717,300
Costs	(62,092,800)	(58,228,500)	(54,263,700)	(59,327,900)
Net Benefit	<u>13,794,000</u>	<u>11,739,600</u>	<u>14,599,400</u>	<u>15,389,400</u>
<b>Pima County</b>				
Revenues	13,978,900	16,889,200	19,847,100	19,847,100
Costs	(7,573,300)	(11,437,600)	(13,067,500)	(12,700,600)
Net Benefit	<u>6,405,600</u>	<u>5,451,600</u>	<u>6,779,600</u>	<u>7,146,500</u>
<b>Other Counties</b>				
Revenues	2,115,600	1,800,500	2,239,100	2,360,300
Costs	0	0	0	0
Net Benefit	<u>2,115,600</u>	<u>1,800,500</u>	<u>2,239,100</u>	<u>2,360,300</u>
<b>Private Hospitals</b>				
Revenues	15,903,900	13,535,200	16,832,400	17,743,300
Costs	0	0	0	0
Net Benefit	<u>15,903,900</u>	<u>13,535,200</u>	<u>16,832,400</u>	<u>17,743,300</u>
<b>Arizona State Hospital</b>				
Revenues	23,089,400	11,993,900	29,759,400	29,759,400
Costs	0	0	0	0
Net Benefit <sup>1/</sup>	<u>23,089,400</u>	<u>11,993,900</u>	<u>29,759,400</u>	<u>29,759,400</u>
<b>TOTAL DSH REVENUE</b>	<b><u><u>130,974,600</u></u></b>	<b><u><u>114,186,900</u></u></b>	<b><u><u>137,541,100</u></u></b>	<b><u><u>144,427,400</u></u></b>
<b>State General Fund</b>				
<u>Revenue</u>				
Withhold	69,666,100	69,666,100	67,331,200	72,028,500
ASH DSH Transfer	0	0	17,765,500	17,765,500
Additional Revenue	0	0	11,091,600 <sup>2/</sup>	0
Total Revenue	<u>69,666,100</u>	<u>69,666,100</u>	<u>96,188,300</u>	<u>89,794,000</u>
<u>Appropriation</u>				
State Match	(46,120,900)	(40,540,100)	(48,877,700)	(51,615,000)
<b>NET STATE BENEFIT</b>	<b><u><u>34,636,800</u></u> <sup>3/</sup></b>	<b><u><u>29,126,000</u></u></b>	<b><u><u>36,219,000</u></u> <sup>3/</sup></b>	<b><u><u>38,179,000</u></u></b>

<sup>1/</sup> Of this amount, \$11,933,900 is used as a direct offset; remainder is deposited into General Fund.

<sup>2/</sup> Due to the lateness of FY 1996 DSH award, this ASH DSH transfer occurred in FY 1997.

<sup>3/</sup> For purposes of calculating the net state benefit, the \$11,091,600 referenced in footnote 2 is included in FY 1996 revenue.



**COMMUNITY COLLEGES  
(COM)**

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: State Board of Directors for Community Colleges

JLBC: Bruce Groll

OSPB: Rita Sauv

House Sub: Knaperek

Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
State Board Administration	668,700	683,100	705,900	682,300	679,800
Teacher Certification	140,200	145,300	145,100	143,800	144,000
Aid to Colleges	101,520,900	109,296,900	111,897,900	111,650,700	111,813,700
Technology Assisted Learning	0	1,100,000	0	2,756,000	2,756,000
Course Applicability System	0	0	0	300,000	0
AZ Postsecondary Voucher Program	0	0	0	100,000	217,500
<b>AGENCY TOTAL</b>	<b>102,329,800</b>	<b>111,225,300</b>	<b>112,748,900</b>	<b>115,632,800</b>	<b>115,611,000</b>
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0	13.0	13.0
Personal Services	525,100	542,100	555,000	550,500	551,000
Employee Related Expenditures	95,000	98,500	97,300	97,500	94,000
All Other Operating Expenditures:					
Professional and Outside Services	24,000	9,600	29,600	9,600	9,600
Travel - In State	34,700	35,200	35,200	35,200	35,200
Travel - Out of State	2,800	2,800	2,800	2,800	2,800
Other Operating Expenditures	127,300	109,100	109,100	109,200	109,200
Equipment	0	21,100	12,000	11,300	12,000
<b>OPERATING SUBTOTAL</b>	<b>808,900</b>	<b>818,400</b>	<b>841,000</b>	<b>816,100</b>	<b>813,800</b>
<b>SPECIAL LINE ITEMS</b>					
Indirect Costs	0	10,000	10,000	10,000	10,000
District-by-District Special Line Items*	101,520,900	109,296,900	111,897,900	111,650,700	111,813,700
Technology Assisted Learning	0	1,100,000	0	2,756,000	2,756,000
Course Applicability System	0	0	0	300,000	0
AZ Postsecondary Voucher Program	0	0	0	100,000	217,500
<b>AGENCY TOTAL</b>	<b>102,329,800</b>	<b>111,225,300</b>	<b>112,748,900</b>	<b>115,632,800</b>	<b>115,611,000</b>
<b>BY FUND SOURCE</b>					
General Fund	102,189,600	111,080,000	112,603,800	115,489,000	115,467,000
Other Appropriated Funds	140,200	145,300	145,100	143,800	144,000
Federal Funds	2,792,500	2,915,400	2,915,400	2,915,400	2,915,400
<b>TOTAL - ALL SOURCES</b>	<b>105,122,300</b>	<b>114,140,700</b>	<b>115,664,300</b>	<b>118,548,200</b>	<b>118,526,400</b>

\* Details for the District-by-District Special Line Items can be found on COM - 5.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: State Board of Directors for Community Colleges (Continued)

**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 c) fixes student tuition and fees. The community colleges provide programs not exceeding 2 years training in the arts, sciences and humanities beyond the 12th grade of public or private high school course of study or vocational education.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$4,387,000	3.9%
Other Appropriated Funds	(1,300)	(0.9)%
<b>Total Appropriated Funds</b>	<b>\$4,385,700</b>	<b>3.9%</b>

Performance Measure	FY 96	FY 97
	Actual	Estimate
Average % of Board Members in Attendance at State Board Meetings	71%	80%

**Teacher Certification Base Reconciliation 600 OF**  
 The JLBC Staff recommendation increases by \$600 the authorized Other Funds appropriation, as per the State Board's request due to salary adjustments for refilled positions reflecting differing skills and knowledge of the employees. The recommended amount includes a Personal Services increase of \$500 and an increase for Employee Related Expenditures of \$100. The Executive does not address this issue.

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$ 1,300 OF	\$ 8,000 GF
ERE Rates	2,900 OF	(8,300) GF
Risk Management	100 OF	-0- GF
Eliminate One-time Equipment	(9,100) OF	(12,000) GF

**Equipment 3,000 OF 9,000 GF**  
 The JLBC Staff recommends a one-time increase of \$9,000 GF to replace 3 obsolete personal computers to enable more efficient processing of database and Internet information; and a one-time increase of \$3,000 OF for software upgrades of

**OPERATING AID RECOMMENDATION**

Districts	FY 1997	FY 1998		FY 1998	FY 1998	FY 1997-FY 1998 \$ Change
	Operating Aid	Changes Under Suspended Statute	Funding Under Suspended Statute	Changes Under 2-Year Decline	JLBC Rec.	
Cochise	\$ 5,028,400	\$ 0	\$5,028,400	\$(230,400)	\$4,798,000	\$( 230,400)
Coconino	2,411,500	142,400	2,553,900	142,400	2,553,900	142,400
Graham	4,583,500	72,800	4,656,300	72,800	4,656,300	72,800
Maricopa	37,523,200	1,363,100	38,886,300	1,363,100	38,886,300	1,363,100
Mohave	3,258,700	109,800	3,368,500	109,800	3,368,500	109,800
Navajo	3,889,300	0	3,889,300	(63,000)	3,826,300	(63,000)
Pima	16,359,800	123,900	16,483,700	123,900	16,483,700	123,900
Pinal	5,323,200	217,400	5,540,600	217,400	5,540,600	217,400
Yavapai	4,113,700	247,800	4,361,500	247,800	4,361,500	247,800
Yuma/La Paz	4,571,300	17,400	4,588,700	17,400	4,588,700	17,400
<b>Total</b>	<b>\$87,062,600</b>	<b>\$2,294,600</b>	<b>\$89,357,200</b>	<b>\$2,001,200</b>	<b>\$89,063,800</b>	<b>\$2,001,200</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

**FULL-TIME STUDENT EQUIVALENT COUNT (FTSE)  
Arizona Community Colleges**

Districts	<u>FY 1994 Actual</u>	<u>FY 1995 Actual</u>	<u>FY 1996 Actual</u>	<u>Change: FY 1994-FY 1995</u>		<u>Change: FY 1995-FY 1996</u>	
	Combined FTSE *	Combined FTSE *	Combined FTSE *	Combined FTSE*	%	Combined FTSE *	%
Cochise	3,225	3,013		(212)	(6.57)%	(85)	(2.82)%
Coconino	1,186	1,387	1,518	201	16.95	131	9.44
Graham	2,368	2,383	2,450	15	0.63	67	2.81
Maricopa	43,506	43,657	44,911	151	0.35	1,254	2.87
Mohave	2,054	2,035	2,136	(19)	(0.93)	101	4.96
Navajo	2,220	2,162	2,128	(58)	(2.61)	(34)	(1.57)
Pima	15,096	14,936	15,050	(160)	(1.06)	114	0.76
Pinal	3,164	3,060	3,260	(104)	(3.29)	200	6.54
Yavapai	2,501	2,490	2,718	(11)	(0.44)	228	9.16
Yuma/La Paz	<u>2,895</u>	<u>2,980</u>	<u>2,996</u>	<u>85</u>	<u>2.94</u>	<u>16</u>	<u>0.54</u>
<b>Total</b>	<b>78,215</b>	<b>78,103</b>	<b>80,095</b>	<b>(112)</b>	<b>(0.14)%</b>	<b>1,992</b>	<b>2.55%</b>

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

the local area network, wordprocessor and spreadsheet for the teacher certification database. The Executive recommends an \$8,300 General Fund increase and concurs with the JLBC Staff's Other Funds recommendation.

**Operating State Aid 2,001,200 GF**  
The JLBC Staff recommends funding an enrollment increase by community college district at an average rate of \$1,087 per full-time student equivalent (FTSE), resulting in a systemwide General Fund increase of \$2,001,200, or 2.3% over FY 1997. The Executive concurs.

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

Although "hold harmless" funding was appropriated in FY 1997 for both Operating State Aid and Capital Outlay State Aid, the Legislature adopted in Laws 1996, Chapter 4, 5th Special Session a funding formula model that adjusts operating and capital aid budgets to more equitably account for continuous, longer-term reductions in full-time student equivalent enrollment for FY 1998. The "2-Year Decline" model reduces Operating and Capital Outlay Aid after 2

consecutive years of decreases in FTSE. For a district experiencing only a single year FTSE decline, legislative intent is to provide "hold harmless" funding at the district's FY 1997 state aid amounts. As the relevant section of Chapter 4 is a session law effecting FY 1998 only, the Legislature will need to address a long-term solution to this issue. (See JLBC Staff Recommended Statutory Changes) Using the 2-Year Decline model, the JLBC Staff recommends \$2,001,200 of additional Operating State Aid for FY 1998. Two districts, Cochise and Navajo, experienced 2 consecutive years of FTSE enrollment declines, and received reductions of \$(230,400) and \$(63,000), respectively, for a total reduction of \$(293,400).

Current legislation also states that each district has the option of using up to 20% of its total Capital Outlay Aid appropriation for Operating State Aid purposes. The law gives districts greater flexibility in spending, and any given reduction in Operating State Aid below FY 1997 levels may be offset by a transfer from Capital Aid.

The FY 1998 JLBC Staff recommendation is consistent with legislative intent to more equitably account for continuous, longer-term declines in full-time student equivalent enrollment.

**Capital Outlay State Aid 37,100 GF**  
The JLBC Staff recommends a net increase of \$37,100, or 0.3%, over the FY 1997 Capital Outlay State Aid appropriation using the 2-Year Decline formula per Laws 1996, Chapter 4, 5th Special Session. This sum is derived by funding the statutory rates of \$210/FTSE for districts with 5,000 or less FTSE, and \$160/FTSE for districts with greater than 5,000 FTSE, and "holding harmless" at the FY 1997 appropriated amounts districts with single-year FTSE

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

**CAPITAL OUTLAY AID RECOMMENDATION**

<u>Districts</u>	<u>FY 1997 Capital Outlay Aid</u>	<u>FY 1998 Changes Under Suspended Statute</u>	<u>FY 1998 Funding Under Suspended Statute</u>	<u>FY 1998 Changes Under "2-Year Decline"</u>	<u>FY 1998 JLBC Rec.</u>	<u>FY 1997-FY 1998 S Change</u>
Cochise	\$698,300	(\$83,400)	\$614,900	(\$65,600)	\$632,700	(\$65,600)
Coconino	291,300	27,500	318,800	27,500	318,800	27,500
Graham	571,800	(57,300)	514,500	0	571,800	0
Maricopa	7,163,900	21,900	7,185,800	21,900	7,185,800	21,900
Mohave	431,600	17,000	448,600	17,000	448,600	17,000
Navajo	466,400	(19,500)	446,900	(12,400)	454,000	(12,400)
Pima	2,511,700	(103,700)	2,408,000	0	2,511,700	0
Pinal	685,000	(400)	684,600	0	685,000	0
Yavapai	525,500	45,300	570,800	45,300	570,800	45,300
Yuma/La Paz	625,800	3,400	629,200	3,400	629,200	3,400
<b>Total</b>	<b>\$13,971,300</b>	<b>(\$149,200)</b>	<b>\$13,822,100</b>	<b>\$37,100</b>	<b>\$14,008,400</b>	<b>\$37,100</b>

declines and those with FTSE growth that would receive reduced state aid. This structure assures that current year growth districts are not inadvertently penalized because of prior year funding decisions and is consistent with legislative intent of the 2-Year Decline model to more equitably account for continuous, longer-term declines in full-time student equivalent enrollment. The Executive recommends a \$(124,300) reduction.

The suspended statutory Capital Outlay State Aid formula, as modified by Laws 1995, Chapter 196 would have provided per capita funding to districts based on the district's size and the most recent year's actual audited FTSE. Districts with 5,000 or less FTSE would have received \$210/FTSE, while districts with greater than 5,000 FTSE would have received \$160/FTSE for FY 1998.

Strictly applying the suspended statutory formula would have generated a systemwide Capital Outlay State Aid net decrease of \$(149,200), or (1.1%), from the FY 1997 appropriation. However, the "hold harmless" provision provides additional funding of \$186,300. The net change in funding is \$37,100, or 0.3%, net increase in Capital Outlay

State Aid. While overall capital funding increases, 2 districts, Cochise and Navajo, experienced 2 consecutive years of FTSE enrollment declines, and received reductions of \$(65,600) and \$(12,400), respectively; 3 other districts, Graham, Pima and Pinal which, due to prior legislative funding decisions would have received funding reductions under the suspended statutory formula, are "held harmless" at their FY 1997 appropriated capital outlay amounts.

Additionally, as noted in the Operating State Aid narrative and discussed in detail in the JLBC Staff Recommended Statutory Changes, the JLBC Staff recommends that the Legislature change the statutory language permanently in A.R.S. § 15-1464 to incorporate into permanent law the 2-Year Decline funding formula model that adjusts Capital Outlay State Aid to more equitably account for continuous, longer-term declines in full-time student equivalent enrollment.

**Equalization Aid**

**478,500 GF**

Laws 1992, Chapter 345, amended the previous statutes regarding Equalization Aid. The law established a new minimum assessed valuation (AV) required to establish a

**EQUALIZATION GROWTH FACTOR**

<u>District</u>	<u>Tax Year 1995 Primary AV</u>	<u>Tax Year 1996 Primary AV</u>	<u>Percent Growth</u>
Cochise	\$409,738,705	\$421,678,814	2.91%
Coconino	735,540,111	768,379,239	4.46
Graham	66,084,400	67,597,341	2.29
Mohave	830,779,742	854,345,142	2.84
Navajo	486,626,476	483,505,324	(0.64)
Pinal	568,149,572	570,545,941	0.42
Yavapai	829,329,208	877,928,847	5.86
Yuma/La Paz	523,192,638	537,936,425	2.82
<b>Total</b>	<b>\$4,449,440,852</b>	<b>\$4,581,917,073</b>	<b>2.98%</b>

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**EQUALIZATION AID RECOMMENDATION**

<u>Districts</u>	<u>FY 1997 Equalization Aid</u>	<u>FY 1998 JLBC Recommendation</u>	<u>FY 1997-FY 1998 % Change</u>	<u>FY 1997-FY 1998 \$ Change</u>
Cochise	\$1,565,900	\$1,616,300	3.22%	\$50,400
Graham	6,274,000	6,467,200	3.08	193,200
Navajo	411,500	634,500	54.19	223,000
Yuma/La Paz	11,600	23,500	102.59	11,900
<b>Total</b>	<b>\$8,263,000</b>	<b>\$8,741,500</b>	<b>5.79%</b>	<b>\$478,500</b>

community college district (\$448,017,200) and provided that this amount would increase by an "equalization growth factor" defined as the average percentage increase in total assessed valuation for all rural districts for the 2 most recent years for which actual data is available in FY 1994 and beyond. For FY 1997, the minimum primary assessed valuation was \$524,037,900. This amount is adjusted by 2.98%—the average percent change in primary assessed valuation for tax years 1995 and 1996, as shown in the preceding table—to obtain the new FY 1998 minimum primary assessed valuation base amount of \$539,654,200. Equalization Aid is provided to districts with assessed valuations less than the statutory minimum, based on the difference between the district's prior year actual assessed valuation and the minimum assessed valuation at the lesser of \$1.37/\$100 AV or the district's levy.

The JLBC Staff recommends fully funding the Equalization Aid component of the statutory formula for FY 1998. The net increase cost of full funding of Equalization Aid is \$478,500, or 5.8%, to the FY 1997 appropriation. Four districts continue to be eligible to receive Equalization Aid in FY 1997: Cochise, Graham, Navajo and Yuma/La Paz. The Executive recommends a \$476,900 increase.

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

**Technology Assisted Learning  
(Telecommunications)**

**1,656,000 GF**

The JLBC Staff recommends a \$1,656,000 increase above the Special Line Item amount appropriated in FY 1997 to continue implementation of the Arizona Learning System (ALS) and the education technology alliance established between the community colleges, universities and K-12 systems. The Executive concurs.

For FY 1997, the Legislature added \$1,100,000 for Technology Assisted Learning to the Community College budget for planning and developing a coordinated statewide technology assisted learning network to maximize state resources and facilities. Technology assisted learning includes classroom computers, interactive television and distance education networks and may also be a cost-effective means for accommodating some of Arizona's anticipated postsecondary enrollment growth. Of the \$1,100,000 appropriated, \$100,000 was allocated to the State Board as a one-time grant to design a statewide plan for interconnecting and consolidating community college, university and K-12 telecommunication systems (video, voice and data), and to tie individual community college districts' electronic delivery systems together and allow increased multi-district shared delivery of instruction. The remaining \$1,000,000 was allocated by the State Board to community college districts with priority to service in rural areas, after a review by the Joint Legislative Budget Committee on December 4, 1996.

**TOTAL FY 1998 JLBC STAFF RECOMMENDATION**

<u>Districts</u>	<u>FY 1997 Total</u>	<u>FY 1998 Operating State Aid</u>	<u>FY 1998 Capital Outlay</u>	<u>FY 1998 Equalization Aid</u>	<u>FY 1998 Total</u>	<u>FY 1997-1998 % Change</u>	<u>FY 1997-1998 \$ Change</u>
Cochise	7,292,600	4,798,000	632,700	1,616,300	\$7,047,000	(3.37)%	(\$245,600)
Coconino	2,702,800	2,553,900	318,800	0	2,872,700	6.29	169,900
Graham	11,429,300	4,656,300	571,800	6,467,200	11,695,300	2.33	266,000
Maricopa	44,687,100	38,886,300	7,185,800	0	46,072,100	3.10	1,385,000
Mohave	3,690,300	3,368,500	448,600	0	3,817,100	3.44	126,800
Navajo	4,767,200	3,826,300	454,000	634,500	4,914,800	3.10	147,600
Pima	18,871,500	16,483,700	2,511,700	0	18,995,400	0.66	123,900
Pinal	6,008,200	5,540,600	685,000	0	6,225,600	3.62	217,400
Yavapai	4,639,200	4,361,500	570,800	0	4,932,300	6.32	293,100
Yuma/La Paz	5,208,700	4,588,700	629,200	23,500	5,241,400	0.63	32,700
<b>Total</b>	<b>\$109,296,900</b>	<b>\$89,063,800</b>	<b>\$14,008,400</b>	<b>\$8,741,500</b>	<b>\$111,813,700</b>	<b>2.30%</b>	<b>\$2,516,800</b>

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The ALS is a collaborative outcome of that planning and development process by the community colleges, public universities, Arizona Department of Education, Governor's Office of Telecommunications Policy and private industry to create new educational access in remote communities and interconnect college and university campuses throughout Arizona and beyond its borders. With the initial \$1,100,000 funding for system infrastructure and management dedicated, the State Board is requesting on behalf of the community college districts an additional \$1,656,000 for a total of \$2,756,000, as summarized in the following table, for continued development and implementation of the ALS comprehensive plan.

The plan has 2 sub-components: (1) a telecommunications plan; and (2) a business plan. The Telecommunications Plan describes critical elements for acquiring the technologies, assuring systems compatibility, incorporating the partners into the system, facilitating and coordinating system use, and evaluating network performance. An ALS Information Advisory Committee consisting of telecommunications, instructional technology and academic computing representatives from the ALS members will identify essential technology criteria, standards and procedures. Additionally, the plan calls for a Request for Proposal (RFP) issued to private industry on behalf of the ALS partners to provide video, voice and data services to more than 135 campuses and satellite centers throughout Arizona at a common rate, regardless of their location in the state (distance-insensitive price).

The success of the ALS rests upon a statewide telecommunications network that is built and owned by a common carrier who is willing to assume the capital costs, risks and amortization of the technology, and infrastructure maintenance. In exchange, each ALS institution will pay a monthly charge to the common carrier for their connection and service fees, a concept similar to that of a public utility.

<b>ARIZONA LEARNING SYSTEM FUNDING REQUEST</b>	
<u>Description</u>	<u>FY 1998 Request</u>
Network Costs	\$490,500
ALS Operations	515,500
Equipment	50,000
Course Content Development	200,000
Electronic Classrooms at Districts (one-time)	<u>1,500,000</u>
<b>Total</b>	<b>\$2,756,000</b>

The Business Plan describes critical elements for ALS including technology acquisition (administrative software), systems management, curriculum development, student services, faculty development, scheduling the delivery of instructional content, transferring student data, and program assessment. The plan provides telecommunications to distribute existing courses via interactive instructional television (IITV) and the Internet between and among colleges campuses throughout the state, and promotes

<b>ARIZONA LEARNING SYSTEM INCOME AND EXPENDITURES</b>				
	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>
Beginning Balance	\$0	\$17,300	\$(2,500)	\$(6,200)
Income:				
Net from Districts	17,300	208,800	517,500	1,552,500
ALS State Funds*	450,000	1,056,000	700,000	0
District State Funds	550,000	1,700,000	0	0
Other (Grants)	0	30,000	50,000	150,000
Total	<u>1,017,300</u>	<u>2,994,800</u>	<u>1,267,500</u>	<u>1,702,500</u>
Expenditures:				
Telecommunications	44,200	490,500	686,900	1,068,900
ALS Internet	42,000	199,800	35,300	35,300
ALS Operations	360,500	614,300	539,000	542,800
Unallocated	3,300	10,000	10,000	15,000
District ALS M&O	<u>550,000</u>	<u>1,700,000</u>	<u>0</u>	<u>0</u>
Total	<u>1,000,000</u>	<u>3,014,600</u>	<u>1,271,200</u>	<u>1,662,000</u>
Ending Balance	\$17,300	\$(2,500)	\$(6,200)	\$34,300

\* For FY 1997, \$450,000 is net of \$1 million appropriation with \$550,000 to districts; and for FY 1998, \$1,056,000 is net of \$2,756,000 GF request with \$1.7 million to districts.

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market-based incentives for development of new courses. Moreover, the plan projects to break-even in 3 years (FY 2000). At that time, the ALS estimates serving 9,000 students taking 22,500 IITV courses. The preceding table shows the estimated income and expenditures of ALS for FY 1997 through FY 2000 based on student headcount (SHC) enrollments of 100 SHC, 1,000 SHC, 3,000 SHC and 9,000 SHC, respectively. The estimates assume that each headcount student will take an average of 2.5 courses per year.

In addition to the \$2,756,000 requested by the State Board and recommended by the JLBC Staff for FY 1998 to implement the ALS, the individual community college districts have submitted "Critical Issues" requests totaling \$7,539,500 for ALS-related operations and maintenance, network development, equipment, and course development. (Critical Issues are not part of the formal budget request, but were identified by the State Board as high priority needs.) However, given the local as well as statewide significance of ALS to the future of education in Arizona, the JLBC Staff believes that it is reasonable and necessary that local districts and other ALS consortium members assist in ALS development cost sharing.

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

**Arizona Postsecondary Voucher Program**      **217,500 GF**  
The JLBC Staff recommends transferring the Arizona Postsecondary Voucher Program to the State Board of Directors for Community Colleges from the Commission for Postsecondary Education, which is recommended for elimination, and appropriating a total of \$217,500 from the General Fund for tuition vouchers to Arizona community college graduates who attend qualifying private postsecondary institutions in Arizona. The recommended amount, a \$117,500 increase above the FY 1997 appropriated amount, includes: \$90,000 to provide continued funding for

current students entering the second year of the program; \$90,000 for 60 new first year students; and \$37,500 to the State Board (plus use of 0.5 FTE of a currently unfilled 1 FTE Position) for administration of the Voucher Program. The Executive recommends a \$100,000 appropriation.

The Postsecondary Voucher Program was established by Laws 1996, Chapter 341 (H.B. 2439) consisting of legislative appropriations to be administered by the Commission. The sum of \$100,000 was appropriated from the state General Fund to the Commission for FY 1997 to provide up to 60 tuition vouchers at \$1,500 each, not to exceed a total amount per student of \$3,000 over a 3-year period, for qualifying Arizona residents who obtain an Associate degree from an Arizona community college and are selected to participate in the program. Appropriated monies are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, and thus, do not revert to the state General Fund at the close of a fiscal year. Transfer of the Voucher Program to the State Board is further discussed in **JLBC Staff Recommended Statutory Changes**.

\* \* \*

**JLBC Staff Recommended Format** — Operating Lump Sum with District-by-District Special Line Items, and Technology Assisted Learning Special Line Item, and Arizona Postsecondary Voucher Program Special Line Item. (*The Executive Recommends a Lump Sum appropriation by division with Special Line Items.*)

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

The \$144,200 recommended for the Teacher Certification Fund is intended for the specific purpose of defraying teacher certification costs and includes \$134,200 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 State Board.

#### *Modification of Prior Year Footnotes*

The Arizona Board of Regents (ABOR) and the State Board of Directors for Community Colleges (State Board) shall ~~jointly establish a study committee~~ CONTINUE THE TRANSFER ARTICULATION STUDY COMMITTEE comprised of university and community college members who are representatives of faculty, academic administration, student services and the chief executive offices ~~to continue collaborative efforts~~. It is the intent of the Legislature that the study committee ~~establish a seamless~~ MEET AT LEAST QUARTERLY TO CONTINUALLY IMPROVE THE statewide articulation and transfer system, including the process for transfer of lower division general education credits and curriculum requirements for majors, with the



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objective of reaching consensus on IMPROVING THE ~~an~~ agreement that assures that community college students may transfer to Arizona public universities without loss of credit towards a baccalaureate degree. The ABOR and the State Board shall present ~~the agreement for review by~~ AN ANNUAL REPORT OF THEIR PROGRESS TO the Joint Legislative Budget Committee beginning December 15, 1997. (General Appropriation Act footnote.)

### *New Footnotes*

The \$2,756,000 appropriated for Technology Assisted Learning is appropriated to the State Board of Directors for Community Colleges as a Special Line Item to implement the Arizona Learning System (ALS) statewide plan for interconnecting and consolidating community college, university and K-12 telecommunication systems (video, voice and data) and tying individual community college districts' electronic delivery systems together. The success of the ALS statewide network plan is dependent upon procuring an infrastructure constructed by private industry. Therefore, release of the \$2,756,000 funding for ALS shall be subject to: 1) successful issuance of a joint request for proposal (RFP) by the ALS partnership member boards (State Board, Arizona Board of Regents, Board of Education); 2) successful contract negotiation with a private vendor to provide the ALS infrastructure at a distance-insensitive price to ALS partners regardless of their location in Arizona; and 3) review by the Joint Legislative Budget Committee of the private vendor contract; and 4) presentation to the JLBC of a preliminary methodology for estimating the per-credit hour education costs (delivery and development) of ALS-delivered instruction including how ALS revenues and expenses impact Operating and Capital Outlay State Aid. The ALS partnership shall present an annual enrollment and financial report to the Joint Legislative Budget Committee by September 15, 1997, and each year thereafter. (General Appropriation Act footnote.)

### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote concerning the \$1,100,000 appropriated to the State Board of Directors for Community Colleges as a Special Line Item for Technology Assisted Learning (Telecommunications) in FY 1997, since the mandate to design a statewide plan for interconnecting and consolidating community college, university and K-12 telecommunication systems has been met and resource allocation plan approved by the Joint Legislative Budget Committee.

### **JLBC Staff Recommended Statutory Changes**

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

The JLBC Staff recommends that the Legislature make permanent the session law changes adopted in Laws 1996, Chapter 4, 5th Special Session to implement the "2-Year Decline" funding formula model that adjusts operating and

capital aid budgets to more equitably account for continuous, longer-term reductions in full-time student equivalent enrollment. The Staff further recommends that these changes be pursued in legislation other than the Omnibus Reconciliation Bill. The 2-Year Decline model reduces Operating and Capital Outlay Aid after 2 consecutive years of decreases in FTSE. This issue is discussed in detail in the **Operating State Aid and Capital Outlay State Aid** narratives.

#### **Statutory Change to Implement the Arizona Postsecondary Voucher Program**

The JLBC Staff recommends session law language in the Omnibus Reconciliation Bill to enable the State Board to administer the Arizona Postsecondary Voucher Program in FY 1998. The Staff further recommends that the Legislature consider similar permanent statutory changes in separate legislation. The Voucher Program was previously under the auspices of the Commission for Postsecondary Education, which has been recommended for elimination. This issue is discussed in detail in the **Arizona Postsecondary Voucher Program** narrative.

The JLBC Staff also recommends that this session law modify the statutory language to include graduates from Navajo Community College in Apache County. Navajo Community College is a fully accredited (by North Central Association of Colleges and Schools) community college with about 2,000 headcount students run by the Navajo Nation in northeastern Apache County. Apache County does not have a community college under the State Board as stipulated in the tuition voucher eligibility language, and was unintentionally excluded. The recommended change would make graduates with Associate Degrees from all Arizona community colleges eligible to apply for a tuition voucher to attend any qualifying private postsecondary 4-year degree granting institution in Arizona.

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

#### **Course Applicability System (CAS)**

As a critical issue for FY 1998, the State Board is requesting a one-time General Fund increase of \$530,000 to purchase computer hardware and software and provide training to implement a statewide electronic course transfer system. The proposed CAS is a computer-based course transfer and course applicability guide jointly developed by the community colleges and universities as one of the "solutions" to the transfer articulation problem. The system is intended to provide timely, accurate information to students and be easier and less costly to maintain than the existing paper-based system. Future applications for CAS include automated transfer student transcript evaluation based upon agreements in place between the community colleges and universities. The requested uses and amounts of funds, as described below, are intended to satisfy the implementation

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needs of both the community colleges and universities as the system is interactive. Pending the outcome of this request, the community colleges and universities are seeking private funding to implement the CAS. A working prototype has already been developed.

<b>COURSE APPLICABILITY SYSTEM FUNDING REQUEST</b>	
<b><u>Description</u></b>	<b><u>FY 1998 Request</u></b>
Software Licenses	\$173,000
Hardware:	351,000
4 Servers @ \$75,000 each = \$300,000;	
17 Workstation PCs for District CAS Editors @ \$3,000 each = \$51,000.	
Training Modules and Initial Training	<u>6,000</u>
Total	\$530,000

The Executive recommends one-time funding of \$265,000 for the CAS, and \$35,000 for the Statewide Student Information System.

**DEPARTMENT OF CORRECTIONS  
(DOC)**

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: State Department of Corrections  
Summary

JLBC: Lorenzo Martinez/Karen Bock  
House Sub: Cooley

OSPB: Doug Tucker  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Adult Institutions	308,776,400	333,456,200	383,886,500	365,078,600	363,407,300
Health Services	45,341,600	56,381,900	60,586,900	58,644,700	58,461,900
Human Resources and Development	6,128,200	6,154,900	7,025,300	6,228,800	6,223,700
Administration	23,222,300	23,716,500	25,510,900	22,127,800	23,461,400
Community Corrections	18,301,700	30,395,700	30,832,200	30,875,700	30,587,500
<b>AGENCY TOTAL</b>	<b>401,770,200</b>	<b>450,105,200</b>	<b>507,841,800</b>	<b>482,955,600</b>	<b>482,141,800</b>

**OPERATING BUDGET**

<i>Full Time Equivalent Positions</i>	7,944.4	8,624.4	9,461.9	9,023.4	9,020.4
Personal Services	192,167,400	217,318,000	240,145,600	232,112,800	231,434,500
Employee Related Expenditures	59,573,100	65,461,900	72,646,000	69,926,800	69,741,300
All Other Operating Expenditures:					
Professional and Outside Services	25,012,500	30,909,600	35,226,800	32,062,500	32,861,300
Travel - In State	577,400	729,300	794,300	758,800	750,600
Travel - Out of State	57,400	98,900	102,500	99,800	99,800
Other Operating Expenditures	53,564,600	59,087,700	63,479,300	59,062,000	58,841,900
Equipment	8,927,200	5,072,500	12,343,900	6,149,800	6,151,500
<b>OPERATING SUBTOTAL</b>	<b>339,879,600</b>	<b>378,677,900</b>	<b>424,738,400</b>	<b>400,172,500</b>	<b>399,880,900</b>

**SPECIAL LINE ITEMS**

Food	23,797,400	27,342,600	30,127,600	27,844,800	27,839,600
Work Incentive Pay Plan	5,029,100	5,795,600	6,366,800	8,530,300	8,530,300
Discharge Expense	219,300	330,000	354,100	336,100	336,100
Education Programs	40,300	0	0	0	0
Alternative Fuels	57,700	489,000	489,000	489,000	489,000
Attorney General Legal Services	0	0	0	148,500	0
1993 Lease-Purchase Payments	12,064,100	9,037,800	12,014,200	12,014,200	12,014,200
1994 Lease-Purchase Payments	12,245,500	7,422,200	12,420,100	12,420,100	12,420,100
Apache County Prison Lease	1,076,400	1,081,100	1,071,100	1,071,100	1,071,100
Community Provider Beds	6,426,200	6,570,000	6,754,000	6,570,000	6,754,000
Return to Custody Beds	0	2,555,000	2,555,000	2,555,000	2,180,000
DWI Beds	934,600	10,804,000	10,951,500	10,804,000	10,626,500
<b>AGENCY TOTAL</b>	<b>401,770,200</b>	<b>450,105,200</b>	<b>507,841,800</b>	<b>482,955,600</b>	<b>482,141,800</b>

**BY FUND SOURCE**

General Fund	375,365,300	431,236,600	481,066,400	456,180,200	455,366,400
Other Appropriated Funds	26,404,900	18,868,600	26,775,400	26,775,400	26,775,400
Other Non-Appropriated Funds	27,936,900	32,129,600	32,129,600	32,129,600	34,186,000
Federal Funds	167,500	312,800	312,800	312,800	333,300
<b>TOTAL - ALL SOURCES</b>	<b>429,874,600</b>	<b>482,547,600</b>	<b>540,284,200</b>	<b>482,955,600</b>	<b>516,661,100</b>

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DEPT: State Department of Corrections  
Agency Summary

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$24,129,800	5.6%
Other Appropriated Funds	7,906,800	41.9%
<b>Total Appropriated Funds</b>	<b>\$32,036,600</b>	<b>7.1%</b>

Performance Measure	FY 96	FY 97
	Actual	Estimate
Annual Per Capita Cost	\$17,027	\$18,200

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

Pay Annualization	\$ -0- OF	\$ 5,698,000 GF
ERE Rates	-0- OF	1,114,300 GF
Risk Management	-0- OF	(1,248,400) GF
Rent	-0- OF	39,000 GF
<b>Eliminate One-time</b>		
Costs	(57,500) OF	(214,300) GF
Other	-0- OF	(18,900) GF

**Annualization of Prior Prison Openings (3,297,700) GF**

Start-up costs are eliminated and operating costs are annualized for 1,400 new beds that were opened in Yuma, Florence, and Tucson during FY 1997.

**New Prisons 10,886,400 GF**

Provides partial year funding to support the operation of an 800-bed Level 4 prison unit in Yuma. The amounts reflect an additional 2 months funding for security and unit staff and 1 month additional funding for all other support staff.

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

The first 400 beds of the Dakota Unit in Yuma will open in March 1998. The second 400 beds will open in April 1998. Annualization requirements in FY 1999 for these beds will

require approximately \$1,243,300. The Executive recommends 203 FTE Positions and \$8,011,900 to open the first 400 beds in February 1998, and 146 FTE Positions and \$3,964,800 to open the second 400 beds in March 1998.

An additional 4,150 beds at the new Lewis (Southwest Regional) complex are scheduled to come on-line in FY 1999 and FY 2000.

**Population Growth 2,878,500 GF**

Of this amount, \$1,390,700 is to fund an estimated average daily population (ADP) increase of 408 in prison facilities during FY 1998. The funding reflects the marginal costs the department incurs for each additional inmate that enters the prison system (\$3,408 per prisoner). The remaining \$1,487,800 is to fund an ADP increase of 100 prisoners housed in county jails and awaiting transfer to DOC (\$40.76 per day per prisoner). The Executive concurs.

**Continuation of Correctional Officer Pay Plan 4,366,000 GF**

The recommended amount includes funding for 3 components of the Correctional Officer (CO) Pay Plan approved in FY 1996. Of the amount, \$1,325,300 funds the addition of 34 sergeant positions and \$2,840,900 funds the second year implementation of a CSO II salary step system. The remaining \$199,800 funds salary increases for CSO I positions that will be promoted to CSO II after 18 months of service. The pay plan was approved by the Legislature to reduce turnover, provide incentives for CSOs to remain in the department, and bring salaries up to par with competing jurisdictions. The Executive recommends \$4,431,800.

**Correctional Officer Training Academy (COTA) 135,500 GF**

The recommended amount provides funding for 2 FTE Positions and operational costs of the COTA facilities in Tucson. COTA facilities are used by the department to train

## **Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

newly hired correctional service officers. The department previously shared facilities with the Department of Public Safety (DPS). The department assumed full operation of the facility in FY 1997 when DPS relocated its training program to Phoenix.

### **Literacy Mandate 667,400 GF**

The recommended amount provides funding for 16 teaching positions and educational materials. Pursuant to statute, the department is required to provide instruction to inmates functioning below a 6th grade literacy level for a limited amount of time. Statutes also direct the department to provide instruction beyond the 6th grade level if funding is provided by the Legislature. While the 1997 Program Authorization Review (PAR) for Inmate Programs concluded that program effectiveness and efficiency are not adequately measured, data did show that 78% of the inmate population had not completed high school and 19% had not progressed beyond the elementary school level. The recommended amount provides resources for the department to provide instruction to the 8th grade literacy level. The Executive recommends \$690,800.

### **Teacher Equity Pay 827,600 GF**

The recommended amount is to provide comparable pay between DOC teachers and Department of Juvenile Corrections teachers. However, the JLBC Staff recommends a footnote requiring that an analysis related to current compensation, professional credentials and standards, and work responsibilities be conducted and presented to the Joint Legislative Budget Committee (JLBC) for review before any expenditure of these monies occurs. The recommended amount reflects partial funding for this issue. Contingent on the results of the analysis, an additional \$933,100 may be required in FY 1999. The Executive concurs.

### **Work Incentive Pay Plan (WIPP) Expansion 2,590,000 GF**

The approved amount provides funding for the department to work every able-bodied prisoner as authorized in statute. The department estimates that approximately 75% of the total inmate population is eligible to work under WIPP. The additional funding will allow the department to work an additional 4,500 inmates at an average hourly wage of 30 cents. Results of the PAR indicated that the department was able to work 77% of able-bodied prisoners as compared to a national average of 57%. The additional resources should enable the department to increase the number inmates working and establish incentives for inmates to progress to higher wage earning jobs within the prison institutions. The Executive concurs.

### **Private Bed Cost Increases 331,500 GF**

The statutes governing private prison beds allow for contracts to provide for annual contract price or cost adjustments. The statutes also state that price or cost adjustments may be made only if the Legislature specifically appropriates monies for

that purpose. Additionally, any price or cost adjustment must be reviewed by the JLBC. The recommended amount includes \$184,000 for the Marana Community Correctional Treatment Facility and \$147,500 for the ASP-Phoenix West DWI facility. These increases are in line with the percent change in the average Consumer Price Index, as authorized in statute. The JLBC Staff recommends a footnote that requires the department to come before the JLBC prior to any price or cost increases being executed with the private operators.

### **Private Bed Cost Decreases (700,000) GF**

The department recently executed a contract for 600 privately-operated prison beds. As a result of the negotiated per diem rates being less than the appropriated amounts, the JLBC Staff recommends reducing the Return to Custody Beds Special Line Item by \$(375,000) and the DWI Beds Special Line Item by \$(325,000).

### **Sex Offender Notification 74,900 GF**

The recommended amount provides funding for 1 FTE Position to coordinate and implement notification requirements resulting from the passage of sex offender legislation. The department is responsible for providing a risk assessment profile and criminal background to local law enforcement agencies in which the offender will reside upon release.

### **Lease/Lease-Purchase Payments 7,964,300 GF**

The amount provides funding from the Corrections Fund for the following:

- a \$2,976,400 increase for the 1993 Lease-Purchase payment totaling \$12,014,200 in FY 1998,
- a \$4,997,900 increase for the 1994 Lease-Purchase payment totaling \$12,420,100 in FY 1998, and
- a \$(10,000) decrease for the Apache County lease payment totaling \$1,071,100 in FY 1998.

The final payment for the FY 1993 Lease-Purchase occurs in FY 1998. The Executive concurs.

### **Additional Prison Capacity**

The following table provides a comparison of the projected month-end prison population, the number of beds (expressed as the Operational Capacity), and the Projected Bed Shortage. The New Beds column indicates when previously authorized beds will come on-line. A total of 800 new beds will come on-line in FY 1998. An additional 4,150 beds at the new Lewis (Southwest Regional) complex are scheduled to come on-line during FY 1999 and FY 2000. The projections assume that the prison population will increase by 110 new inmates per month in both FY 1997 and FY 1998, and 139 new inmates per month in FY 1999 and FY 2000.

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

Month	Year	New Beds	Operational Capacity	Population Projection	Bed Shortage
July	1996		19,812	22,433	(2,621)
August	1996	-53 Male	19,759	22,543	(2,784)
September	1996	250 Male	20,009	22,653	(2,644)
October	1996		20,009	22,763	(2,754)
November	1996	77 Male	20,086	22,873	(2,787)
December	1996		20,086	22,983	(2,897)
January	1997	500 Male	20,586	23,093	(2,507)
February	1997	200 Minors	20,786	23,203	(2,417)
March	1997		20,786	23,313	(2,527)
April	1997		20,786	23,423	(2,637)
May	1997		20,786	23,533	(2,747)
June	1997	1,000 Male	21,786	23,643	(1,857)
July	1997		21,786	23,753	(1,967)
August	1997		21,786	23,863	(2,077)
September	1997		21,786	23,973	(2,187)
October	1997		21,786	24,083	(2,297)
November	1997		21,786	24,193	(2,407)
December	1997		21,786	24,303	(2,517)
January	1998		21,786	24,413	(2,627)
February	1998		21,786	24,523	(2,737)
March	1998	400 Male	22,186	24,633	(2,447)
April	1998	400 Male	22,586	24,743	(2,157)
May	1998		22,586	24,853	(2,267)
June	1998		22,586	24,963	(2,377)
July	1998		22,586	25,102	(2,516)
August	1998		22,586	25,241	(2,655)
September	1998	800 Male	23,386	25,380	(1,994)
October	1998		23,386	25,519	(2,133)
November	1998		23,386	25,658	(2,272)
December	1998	800 Male	24,186	25,797	(1,611)
January	1999		24,186	25,936	(1,750)
February	1999		24,186	26,075	(1,889)
March	1999		24,186	26,214	(2,028)
April	1999		24,186	26,353	(2,167)
May	1999	350 Minors	24,536	26,492	(1,956)
June	1999		24,536	26,631	(2,095)
July	1999		24,536	26,770	(2,234)
August	1999	800 Male	25,336	26,909	(1,573)
September	1999		25,336	27,048	(1,712)
October	1999		25,336	27,187	(1,851)
November	1999		25,336	27,326	(1,990)
December	1999		25,336	27,465	(2,129)
January	2000		25,336	27,604	(2,268)
February	2000	800 Male	26,136	27,743	(1,607)
March	2000		26,136	27,882	(1,746)
April	2000		26,136	28,021	(1,885)
May	2000		26,136	28,160	(2,024)
June	2000	600 Female	26,736	28,299	(1,563)

### Corrections Fund

The Corrections Fund is for the construction, major maintenance, and purchase or lease of correctional facilities

or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities. Revenues deposited to the fund are from luxury taxes on alcohol and tobacco products.

CORRECTIONS FUND ESTIMATED REVENUE AND EXPENDITURE PROJECTIONS (\$ Thousands)				
	FY 1996 Actual	FY 1997 Estimate	FY 1998 Estimate	FY 1999 Estimate
<b>Beginning Balance</b>	<b>\$18,671.4</b>	<b>\$41,639.0</b>	<b>\$7,144.8</b>	<b>\$4,259.0</b>
Revenues	23,014.8	23,154.4	23,154.4	23,154.4
GF & Other Deposits	19,850.0	38,400.0	56,100.0	41,100.0
GF Repayment Transfers	21,434.0	18,000.0	--	--
Corrections Fund Adjustment Account	139.7	--	--	--
Reversions	--	--	--	--
<b>Total Revenues</b>	<b>64,438.5</b>	<b>79,554.4</b>	<b>79,254.4</b>	<b>64,254.4</b>
<b>Total Funds Available</b>	<b>\$83,109.9</b>	<b>\$121,193.4</b>	<b>\$86,399.2</b>	<b>\$68,513.4</b>
<b>Expenditures</b>				
Prior Projects	8.6	67.2	--	--
Operating Budgets	--	--	--	--
DOA Staffing	411.7	468.8	538.3	538.3
Drug Enforcement	--	38.5	--	--
FY93 Lease-Purchase	9,037.8	12,014.2	12,012.5	--
FY94 Lease-Purchase	7,422.2	12,420.1	12,418.3	12,415.1
Apache County Lease	1,076.4	1,071.1	1,071.1	1,083.5
<b>FY 1995 Capital Budget</b>				
Tucson 100 Minors Beds	826.6	2,323.4	--	--
Yuma 400 Level 3 Beds	10,902.7	368.2	--	--
Globe 100 Level 3 Beds	1,259.6	1,287.1	--	--
Aspen Conversion	9.2	56.1	--	--
<b>FY 1996 Capital Budget</b>				
<b>Level 4 to Level 5</b>				
Conversions	0.0	450.0	--	--
Tucson 100 Minors Beds	653.8	1,846.2	--	--
Yuma 400 Level 3 Beds	4,664.9	5,035.1	--	--
Yuma 800 Level 4 Beds	5,192.0	28,208.0	--	--
<b>Lewis (SW Regional)</b>				
<b>Complex Master</b>				
Planning	5.4	1,994.6	--	--
<b>FY 1997 Capital Budget</b>				
Florence 400 Tent Beds	--	2,500.0	--	--
<b>Lewis (SW Regional)</b>				
Complex - 4,150 Beds	--	43,900.0	56,100.0	41,100.0
<b>Total Expenditures</b>	<b>41,470.9</b>	<b>114,048.6</b>	<b>82,140.2</b>	<b>55,136.9</b>
<b>Projected Fund Balance - End of Period</b>	<b>\$41,639</b>	<b>\$7,145</b>	<b>\$4,259</b>	<b>\$13,376</b>

\* \* \*

**1 Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the Inmate Programs subprogram during the last year. As a result of that review, the JLBC Staff recommends modifying the program.

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

The mission of the Inmate Programs subprogram is to provide opportunities for incarcerated felons to become law-abiding citizens when they are released from the department's custody. The subprogram consists of educational, recreational, work, religious, legal information, counseling and treatment programs.

The review concluded that (1) performance measures need to be refined and expanded to provide more adequate measures of the effectiveness and efficiency of subprogram activities, and (2) subprogram activities need to be managed as an integrated effort for providing opportunities for rehabilitation.

As a result of PAR data and further analysis by the department, additional funding is recommended for 2 issues. An additional \$2.6 million is recommended for the department to expand the Work Incentive Pay Plan (WIPP) program. The department estimates that approximately 75% of inmates are eligible for work assignments within prison institutions. Total recommended funding for WIPP is \$6.3 million. This will allow the department to employ approximately 17,000 inmates at an average hourly wage of \$0.30. Also included in the recommendation for FY 1998 is \$667,400 in additional funding for the department to expand the literacy program. By statute, the department is required to provide instruction to inmates functioning below a 6th grade literacy level for up to 120 hours. The additional resources will enable the department to provide instruction up to the 8th grade literacy level.

The department is in the process of redefining its program list to better categorize the programs within the agency. To that end, it is anticipated that the department will implement data collection procedures for developing more meaningful performance measures such as recidivism statistics. The department is also working towards systematizing inmate work and education programs with progression towards vocational or occupational programs. The education programs will be structured so that the areas of emphasis correlate with the employment needs of inmates.

Both JLBC Staff and OSPB Staff agree that the reorganized program structure and new performance measures should be submitted by March 1, 1997.

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

### JLBC Staff Recommended Footnotes

#### Standard Footnotes

Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatories Land Fund shall be distributed to the Department of Corrections in compliance with Section 25 of the Enabling Act and the Constitution to be used for the support of state penal institutions.

One hundred percent of land earnings and interest from the Penitentiary Land Fund shall be distributed to the Department of Corrections in compliance with Section 25 of the Enabling Act and the Constitution to be used for the support of state penal institutions.

#### New Footnotes

Prior to executing any price or cost increase to contracts for privately-operated beds, the Department of Corrections shall present the proposed adjustments to the Joint Legislative Budget Committee for review.

### Other Issues for Legislative Consideration

#### Data Processing Cost Reduction

The Executive is recommending a \$(676,600) reduction for anticipated rate reductions from the Arizona Department of Administration for data processing services.

### Other Appropriated Fund Source Detail

	FY 1998 JLBC Rec.
Corrections Fund	\$25,505,400
Penitentiary Land Fund	1,000,000
State Charitable, Penal and Reformatories Land Fund	270,000
TOTAL	\$26,775,400



**DEPARTMENT OF ECONOMIC SECURITY  
(DES)**

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Economic Security  
Agency Summary

JLBC: Marge Cawley/Stefan Shepherd  
House Sub: Weiers

OSPB: Rick Zelznak/Matt Gottheiner  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	31,721,300	32,428,900	34,033,500	45,270,100	43,593,900
Developmental Disabilities	36,249,700	37,928,000	36,082,400	36,407,600	36,087,900
Long Term Care	50,309,400	55,836,500	61,093,100	63,649,000	60,043,000
Benefits and Medical Eligibility	121,962,600	111,222,400	298,631,500	259,461,700	295,337,200
Child Support Enforcement	9,703,700	10,613,900	10,781,400	10,902,300	10,523,400
Aging and Community Services	15,600,600	17,611,200	18,133,700	21,360,200	21,400,600
Children and Family Services	88,527,700	96,160,100	99,928,300	105,280,100	99,600,800
Employment and Rehabilitation Services	41,352,600	46,812,100	111,529,900	120,460,800	106,548,300
<b>AGENCY TOTAL</b>	<b>395,427,600</b>	<b>408,613,100</b>	<b>670,213,800</b>	<b>662,791,800</b>	<b>673,135,100</b>
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	2,894.7	2,878.4	4,297.0	3,661.1	3,613.6
Personal Services	61,045,400	62,598,500	89,522,400	86,153,900	88,163,900
Employee Related Expenditures	14,419,200	14,287,400	21,615,800	20,204,600	20,429,000
All Other Operating Expenditures:					
Professional and Outside Services	2,978,500	2,958,000	5,798,800	3,111,700	3,697,800
Travel - In State	1,950,900	1,955,700	2,576,700	2,509,100	2,520,600
Travel - Out of State	69,700	71,200	71,200	75,100	81,500
Other Operating Expenditures	21,365,600	20,986,100	26,526,700	26,812,800	26,708,900
Equipment	1,194,800	1,440,900	1,878,200	2,223,300	1,125,000
<b>OPERATING SUBTOTAL</b>	<b>103,024,100</b>	<b>104,297,800</b>	<b>147,989,800</b>	<b>141,090,500</b>	<b>142,726,700</b>
Special Line Items	292,403,500	304,315,300	522,224,000	521,701,300	530,408,400
<b>AGENCY TOTAL</b>	<b>395,427,600</b>	<b>408,613,100</b>	<b>670,213,800</b>	<b>662,791,800</b>	<b>673,135,100</b>
<b>BY FUND SOURCE</b>					
General Fund	387,844,700	394,910,100	399,229,700	368,919,900	379,757,100
Other Appropriated Funds	7,582,900	13,703,000	270,984,100	293,871,900	293,378,000
Other Non-Appropriated Funds	243,637,100	270,501,500	272,842,800	272,842,800	272,842,800
Federal Funds	651,154,300	690,034,200	538,217,300	520,594,600	514,346,600
<b>TOTAL - ALL SOURCES</b>	<b>1,290,219,000</b>	<b>1,369,148,800</b>	<b>1,481,273,900</b>	<b>1,456,229,200</b>	<b>1,460,324,500</b>

**Agency Description** — *The department provides an array of services for low income households and others in need. These services are provided through the following divisions: Developmental Disabilities, Benefits and Medical Eligibility, Aging and Community Services, Children and Family Services, Child Support Enforcement, and Employment and Rehabilitative Services.*

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$ (15,153,000)	(3.8)%
Other Appropriated Funds	\$279,675,000	N/A
Total Appropriated Funds	\$264,522,000	N/A

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

Pay Annualization	\$157,200 OF	\$2,025,100 GF
ERE Rates	25,800 OF	408,900 GF
Risk Management	-0- OF	(124,700) GF
Rent	-0- OF	(231,200) GF
Eliminate One-time Equipment	-0- OF	(597,400) GF

**FTE Positions**

Eliminates a total of (139.7) General Fund FTE Positions and adds a total of 874.9 Other Appropriated Fund FTE Positions as follows:

- DD Targeted Case Mgmt eliminates (75.5) FTE Positions	(2,210,900) GF
- ATP-C DD caseload decline eliminates (12)	(331,300) GF
- Info. Processing Specialists eliminates (17)	(424,000) GF
- CMDP transfers (15) to AHCCCS	(465,500) GF
- Mailroom Privatization eliminates (6.8)	-0- GF
- Title IV-E Child Care Offset reduces (5.5)	(189,300) GF
- Licensure Transfer to DHS moves (1)	(35,000) GF
- Fingerprinting Automation adds 3	190,800 GF
- CHILDS Automation adds 5.5	138,300 GF
- Appropriating Special Admin. Fund adds 7.5	495,800 OF
- TANF federal appropriation adds 804.8	33,866,300 OF
- CCBG federal appropriation adds 113.3	4,314,200 OF
- Attorney General Realignment moves (50.7) OF and (15.4) GF	-0- OF      -0- GF

**Other Operating Budget Major Budget Items include:**

CHILDS Automation	(229,400) GF
Fingerprinting Automation 700,000 OF	1,209,200 GF
Attorney General Automation	110,400 GF

**Special Line Items Major changes include:**

DD (100% State) Annualization	304,600 GF
Long Term Care Growth/Annualization	3,974,300 GF
TANF Block Grant,	
TANF Cash Benefits 158,966,500 OF	(27,978,300) GF
TANF Stabilization Fund	17,786,200 GF
Legislative Initiatives	20,009,900 OF
Automation and Equipment	917,500 OF

Emergency Assistance Programs	3,949,400 OF
Children Services	2,607,800 OF
JOBS	5,724,100 OF
General Assistance	(1,400,000) GF
Rural Food Bank Project	(274,700) GF
Respite Care	(185,000) GF
CMDP Transfer to AHCCCS	
- Contracted Services	(2,794,900) GF
Child Care Block Grant	
Child Care Subsidies	35,041,800 OF
Legislative Initiatives	12,676,400 OF
Special Admin. Fund 680,700 OF	(5,000,000) GF
Summer Youth Program	1,000,000 GF
Project Intervention Fund	1,000,000 GF
Title IV-E Child Care Offset	(740,200) GF
Equipment Lease-Purchase	(95,300) GF
Other	(458,400) OF      6,300 GF

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

The above appropriation is in addition to funds granted to the state by the federal government for the same purposes, but shall be deemed to include the sums deposited in the State Treasury to the credit of the Department of Economic Security, pursuant to the provisions of A.R.S. § 42-1341.

A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded to the President of the Senate, Speaker of the House of Representatives, the Chairmen of the Appropriations Committees, and the Director of the Joint Legislative Budget Committee by the 25th of the following month. The report shall include an estimate of (1) potential shortfalls in entitlement programs, (2) potential federal and other funds, such as the statewide assessment for indirect costs, and any projected surplus in state-supported programs, that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation, (3) shortfalls resulting from new leases or renegotiation of current leases and associated costs, and (4) total expenditure authority of the Child Support

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Enforcement program for the month and year-to-date as compared to prior year totals.

*Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote concerning the provider increase targeting providers who employ direct care staff. The footnote is not needed this year since no provider increase is recommended.

**Other Issues for Legislative Consideration**

**FY 1997 Lump Sum Reduction**

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

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

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

**FY 1997 Supplemental**

The JLBC Staff recommends a net FY 1997 supplemental appropriation of \$(21,230,900) GF. This amount includes a \$1,000,000 increase in the Division of Employment and Rehabilitation Services (DERS) for the Summer Youth Program Fund. The amount also includes a decrease of \$(22,230,900) GF as a result of appropriating the new federal welfare block grants. These amounts include a reduction of \$(18,800,000) related to the Temporary Assistance for Needy Families (TANF) Block Grant and \$(3,430,900) related to the Child Care Block Grant. Both new welfare reform block grants, which are discussed in greater detail below, will result in substantially higher federal funding in FY 1997. No new welfare reform initiatives will begin until at least FY 1998 as the Legislature considers statutory changes to the state's welfare system in the 1997 legislative session. As a result, the JLBC Staff recommends using the excess Federal Funds

in FY 1997 to reduce the state's General Fund requirements for these programs. The Executive concurs, with a slightly different TANF shift. See the discussion below in the Benefits and Medical Eligibility and the Employment and Rehabilitation Services cost centers for more information.

In addition, Federal law requires the appropriation of these block grants. As a result, the JLBC Staff recommends the FY 1997 appropriation of \$166,815,000 in monies from the Temporary Assistance for Needy Families (TANF) Block Grant and \$38,374,500 in monies from the Child Care Block Grant (CCBG). Further details on these block grants can be found in the "Federal Welfare Reform" discussion below.

**Attorney General Realignment**

The JLBC Staff recommendation reflects a reduction of (66.1) appropriated FTE Positions and (124.9) non-appropriated FTE Positions. The detail is provided in each cost center's narrative. These are attorneys and related staff who are supervised by the Attorney General. The FTE Positions and funding, however, have historically been included in this budget. In FY 1998, this funding totals \$9,900,000, including \$4,504,000 from appropriated funds. Laws 1996, Chapter 335 requires the appropriation of the Attorney General intergovernmental service agreements (ISA). Consistent with that legislation, the JLBC Staff recommends appropriating these amounts in the Attorney General's ISA Fund. To ensure that the state could draw down Federal Funds, these amounts would continue to be appropriated to the Department of Economic Security (DES) and then transferred to the Attorney General via an ISA. Since the FTE Positions are supervised by the Attorney General, the JLBC Staff is recommending the deletion of the FTE Positions from this budget and adding a like amount to the Attorney General budget. The Executive concurs with the FTE Position issue, but moves the related appropriated dollars into an Attorney General Legal Services Special Line Item in this budget unit.

**Federal Welfare Reform**

The passage of P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, by Congress in August 1996 significantly impacts the FY 1998 recommended budget for DES. Included in this federal welfare reform bill are the creation of 2 block grants requiring state legislative appropriation. The first block grant is the TANF Block Grant, which replaces entitlement programs such as Aid to Families with Dependent Children, Job Opportunities and Basic Skills, and Emergency Assistance. JLBC Staff estimates that Arizona will receive \$226,741,500 in TANF Block Grant monies in FY 1998. The other block grant is the CCBG, which replaces a series of entitlement-based child care programs and combines them with the old Child Care and Development Block Grant (CCDBG). JLBC Staff estimates that Arizona will receive \$52,032,400 in CCBG monies in FY 1998.

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

The JLBC Staff recommendation for FY 1998 includes the appropriation of these 2 block grants. The table below summarizes how the JLBC Staff recommends distributing the funds available through the TANF Block Grant and compares our recommendations to the Executive (OSPB).

<b>FY 1998 TANF Block Grant Distribution by Program</b>		
<u>Division</u>	<u>JLBC Staff Recommendation</u>	<u>OSPB Recommendation</u>
Administration	\$ 8,790,700	\$ 10,599,200
Benefits & Medical Eligibility	196,219,500	177,001,500
Aging & Community Svcs.	4,154,300	4,128,400
Children & Family Services	7,277,500	10,825,200
Employment & Rehab. Services	<u>10,299,500</u>	<u>23,892,400</u>
<b>TOTAL</b>	<b>\$226,741,500</b>	<b>\$226,446,700</b>

The JLBC Staff recommendation is based upon current program law and allows the department to maintain administrative spending at current levels. The recommended amounts include monies sufficient for the April 1, 1997 pay raise and its annualization. The recommended amount does not include monies for annualization of the FY 1997 Classification Maintenance Review because the information was not provided. In addition, the JLBC Staff recommends the use of the Federal monies to A) free up \$17,786,200 of existing General Fund monies for deposit into a "stabilization fund," B) \$700,000 in TANF monies for the fingerprint imaging program, and C) \$20,009,900 in TANF monies for legislative initiatives the Legislature may wish to consider in the 1997 session. The table below compares the JLBC Staff recommendation for TANF Block Grant expenditures by policy issue with the Executive.

<b>FY 1998 TANF Block Grant Distribution by Policy Issue</b>		
<u>Policy Issue</u>	<u>JLBC Staff Recommendation</u>	<u>OSPB Recommendation</u>
Ongoing operation of current programs	\$188,245,400	\$187,593,400
TANF Stabilization Fund Shift	17,786,200	17,786,200
Finger Imaging	700,000	800,000
Legislative Initiatives	<u>20,009,900</u>	<u>20,267,100</u>
<b>TOTAL</b>	<b>\$226,741,500</b>	<b>\$226,446,700</b>

The Executive recommendation includes \$38,853,300 for the following new TANF initiatives:

- \$17,786,200 for deposit into a TANF Stabilization Fund, using GF (same as JLBC Staff recommendation);
- \$800,000 for finger imaging program (\$100,000 above JLBC Staff recommendation);
- \$1,000,000 for eligibility office remodeling;
- \$2,000,000 for teenage pregnancy prevention programs;
- \$3,667,100 for Children Services caseload growth;
- \$4,100,000 for expanded job placement programs;
- \$5,500,000 transferred to the CCBG for expanded child care;
- \$2,000,000 for targeted child care for extended education; and
- \$2,000,000 for transportation.

The JLBC Staff also recommends the appropriation of the Child Care Block Grant (CCBG). The JLBC Staff recommendation for the CCBG totals \$52,032,400 and includes \$301,200 in the Division of Administration and \$51,731,200 in the Division of Employment and Rehabilitation Services (DERS). The recommendation provides \$4,314,200 for operating expenditures in DERS and the Division of Administration and \$47,718,200 for child care subsidies in DERS, of which \$35,041,800 are for current program law subsidies and \$12,676,400 are for legislative initiatives. The Executive recommendation for the CCBG totals \$52,452,100 and includes \$4,456,300 for operating expenditures in DERS and Administration cost centers and \$47,995,800 for existing child care subsidies in DERS.

### Other Appropriated Fund Source Detail

	FY 1998 JLBC Rec.
Public Assistance Collections Fund	\$ 267,600
Child Abuse Prevention Fund	737,800
Children & Family Services Training Program Fund	156,000
Child Support Enforcement Administration Fund	7,361,900
Special Administration Fund	6,080,800
Temporary Assistance for Needy Families Block Grant	226,741,500
Child Care Block Grant	<u>52,032,400</u>
<b>TOTAL</b>	<b>\$293,378,000</b>

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

DEPT: Department of Economic Security  
 PROG: Administration

JLBC: Marge Cawley/Stefan Shepherd  
 House Sub: Weiers

OSPB: Rick Zelznak/Matt Gottheiner  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	277.5	288.3	284.0	348.0	349.5
Personal Services	10,013,400	8,991,800	8,940,200	10,780,900	11,986,900
Employee Related Expenditures	2,151,600	1,858,200	2,162,200	2,286,600	2,504,300
All Other Operating Expenditures:					
Professional and Outside Services	439,500	570,300	700,200	651,600	1,008,200
Travel - In State	194,000	200,700	200,100	260,100	277,300
Travel - Out of State	68,500	65,000	66,000	69,900	76,300
Other Operating Expenditures	14,636,200	14,008,500	13,865,400	17,624,300	17,783,700
Equipment	1,033,000	843,500	843,500	1,775,200	1,075,200
<b>OPERATING SUBTOTAL</b>	<b>28,536,200</b>	<b>26,538,000</b>	<b>26,777,600</b>	<b>33,448,600</b>	<b>34,711,900</b>
<b>SPECIAL LINE ITEMS</b>					
Public Assistance Collections Fund	175,800	262,400	269,200	310,700	397,800
AZTECS Modification	7,900	0	0	0	0
FMCS Modification	132,300	132,300	132,300	203,000	201,900
Lease-Purchase Equipment	1,348,300	1,829,700	1,734,400	2,582,700	2,582,300
Child Welfare Information System	1,348,600	3,666,500	3,720,000	3,479,500	3,600,000
Expert System	172,200	0	0	0	0
Finger Imaging	0	0	1,400,000	2,200,000	2,100,000
Attorney General Legal Services	0	0	0	3,045,600	0
<b>PROGRAM TOTAL</b>	<b>31,721,300</b>	<b>32,428,900</b>	<b>34,033,500</b>	<b>45,270,100</b>	<b>43,593,900</b>
<b>BY FUND SOURCE</b>					
General Fund	31,545,500	32,166,500	33,764,300	34,105,400	33,404,200
Other Appropriated Funds	175,800	262,400	269,200	11,164,700	10,189,700
Other Non-Appropriated Funds	15,691,900	12,560,200	12,974,400	12,974,400	12,974,400
Federal Funds	59,443,400	55,779,700	59,473,100	48,576,000	49,551,000
<b>TOTAL - ALL SOURCES</b>	<b>106,856,600</b>	<b>100,768,800</b>	<b>106,481,000</b>	<b>106,820,500</b>	<b>106,119,300</b>

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

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$ 1,237,700	3.8%
Other Appropriated Funds	9,927,300	N/A
<b>Total Appropriated Funds</b>	<b>\$11,165,000</b>	<b>N/A</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$ 4,100 OF	\$ 237,700 GF
ERE Rates	1,100 OF	42,300 GF
Risk Management	-0- OF	(124,700) GF
Rent	-0- OF	(231,200) GF
Transfers for Travel - Out of State, Occupancy	-0- OF	93,400 GF

**Attorney General Realignment 110,400 GF**

The JLBC Staff recommendation reflects a reduction of (29) FTE Positions as follows: (14.9) FTE Positions from the General Fund; (2.3) FTE Positions from the Public Assistance Collections Fund Special Line Item; and (11.8) FTE Positions from the Temporary Assistance for Needy Families (TANF) federal dollars. These are attorneys and related staff which are supervised by the Attorney General. The FTE Positions and funding, however, have historically been included in this budget. In addition, \$110,400 is added for the Department of Economic Security's (DES) share of the Attorney General's information system life cycle costs. In FY 1998, this funding totals \$3,325,600, including \$2,263,900 from appropriated funds. Laws 1996, Chapter 335 requires the appropriation of the Attorney General intergovernmental service agreements (ISA). Consistent with that legislation, the JLBC Staff recommends appropriating these amounts in the Attorney General's ISA Fund. To ensure that the state could draw down Federal Funds, these amounts would continue to be appropriated to DES and then transferred to the Attorney General via an ISA. Since the FTE Positions are supervised by the Attorney General, the JLBC Staff is recommending the deletion of the FTE Positions from this budget and adding a like amount to the Attorney General budget. The Executive concurs with the FTE Position issue, but moves the related appropriated dollars into an Attorney General Legal Services Special Line Item in this budget unit. The Executive recommendation does not include the \$110,400 for DES's share of the Attorney General's information system life cycle costs.

**Federal Block Grants Appropriation 9,222,100 OF**

The JLBC Staff recommends the appropriation of the TANF and Child Care Block Grant (CCBG) federal dollars as displayed in the following table. The JLBC Staff recommendation includes the FY 1997 pay annualization: \$75,100, TANF and \$3,100, CCBG. Not shown in the table is another \$700,000 and 1.5 FTE Positions that is recommended for the TANF federal share of the Finger Imaging automation project described below in the Finger Imaging Automation narrative. Besides the Finger Imaging policy issue, the JLBC Staff recommendation for federal block grant dollars reflects no legislative initiatives. The Executive agrees with the JLBC Staff recommendation, except for the FY 1997 pay annualization. In addition, the

Executive adds a new initiative of \$1,000,000 for the reorganization and remodeling of the state's welfare offices.

<u>Federal Block Grants Recommendation</u>		
	<u>JLBC Staff</u>	<u>OSPB</u>
<u>TANF Block Grant</u>		
Operating Budget	\$7,873,200	\$8,000,500
FTE Positions	72.7	72.7
Public Assistance Collections		
	130,200	159,000
FTE Positions	2.0	2.0
FMCS Modifications	69,600	69,600
Lease-Purchase Equip.	847,900	847,900
Attorney General Legal Svcs.	-0-	722,200
TANF Subtotal	\$8,920,900	\$9,799,200
FTE Position	74.7	74.7
<u>CCBG Block Grant</u>		
Operating Budget	\$301,200	\$297,900
FTE Positions	3.5	3.5
Total TANF & CCBG Block Grant Federal Dollars Recommendation		
	\$9,222,100	\$10,097,100
FTE Positions	78.2	78.2

**Child Welfare Automation (91,100) GF**

The JLBC Staff recommends an increase of \$1,206,900 and 5.5 FTE Positions, and a decrease of \$(1,298,000) for one-time expenditures in FY 1997. The increase of \$1,206,900 will provide 6-month funding for the new FTE Positions, ongoing maintenance and support of the Children's Information Library and Data Source System (CHILDS), software upgrades, hardware and software maintenance, user support and ongoing user training. The new FTE Positions will provide technical and daily operations of this system. For full-year funding in FY 1999, another approximate \$1,200,000 will need to be appropriated. Another approximate \$1,415,700 of Federal Funds will fund another 5.5 FTE Positions for 6 months and provide match dollars for maintenance, support, upgrades and warranties. The Executive concurs on the issue, but provides slightly less dollars. The JLBC Staff recommendation includes a recent change made by the federal government requiring DES to purchase some equipment through a lease-purchase rather than through outright purchase, which increases DES's costs by \$119,800 for FY 1998.

CHILDS is scheduled to go online October 1, 1997. DES's estimated cost distribution of approximately \$28,468,400 in Total Funds for the planning, development, and start-up of this 4-year project follows:

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

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

CHILDS is to be a comprehensive and integrated system to support the agency's child welfare programs. The system is planned to meet the automation needs of Child Protective Services (CPS), Foster Care, Adoption Services, and the Comprehensive Medical and Dental Program, which provides for the health needs of foster care children. CHILDS is planned to interface with other related child welfare programs such as the Foster Care Review Board, which is housed in the Supreme Court, the Attorney General's Staff, which is responsible for dependency and children issues, and Child Support Enforcement. State funds will be matched by Federal Funds at a 75% match rate through September 30, 1997 and at 50% thereafter.

**Finger Imaging Automation 700,000 OF 1,400,000 GF**  
 Laws 1996, Chapter 346 appropriated \$1,400,000 from the General Fund for FY 1998 with a non-lapsing clause. Since these funds have already been appropriated, they do not need to be included in the General Appropriation Act. This project will also add 3 FTE Positions. Since these staff are not accounted for previously, they will be included in the General Appropriation Act. Chapter 346 requires DES to establish a finger imaging program for every adult applicant, adult recipient or eligible minor parent of General Assistance, Food Stamps, and Aid to Families with Dependent Children, now known as Temporary Assistance to Needy Families, as a condition of eligibility. Chapter 346 was also made contingent upon receiving matching federal dollars. Due to welfare reform and the federal appropriation of the TANF Block Grant, the JLBC Staff recommends \$700,000 and 1.5 FTE Positions for the federal share of TANF clients. The food stamp share would still be from federal food stamp matching dollars. The TANF and food stamp match share should be based on each program's proportion of clients out of the total number being fingerprinted. The JLBC Staff assumes that the TANF share should not require more than \$700,000, since the larger number of clients are food stamp clients. Chapter 346 does not become effective unless the federal government provides the necessary waivers. The Executive concurs with the policy issue but recommends \$800,000 of federal TANF dollars and does not add the 1.5 FTE Positions.

**Lease-Purchase Equipment (95,300) GF**  
 Reflects changes in the yearly lease-purchase payments for 4 different automation projects, due to changes in schedules of the lease-purchases and adjustments due to implementation of the federal Office of Management and Budget's (OMB) Circular A-87, Cost Principles for state, local and Indian Tribal Governments. With the OMB A-87 adjustment, which became effective July 1, 1996, DES will receive federal funding toward interest expenses on capitalized equipment lease-purchases. The Executive concurs.

**Mailroom Privatization -0- GF**  
 The JLBC Staff recommends the decrease of (6.8) FTE Positions and the transfer of \$(107,200) in Personal Services and \$(32,600) in Employee Related Expenditures to Professional and Outside Services. Another 17.2 federally funded FTE Positions are eliminated and \$269,100 in federal and other dollars are transferred into Professional and Outside Services. DES initiated this privatization policy in order to avoid increasing costs associated with new federal postal regulations. New federal regulations require bar coding and more sorting of mail. To meet these regulations, DES would need to purchase bar code and sorting machines. The company with whom DES is contracting can meet these new regulations within the current funding provided to DES. The Executive concurs.

**Internal Reorganization (103,800) GF**  
 The JLBC Staff recommends the transfer of (3) Family Investment Initiative (FII) programmers and \$(103,800) to the Division of Employment and Rehabilitation Services for better alignment in organizational duties. These 3 programmers work on interfaces for payment processing and client data in the JOBS and Child Care programs. This transfer includes a like amount in staff and federal dollars. The Executive concurs.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Modification of Prior Year Footnotes*

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



## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

amounts. (A.R.S. § 35-142.01 requires that the non-General Fund reimbursement be noted in the General Appropriation Act to ensure that the reimbursement is deposited in the state General Fund.)

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

#### **Dependency and Severance Legal Support**

The Executive recommends adding \$892,100 to an Attorney General Legal Services Special Line Item. The \$892,100 will fund 6 Attorney General Attorneys and 9 Support Staff. These legal staff are responsible for preparing dependency actions and representing DES when children are removed from their homes. According to DES, the factors causing the demand for more legal support consist of the mandate requiring DES to file legal actions within 48 hours and an increasing number of dependency petitions filed. The increase in dependency petitions is attributable to a rise in private petitions that DES is required to handle, but has no control over. The JLBC Staff suggests more information is necessary to better understand why there has been such an increase in private petitions and to determine if the cost can be pared down or shared with those private citizens initiating petitions. In addition, an informal legislative committee, the CPS Ad Hoc Committee, is developing recommendations on legal process reforms. The Legislature should have the opportunity to discuss and debate these related policy issues before additional appropriations are recommended.

#### **Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec.
Public Assistance Collections Fund	\$ 267,600
Temporary Assistance for Needy Families Block Grant	9,620,900
Child Care Block Grant	301,200
TOTAL	<u>\$10,189,700</u>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Economic Security  
 PROG: Developmental Disabilities

JLBC: Marge Cawley/Stefan Shepherd  
 House Sub: Weiers

OSPB: Rick Zelznak/Matt Gottheiner  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	401.0	437.6	437.3	361.6	349.6
Personal Services	2,275,900	2,357,100	2,423,500	2,458,300	2,407,700
Employee Related Expenditures	506,300	555,400	585,000	567,300	561,900
All Other Operating Expenditures:					
Professional and Outside Services	263,400	143,900	57,400	44,200	143,900
Travel - In State	92,500	79,400	78,300	77,200	78,100
Other Operating Expenditures	348,600	297,600	345,000	345,100	296,800
Equipment	9,400	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>3,496,100</b>	<b>3,433,400</b>	<b>3,489,200</b>	<b>3,492,100</b>	<b>3,488,400</b>
<b>SPECIAL LINE ITEMS</b>					
Arizona Training Program at Coolidge	5,143,200	5,489,400	5,530,300	5,654,700	5,332,700
Case Management	3,374,800	3,529,900	1,246,600	1,462,500	1,469,400
Home and Community Based Services	24,013,800	25,257,100	25,598,100	25,565,200	25,579,200
Institutional Services	221,800	218,200	218,200	218,200	218,200
Attorney General Legal Services	0	0	0	14,900	0
<b>PROGRAM TOTAL</b>	<b>36,249,700</b>	<b>37,928,000</b>	<b>36,082,400</b>	<b>36,407,600</b>	<b>36,087,900</b>
<b>BY FUND SOURCE</b>					
General Fund	36,249,700	37,928,000	36,082,400	36,407,600	36,087,900
Other Non-Appropriated Funds	1,723,100	2,025,000	2,025,200	2,025,200	2,025,200
Federal Funds	248,900	1,677,000	4,055,500	4,055,500	4,055,500
<b>TOTAL - ALL SOURCES</b>	<b>38,221,700</b>	<b>41,630,000</b>	<b>42,163,100</b>	<b>42,488,300</b>	<b>42,168,600</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 the federal Title XIX Program are funded through the Long Term Care (LTC) Program. Besides contracting for services, the program: a) operates the Arizona Training Program at Coolidge and smaller state-operated group homes, and b) provides case management services to eligible recipients.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$(1,840,100)	(4.9)%

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes  
 Pay Annualization                   \$ 321,800 GF  
 ERE Rates                               93,100 GF

**Budget Conversion**

The JLBC Staff recommends the consolidation of several Special Line Items. This new structure will more closely match the federal reimbursement structure. The consolidation is based upon a department-requested consolidation with 1

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

exception—the retention of the Arizona Training Program at Coolidge Special Line Item. The new Special Line Items are Case Management, Home and Community Based Services, and Institutional Services. Monies in the Case Management line were found in the operating budget in FY 1997. Monies in the Home and Community Based Services line were found in the following Special Line Items in FY 1997: ASH Community Placement, Assistance to Families, DD Foster Care, Housekeeping Payments, Out-of-District Placement, and DD Purchase of Care. Monies in the Institutional Services Special Line Item were found in the DD Foster Care and DD Purchase of Care Special Line Items in FY 1997. Also, the Stipends and Allowances Special Line Item has been moved to the Arizona Training Program at Coolidge Special Line Item. This consolidation has no overall General Fund impact. The FY 1996 and FY 1997 columns have been adjusted to show the new structure. The Executive concurs.

### **Home and Community Based Services 304,600 GF**

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

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

The Executive concurs.

### **Attorney General Realignment -0- GF**

Laws 1996, Chapter 335 requires the appropriation of the Attorney General intergovernmental service agreements (ISAs). In FY 1998, this funding totals \$14,900 appropriated funds only. Consistent with that legislation, the JLBC Staff recommends appropriating these amounts in the Attorney General's ISA Fund. To ensure that the state could draw down Federal Funds, these amount would continue to be appropriated to the Department of Economic Security (DES) and then transferred to the Attorney General via an ISA. The Executive concurs with the FTE Position issue, but moves the related appropriated dollars into an Attorney General Legal Services Special Line Item in this budget unit.

### **Licensure Transfer to DHS (17,400) GF**

Laws 1996, Chapter 191 transferred the powers and duties of the Division of Developmental Disabilities relating to the licensing and regulation of group homes for the developmentally disabled to the Department of Health Services (DHS). The law also established the Developmental Disabilities Transfer Transition Committee to determine the amount of resources to be transferred from DES to DHS. Based on the committee's recommendation, the JLBC Staff recommends the transfer of (0.5) FTE Position, \$(12,300) in

Personal Services, \$(3,000) in Employee Related Expenditures, \$(1,300) in Travel - In State, and \$(800) in Other Operating Expenditures for a total of \$(17,400). This transfer will be matched with a corresponding transfer in the LTC cost center. The total transfer from DES will total \$(52,700), of which \$(35,000) is General Fund. The Executive concurs.

### **Arizona Training Program at Coolidge (ATP-C) (331,300) GF**

A.R.S. § 36-551 specifies that, "As new community residential settings are developed over a period of time . . ." the department shall ". . . reduce the clientele at Arizona training program facilities to those developmentally disabled persons. . ." for which an appropriate community placement is unavailable or whose parent or guardian wants them to remain in an institutional facility. In accordance with this law, the department has been making appropriate placements of those individuals who wish, in consultation with their parent or guardian, to be moved to a community residential home. Accordingly, the population at the ATP-C has been declining. The FY 1997 appropriation was based upon a population of 57 clients (another 93 clients are funded in the Title XIX program). The JLBC Staff estimates the FY 1998 population to equal 52, or a decrease of (5) clients. The ATP-C was appropriated an employee to client ratio of approximately 173 employees to 72 clients (57 in ICF-MRs and 15 in state-operated group home settings on campus) or 2.4 employees to 1 client. Because of the estimated outplacement of 5 clients in FY 1998, the JLBC Staff recommends a decrease of (12) FTE Positions and a decrease of \$(331,300). According to the Institute on Disability and Human Development at the University of Illinois at Chicago, the national staff-to-client ratio in Public Mental Retardation Institutions in 1992 was 2.08:1. The Executive does not recommend this issue.

### **Targeted Case Management (2,210,900) GF**

The JLBC Staff recommends a decrease of \$(2,210,900) and (75.5) FTE Positions associated with the implementation of targeted case management. Targeted case management allows the state to receive federal funding for case management services it provides to DD clients who receive Arizona Long Term Care System (ALTCS) Acute Care services but do not qualify for LTC. The decrease in General Funds will be matched by an increase in Federal Funds; service levels will remain the same. DES will need to have a waiver approved by the U.S. Health Care Financing Administration in order to proceed. The Executive concurs.

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

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

### JLBC Staff Recommended Footnotes

#### *Standard Footnotes*

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.

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.

#### *Modification of Prior Year Footnotes*

The Department of Economic Security shall report all new placements into a state-owned ICF-MR in FY 1998 to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Appropriations Committees, and the Director of the Joint Legislative Budget Committee, and the reason why this placement, rather than a placement into a privately-run facility for the developmentally disabled, was deemed the most appropriate placement. THE DEPARTMENT SHOULD ALSO REPORT IF NO NEW PLACEMENTS WERE MADE. This report shall be made available by July 15, 1998. (JLBC Staff recommends the additional sentence to clarify that the department should issue a report even if no new placements were made.)

#### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote concerning providing a report on service rate adjustments. The report no longer provides the Legislature with useful information.

### Other Issues for Legislative Consideration

#### **Pre-Admission Screening Instrument**

In September 1995, the Arizona Health Care Cost Containment System (AHCCCS) revised the Pre-Admission Screening (PAS) instrument by which client eligibility in the ALTCS is determined. The department claims that the revisions resulted in more restrictive conditions for

eligibility, thereby removing some clients from ALTCS and leaving them to be served by the 100% state-funded DD Program. The JLBC Staff does not recommend considering additional funding for this issue until all redeterminations have been made.

#### **Sliding Fee Schedule**

As part of its FY 1997 budget recommendation, JLBC Staff recommended the implementation of a sliding fee schedule for non-residential, developmentally disabled services as authorized by A.R.S. § 36-562. Laws 1996, Chapter 290 directed the department to prescribe such a fee schedule. Previously, only room and board charges were utilized in calculating any financial participation. Parental contributions cannot be assessed for clients 18 or older. The department has informed parents that they will be required to begin co-payment for non-residential services beginning December 1, 1996. The amount of liability is based on the percentage of gross income of the client or his estate or parents. The FY 1997 appropriation for the DD Purchase of Care Special Line Item was reduced by \$(1,547,100) in association with the increased revenues from the implementation of the sliding fee schedule. Laws 1996, Chapter 290 requires the department to report to the Joint Legislative Budget Committee by January 31, 1997 on the status of collections from the fee schedule.

#### **Published Rate Schedule**

The FY 1997 appropriation included \$304,000 to assist the department in implementing a published rate schedule for providers. The department has delayed full implementation of the published rate schedule until July 1, 1997. It is, however, operating a pilot program on published rates for 3 services: respite, habilitation, and day treatment. Participation in the pilot by providers is voluntary.

#### **Coolidge Ranch**

The FY 1997 Capital appropriation included \$75,000 for the department to conduct an environmental impact study of the "Coolidge Ranch," which consists of 230 acres of ranch land at the ATP-C. The study will identify steps necessary to allow the department to relinquish the land to the State Land Department. The Phase I environmental site assessment (ESA) has been completed; it highlighted areas for further study in the Phase II ESA, which is being conducted now. The Phase II ESA will indicate what remediation steps need to be taken.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Economic Security  
 PROG: Long Term Care

JLBC: Marge Cawley/Stefan Shepherd  
 House Sub: Weiers

OSPB: Rick Zelznak/Matt Gottheiner  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	1,268.5	1,051.6	1,050.9	1,050.6	1,050.6
Personal Services	5,701,000	5,619,000	5,644,100	5,789,400	5,919,100
Employee Related Expenditures	1,287,000	1,328,100	1,363,100	1,258,900	1,292,000
All Other Operating Expenditures:					
Professional and Outside Services	1,585,700	1,282,200	1,282,200	1,241,500	1,282,200
Travel - In State	214,900	186,900	186,900	185,400	184,300
Travel - Out of State	0	400	400	400	400
Other Operating Expenditures	1,258,200	1,072,300	1,072,300	1,107,300	1,070,700
Equipment	28,300	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>10,075,100</b>	<b>9,488,900</b>	<b>9,549,000</b>	<b>9,582,900</b>	<b>9,748,700</b>
<b>SPECIAL LINE ITEMS</b>					
Arizona Training Program at Coolidge	9,706,100	9,190,200	9,287,200	9,282,900	9,459,200
Arizona Training Program at Tucson	408,300	635,800	654,600	629,800	627,700
Case Management	8,915,100	8,588,000	8,746,700	8,731,400	8,619,400
Home and Community Based Services	126,681,400	133,863,900	146,950,000	156,918,300	143,851,800
Institutional Services	5,994,800	8,609,300	8,875,500	8,765,000	8,766,400
Medical Services	24,520,700	27,868,100	29,491,300	29,521,600	29,324,500
Attorney General Legal Services	0	0	0	40,700	0
<b>PROGRAM TOTAL</b>	<b>186,301,500</b>	<b>198,244,200</b>	<b>213,554,300</b>	<b>223,472,600</b>	<b>210,397,700</b>
<b>BY FUND SOURCE</b>					
General Fund	50,309,400	55,836,500	61,093,100	63,649,000	60,043,000
Federal Funds	135,992,100	142,407,700	152,461,200	159,823,600	150,354,700
<b>TOTAL - ALL SOURCES</b>	<b>186,301,500</b>	<b>198,244,200</b>	<b>213,554,300</b>	<b>223,472,600</b>	<b>210,397,700</b>

**Program Description** — *The Long Term Care (LTC) Program provides services to individuals with mental retardation, cerebral palsy, autism, and epilepsy, who are eligible for the federal Title XIX Program. Title XIX is an entitlement program — any individual meeting the financial and functional requirements must receive assistance. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit and have certain functional needs. Clients not eligible for the federal program are funded through the 100% state Developmental Disabilities (DD) Program. Besides contracting for services, the program: a) operates the Arizona Training Programs at Coolidge and Tucson and smaller state-operated group homes and b) provides case management services to eligible recipients.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$ 4,206,500	7.5%
Other Appropriated Funds	7,947,000	5.6%
<b>Total Appropriated Funds</b>	<b>\$12,153,500</b>	<b>6.1%</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

<b>Pay Annualization</b>	\$ 605,300 TF	\$ 208,400 GF
<b>ERE Rates</b>	103,900 TF	41,400 GF

**Budget Conversion**

The JLBC Staff recommends the consolidation of several Special Line Items. The consolidation will make the budget more closely approximate the federal reimbursement structure. This recommendation is based upon a request by the department, with 2 exceptions. The new Special Line Items are similar to the new line items in the Developmental Disabilities budget: Case Management, Home and Community Based Services, Institutional Services, and Medical Services. JLBC Staff recommends retaining the Arizona Training Program at Coolidge and Arizona Training Program at Tucson Special Line Items. No new General Fund (GF) or Total Fund (TF) dollars have been added or subtracted as a result of this consolidation. The FY 1996 and FY 1997 columns have been shown in the new structure. The Executive concurs.

**Caseload Growth**                      **10,720,200 TF**                      **3,711,400 GF**

The JLBC Staff recommends an increase of \$3,711,400 GF and \$10,720,200 TF for caseload growth in the LTC Program. This increase is composed of the following changes:

- Medical Services  
(primary care)  
Caseload growth of 3.5%                      1,456,400 TF                      504,200 GF
- Home & Community Based Services  
(primarily purchase of care and foster care)  
Average Caseload growth of 3.5%                      9,289,600 TF                      3,216,100 GF
- ATP-Coolidge  
Caseload decline of (1.1)%                      (68,600) TF                      (23,800) GF
- ATP-Tucson  
Caseload decline of (10.0)%                      (56,600) TF                      (19,500) GF
- Institutional Services  
(ICF/MRs)  
Caseload growth of 1.5%                      99,400 TF                      34,400 GF

The Executive concurs.

**Home and Community**

**Based Services**                      **759,400 TF**                      **262,900 GF**

The JLBC Staff recommends an increase of \$262,900 GF and \$759,400 TF to annualize services provided to clients aging out of Foster Care and public schools in FY 1997. The Executive concurs.

**Attorney General Realignment**                      **-0- TF**                      **-0- GF**

Laws 1996, Chapter 335 requires the appropriation of the Attorney General intergovernmental service agreements (ISAs). In FY 1998, this funding totals \$40,700, including \$14,100 from the General Fund. Consistent with that legislation, the JLBC Staff recommends appropriating these amounts in the Attorney General's ISA Fund. To ensure that the state could draw down federal funds, these amounts would continue to be appropriated to the Department of Economic Security (DES) and then transferred to the Attorney General via an ISA. The Executive concurs, but moves the related appropriated dollars into an Attorney General Legal Services Special Line Item in this budget unit.

**Licensure Transfer to DHS**                      **(35,300) TF**                      **(17,600) GF**

Laws 1996, Chapter 191 transferred the powers and duties of the Division of Developmental Disabilities relating to the licensing and regulation of group homes for the developmentally disabled to the Department of Health Services (DHS). The law also established the Developmental Disabilities Transfer Transition Committee to determine the amount of resources to be transferred from DES to DHS. Based on the committee's recommendation, the JLBC Staff recommends the transfer of (1) FTE Position, \$(24,900) in Personal Services, \$(6,200) in Employee Related Expenditures, \$(2,600) in Travel - In State, and \$(1,600) in Other Operating Expenditures for a total of \$(35,300) TF. This transfer will be matched with a corresponding transfer in the Developmental Disabilities cost center. The total transfer from DES will total \$(52,700), of which \$(35,000) is General Fund. The Executive concurs.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote concerning providing a report on service rate adjustments. The report no longer provides the Legislature with useful information.

**Other Issues for Legislative Consideration**

**Arizona Training Program at Tucson**

The number of clients at the Arizona Training Program at Tucson (ATP-T) has been falling steadily over the last few years. JLBC Staff does not recommend eliminating further funding beyond caseload growth at this time. The ATP-T is located on land which will be deeded to the state by the federal government on July 14, 1997.

**AHCCCS Capitation Rate Negotiations**

At this time, the negotiations between the department and the Arizona Health Care Cost Containment System (AHCCCS) for the FFY 1997 capitation rates have not been finalized. However, the JLBC Staff does not expect any change in the capitated rate.

**Pre-Admission Screening Instrument**

In September 1995, AHCCCS revised the Pre-Admission Screening (PAS) instrument by which client eligibility in the Arizona Long Term Care System (ALTCS) is determined. The department claims that the revisions resulted in more restrictive conditions for eligibility, thereby removing some clients from ALTCS and leaving them to be served by the 100% state-funded Developmental Disabilities program. JLBC Staff does not recommend considering additional funding until all redeterminations have been made.

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

Laws 1995, Chapter 250 requires the Division of Developmental Disabilities to provide services in a secure facility to offenders with developmental disabilities who are incompetent to stand trial and are a threat to public safety. The secure facility and services are to be implemented effective March 1, 1996. The JLBC Staff understands that this may be addressed in additional legislation during the 1997 session and, therefore, has not addressed this issue in its recommendation.

**Executive Recommendation**

The Executive recommends an additional \$3,608,500 GF to address a projected Long Term Care System Fund shortfall. The Executive states that non-appropriated fund balances previously used to make up the "shortfall" between the required state matching contribution and the General Fund appropriation will soon be exhausted. The JLBC Staff does not recommend this issue because it has not received any information from the department to justify its request.

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

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

JLBC: Marge Cawley/Stefan Shepherd  
 House Sub: Weiers

OSPB: Rick Zelznak/Matt Gottheiner  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	806.2	806.2	2,174.0	1,270.6	1,270.6
Personal Services	18,254,900	18,735,800	43,447,500	30,306,700	31,026,300
Employee Related Expenditures	4,713,000	4,607,500	10,492,600	7,697,100	7,641,100
All Other Operating Expenditures:					0
Professional and Outside Services	290,700	300,100	3,095,500	432,600	432,600
Travel - In State	532,100	463,400	953,300	766,700	766,700
Other Operating Expenditures	3,368,700	3,511,800	8,735,500	4,673,900	4,673,900
Equipment	106,900	0	160,000	5,800	5,800
<b>OPERATING SUBTOTAL</b>	<b>27,266,300</b>	<b>27,618,600</b>	<b>66,884,400</b>	<b>43,882,800</b>	<b>44,546,400</b>
<b>SPECIAL LINE ITEMS</b>					
Aid to Families with Dependent Children	83,300,900	77,872,500	227,158,200	0	0
General Assistance	10,540,300	4,913,600	3,513,600	1,879,400	3,513,600
Tuberculosis Control	6,700	19,400	19,400	19,400	19,400
Institutional Support Payments	388,800	478,400	478,400	478,400	478,400
Full Employment Project	445,600	305,900	563,500	113,400	108,600
Youth Support Research	14,000	14,000	14,000	14,000	14,000
TANF Cash Benefits	0	0	0	211,074,300	208,860,700
TANF Stabilization	0	0	0	0	17,786,200
TANF New Initiatives	0	0	0	0	20,009,900
Teenage Pregnancy Prevention	0	0	0	2,000,000	0
<b>PROGRAM TOTAL</b>	<b>121,962,600</b>	<b>111,222,400</b>	<b>298,631,500</b>	<b>259,461,700</b>	<b>295,337,200</b>
<b>BY FUND SOURCE</b>					
General Fund	121,961,900	111,022,400	106,346,500	82,460,200	100,214,000
Other Appropriated Funds	700	200,000	192,285,000	177,001,500	195,123,200
Other Non-Appropriated Funds	27,828,900	27,388,000	27,816,100	27,816,100	27,816,100
Federal Funds	180,753,200	189,744,500	0	0	0
<b>TOTAL - ALL SOURCES</b>	<b>330,544,700</b>	<b>328,354,900</b>	<b>326,447,600</b>	<b>287,277,800</b>	<b>323,153,300</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; the new Temporary Assistance for Needy Families (TANF) program, which replaced the Aid to Families with Dependent Children (AFDC) program; General Assistance; Tuberculosis Control; Institutional Support Payments; and the Full Employment Demonstration Project.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$(10,808,400)	(9.7)%
Other Appropriated Funds	194,923,200	N/A
<b>Total Appropriated Funds</b>	<b>\$184,114,800</b>	<b>N/A</b>



## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

### FY 1998 — Recommended Changes from FY 1997

#### Standard Changes

Pay Annualization	\$ 697,400 GF
ERE Rates	86,300 GF

#### Appropriation of TANF Block Grant

The JLBC Staff recommends appropriating a total of \$195,123,200 and 464.4 FTE Positions from the Temporary Assistance for Needy Families (TANF) Block Grant. This amount is composed of 4 policy issues, which are discussed below. The August 1996 federal welfare reform bill (P.L. 104-193), which created the TANF Block Grant, requires that state legislatures appropriate the block grant. The JLBC Staff recommends the appropriation of \$226,741,500 in total TANF Funds, including monies for other programs. Further details on the JLBC Staff recommendation for the appropriation of TANF Funds can be found in the Summary and other Department of Economic Security (DES) cost center pages. Details on the appropriation of FY 1997 TANF Funds can be found in the Supplemental section and in the "Recommended TANF-Related Expenditures" table on the next page. The Executive recommends the appropriation of \$177,001,500 and 464.4 FTE Positions of TANF Funds in this division in FY 1998.

#### TANF Operating Expenditures 16,146,800 OF

The recommended amount includes a total of \$16,146,800 and 464.4 FTE Positions from the TANF Block Grant associated with operating costs in the Division of Benefits and Medical Eligibility. This amount is composed of \$11,676,600 in Personal Services, \$2,866,500 in Employee Related Expenditures, and \$1,603,700 in All Other Operating Expenditures. This amount includes costs associated with the annualization of the April 1, 1997 pay raise, but not the January 1, 1997 Classification Maintenance Reviews (CMRs). With this exception, these same amounts were expended as non-appropriated Federal Funds prior to the creation of the block grants. The Executive recommends a total of \$15,482,500 for operating expenditures.

#### TANF Cash Benefits 158,966,500 OF (27,978,300) GF

The recommended amount also provides a total of \$158,966,500 in newly appropriated TANF Block Grant monies and \$49,894,200 in General Funds. This latter amount reflects a decrease of \$(27,978,300) GF from the FY 1997 General Fund appropriation of \$77,872,500 for payment of cash benefits under the new TANF program. These monies were previously linked to the Aid to Families with Dependent Children (AFDC) Special Line Item, but have been placed in a new TANF Cash Benefits Special Line Item along with the state's General Fund (GF) portion. JLBC Staff does not recommend any changes to current program law.

The JLBC Staff recommendation incorporates the following modifications totaling \$(10,192,100) GF to the TANF Cash Benefits Special Line Item:

- An estimated caseload increase of 0%.
- An estimated FY 1997 surplus of \$(7,539,500) GF. The FY 1997 budget provided for an average population of 177,700 recipients in the single-parent program and 6,190 recipients in the 2-parent program. The average actual caseload in FY 1997 to date is 169,271 in the single-parent program and 6,030 in the 2-parent program.
- A decrease of \$(243,200) GF in response to Laws 1994, Chapter 319, which eliminates families' TANF benefit increases resulting from the birth of an additional child, with certain conditions and exceptions. The first month in which the provision of this bill impacted the TANF appropriation was September 1996. The department estimates that the TANF caseload will be reduced by an additional 534.5 member years in FY 1998 as a result of this provision.
- A decrease of \$(2,228,000) GF in response to Laws 1994, Chapter 319, which imposed a 24-month limit on benefits over any 60-month period. Since this provision took effect on November 1, 1995, some recipients may reach the limit starting on November 1, 1997. The department estimates that the TANF caseload will be reduced by 4,897 member years in FY 1998 as a result of this provision.
- A decrease of \$(181,400) GF in response to Laws 1996, Chapter 193, which directed the department to implement a TANF "Self-Sufficiency Diversion" option. This option provides qualified applicants with an initial grant of up to 3 times the monthly amount of assistance for which they are eligible; this grant is deducted from later AFDC (now TANF) payments if the applicant reapplies for long-term assistance. The department estimates that the TANF caseload will be reduced by 398.8 member years in FY 1998 as a result of this provision.

In total, the JLBC Staff recommendation would fund an average of 160,200 recipients in both programs in FY 1998.

The JLBC Staff recommendation allocates TANF Cash Benefit expenditures between the General Fund and the TANF Block Grant using the blended FY 1997 Federal Matching Assistance Percentage (FMAP) of 65.61%. This means that for every \$100 of TANF Cash Benefits, the JLBC Staff recommends that \$65.61 of those benefits be paid out of the TANF Block Grant and the remaining \$34.39 be paid out of the General Fund. Prior to the adjustment described below, this results in TANF Cash Benefits expenditures from the TANF Block Grant of \$141,180,300.

Finally, the JLBC Staff recommendation includes an increase of \$17,786,200 TANF Block Grant monies and a

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

corresponding \$(17,786,200) GF decrease in the TANF Cash Benefits Special Line Item. This shift will permit DES to place state monies in a TANF Stabilization Fund. (See the next policy issue for more information.) This has no impact on the overall amount of funding available for TANF Cash Benefits.

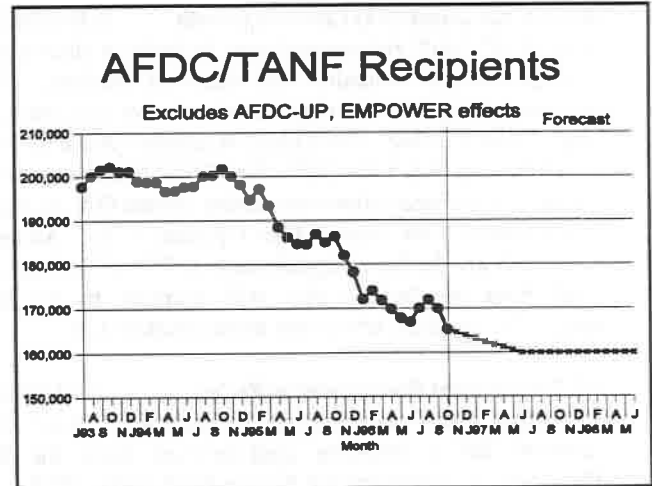
The JLBC Staff estimates that under current program guidelines the state will expend a total of \$208,860,700 on TANF Cash Benefits in FY 1998, of which \$49,894,200 is GF and \$158,966,500 is TANF Block Grant monies.

The Executive recommendation includes a total of \$51,555,300 GF for TANF Cash Benefits. Combined with \$159,519,000 of TANF Funds, the Executive recommends a total of \$211,074,300 for TANF Cash Benefits, which is \$2,213,600 greater than the JLBC Staff recommendation. Given the caseload decreases of the past 24 months and the projected absence of a recession for the next 12 to 18 months, JLBC Staff believes that the slightly lower caseload projections is acceptable. In addition, the JLBC Staff believes the monies in the recommended TANF Stabilization Special Line Item could be used in the event caseloads do not decline as forecasted.

### TANF Stabilization Fund

**17,786,200 GF**

The JLBC Staff recommendation includes placing \$17,786,200 GF in a new "TANF Stabilization" Special Line Item. By placing these monies in a Special Line Item, Arizona can earn interest on these funds and have them count toward "maintenance-of-effort" requirements when spent; these are 2 advantages of this method over placing TANF monies in such a Special Line Item. The Executive concurs, but places the money in the state's overall "balance sheet," similar to what is done with the Budget Stabilization Fund.



### TANF Legislative Initiatives

**20,009,900 OF**

Finally, the JLBC Staff recommendation includes placing the \$20,009,900 of the TANF Block Grant not otherwise recommended for appropriation in this or other DES cost centers in a "TANF Legislative Initiatives" Special Line Item. During the 1997 legislative session, legislative committees will be considering statutory changes in the state's welfare reform laws. Once the redesign of the welfare system is complete, these monies will be available to assist in fulfilling legislative objectives. For example, the Legislative Initiatives monies could be used to further expand the \$17,786,200 set-aside for the TANF Stabilization Fund.

The Executive recommends a total of \$20,267,100 for new initiatives (excluding \$800,000 for finger imaging). This amount includes \$2,000,000 in this division for teenage pregnancy prevention programs. Further details on the Executive recommendation for the appropriation of the TANF Block Grant can be found in the Summary and other DES cost center pages.

Category	<u>Recommended TANF-Related Expenditures</u>								
	<u>FY 1997</u>			<u>FY 1997 w/ Supplemental</u>			<u>FY 1998</u>		
	<u>State</u>	<u>Federal</u>	<u>Total</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
Operating Expenditures	15,895,300	15,895,300	31,790,600	15,895,300	15,895,300	31,790,600	16,146,800	16,146,800	32,293,600
TANF Cash Benefits	77,872,500	156,979,400	234,851,900	59,072,500	175,779,400	234,851,900	49,894,200	158,966,500	208,860,700
TANF Stabilization	0	0	0	0	0	0	17,786,200	0	17,786,200
TANF New Initiatives	0	0	0	0	0	0	0	20,009,900	20,009,900
<b>TOTAL</b>	<b>93,767,800</b>	<b>172,874,700</b>	<b>266,642,500</b>	<b>74,967,800</b>	<b>191,674,700</b>	<b>266,642,500</b>	<b>83,827,200</b>	<b>195,123,200</b>	<b>278,950,400</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

**General Assistance (GA) Caseload Growth (1,400,000) GF**

The JLBC Staff recommendation includes a decrease of \$(1,400,000) to annualize GA caseload declines. This decrease will allow the department to serve a caseload of approximately 2,500. The Executive recommends a decrease in GA funding of \$(3,034,200). The JLBC Staff believes this decrease is too aggressive considering current GA caseloads. The October 1996 caseload for GA was 3,321. Although caseloads are declining significantly in FY 1997, the JLBC Staff does not believe they will decrease to the level originally projected, which was approximately 1,600.

*of the Special Line Item from which cash benefits are expended.)*

*Continuation of New FY 1997 Footnotes*

The appropriated amount for the Full Employment Project shall be deposited into the Full Employment Demonstration Project Fund.

**Other Issues for Legislative Consideration**

**Other Appropriated Fund Source Detail**

**Full Employment Demonstration Project (200,000) OF**

The JLBC Staff recommendation includes a \$(200,000) decrease for a one-time appropriation from the Full Employment Demonstration Project Fund in FY 1997. The Full Employment Demonstration Project started in the fall of 1995. The project places qualified TANF recipients in subsidized private-sector jobs. Instead of providing the TANF recipients TANF and Food Stamp cash benefits, it pays the employers of TANF recipients the cash value of the recipients' benefits as a wage subsidy. Laws 1994, Chapter 301, which established the project, requires a comprehensive evaluation to be completed by November 1, 1997. The Executive concurs.

FY 1998  
JLBC Rec.

Temporary Assistance for Needy Families Block Grant	\$195,123,000
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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Program

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

The Operating Lump Sum appropriation may be expended on AHCCCS eligibility determinations based upon the results of the Arizona random moment sampling survey.

The \$14,000 appropriated for Youth Support Research is to be used for a K-12 pilot program to increase school performance and reduce gang activity. The Legislative Oversight Committee of Performance-Based Employee Incentive Pilot Projects will oversee the design and implementation of this research program and will report to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the Appropriations Committees and the Director of the Joint Legislative Budget Committee by June 30, 1998, regarding the design and results of the research program.

*Modification of Prior Year Footnotes*

Notwithstanding A.R.S. § 35-173C, any transfer to or from the \$208,860,700 appropriated for TANF CASH BENEFITS ~~Aid to Families with Dependent Children~~ shall require approval of the Joint Legislative Budget Committee. *(This change is required to account for the alteration of the name*

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

DEPT: Department of Economic Security  
 PROG: Child Support Enforcement

JLBC: Marge Cawley/Stefan Shepherd  
 House Sub: Weiers

OSPB: Rick Zelznak/Matt Gottheiner  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	724.0	716.2	716.2	608.3	608.6
Personal Services	15,325,700	17,185,900	17,582,200	14,877,600	16,910,700
Employee Related Expenditures	3,844,100	4,200,600	4,246,100	3,361,300	4,223,400
All Other Operating Expenditures:					
Professional and Outside Services	4,096,000	3,778,200	3,778,200	3,504,500	3,778,200
Travel - In State	189,000	141,800	141,800	0	141,800
Other Operating Expenditures	2,580,800	2,717,900	2,717,900	2,515,200	2,717,900
Equipment	86,600	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>26,122,200</b>	<b>28,024,400</b>	<b>28,466,200</b>	<b>24,258,600</b>	<b>27,772,000</b>
<b>SPECIAL LINE ITEMS</b>					
Laws 1994, Ch. 374 Pilot Programs	160,000	0	0	0	0
Automation Lease-Purchase	0	88,500	88,500	177,000	88,500
Phase II Conversion	5,857,900	2,216,500	2,216,500	2,216,500	2,216,500
Assignment of Rights	168,800	0	0	0	0
Paternity Establishment	0	723,600	723,600	723,600	723,600
Attorney General Legal Services	0	0	0	5,105,600	0
<b>PROGRAM TOTAL</b>	<b>32,308,900</b>	<b>31,053,000</b>	<b>31,494,800</b>	<b>32,481,300</b>	<b>30,800,600</b>
<b>BY FUND SOURCE</b>					
General Fund	3,083,500	3,171,400	3,171,400	3,171,400	3,161,500
Other Appropriated Funds	6,620,200	7,442,500	7,610,000	7,730,900	7,361,900
Federal Funds	22,605,200	20,439,100	20,713,400	21,579,000	20,277,200
<b>TOTAL - ALL SOURCES</b>	<b>32,308,900</b>	<b>31,053,000</b>	<b>31,494,800</b>	<b>32,481,300</b>	<b>30,800,600</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, and the amount of, child support payments; and evaluates the absent parent's ability to pay. The program also collects, enforces, investigates and works with the courts to review and adjust child support orders.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$ (9,900)	(0.3)%
Other Appropriated Funds	(80,600)	(1.1)%
Federal Funds	(161,900)	(0.8)%
<b>Total Funds</b>	<b>\$(252,400)</b>	<b>(0.8)%</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Performance Measure	FY 96	FY 97
	Actual	Estimate
Total Collections (in Millions)	\$129.3	\$140.0

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

<b>Pay Annualization</b>	<b>\$448,500 TF</b>	<b>\$ 153,100 OF</b>
<b>ERE Rates</b>	<b>59,100 TF</b>	<b>24,700 OF</b>

**Appropriation of Child Support**

**Enforcement Admin. Fund -0- TF -0- GF**  
 Laws 1996, Chapter 335 made the Child Support Enforcement Administration (CSEA) Fund subject to legislative appropriation. This fund contains State Share of Retained Earnings (SSRE) from child support collections and federal incentives. In FY 1997, the division was appropriated on a Total Funds (TF) basis, including monies in the CSEA Fund. The FY 1996 and FY 1997 columns reflect actual and estimated expenditures for the CSEA Fund. JLBC Staff estimates that \$7,442,500 will be expended in FY 1997. The Executive concurs.

**Application Fees (760,000) TF (258,400) OF**

JLBC Staff recommends the elimination of the \$25 application fee for all applicants not receiving Temporary Assistance for Needy Children (TANF). Legal questions concerning the implementation of this fee have been raised; barring explicit statutory language, it appears the division cannot impose this application fee. The division can, however, replace the \$1 application fee it currently charges to the state for each non-TANF applicant with a 1¢ charge to the state. This is expected to cost the General Fund \$10,400 in FY 1998. The Executive does not address this issue.

**Automation Lease-Purchase -0- TF (9,900) GF**

The JLBC Staff recommends a decrease of \$(9,900) in the Automation Lease-Purchase Special Line Item because some expenditures in that line item are now eligible for federal matching funding. The decrease in funds will be matched by an equal \$9,900 increase in Federal Funds, keeping total funds constant. The Executive does not address this issue.

**Attorney General Realignment -0- TF -0- OF -0- GF**

The JLBC Staff recommendation reflects a reduction of (107.6) FTE Positions, of which (36.6) FTE Positions are funded with appropriated monies. These are attorneys and related staff which are supervised by the Attorney General. The FTE Positions and funding, however, have historically been included in this budget. In FY 1998, this funding totals \$5,105,600, including \$209,400 GF and \$1,527,200 from the Child Support Enforcement Administration Fund. Laws 1996, Chapter 335 requires the appropriation of the Attorney General intergovernmental service agreements (ISAs). Consistent with that legislation, the JLBC Staff recommends

appropriating these amounts in the Attorney General's ISA Fund. To ensure that the state could draw down Federal Funds, these amounts would continue to be appropriated to DES and then transferred to the Attorney General via an ISA. Since the FTE Positions are supervised by the Attorney General, the JLBC Staff is recommending the deletion of the FTE Positions from this budget and adding a like amount to the Attorney General budget. The Executive concurs with the FTE Position issue, but moves the related appropriated dollars into an Attorney General Legal Services Special Line Item in this budget unit.

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

**JLBC Staff Recommended Footnotes**

*Continuation of New FY 1997 Footnotes*

All State Share of Retained Earnings and federal incentives above \$7,361,900 and federal enhanced 90/10 computer monies above \$1,462,900 received by the Division of Child Support Enforcement are appropriated for operating expenditures and to the Phase II Conversion Special Line Item, respectively. New full time equivalent positions may be authorized with 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.

**Other Issues for Legislative Consideration**

**Federal Office of Child Support Enforcement's Twentieth Annual Report to Congress**

The Twentieth Annual Report to Congress prints "Box Scores" for states' child support enforcement programs. These scores indicate, among other things, a "cost-effectiveness" ratio which indicates how many dollars in child support the program collects when it spends \$1 in administrative expenditures. Arizona has consistently ranked among the bottom of all states in this ratio. The latest report ranks Arizona 52nd of all states and territories listed, ahead of Guam and the Virgin Islands. In FFY 1995, Arizona collected \$1.48 for each \$1 administrative dollar spent. According to DES, Arizona's cost-effectiveness ratio rose to \$2.42 in FFY 1996.

**Effects of Federal Welfare Reform, P.L. 104-193**

The passage of the federal welfare reform bill, P.L. 104-193, will have a significant impact upon the state's child support enforcement system. The effects of this bill have not been included in the JLBC Staff recommendation since they

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

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require passage of new laws by the Legislature. Among the bill's provisions that may have a fiscal impact upon the division are:

- **\$50 Disregard:** The welfare reform bill discontinues federal funding for the \$50 disregard (or "pass-through") as of October 1, 1996. States, which had been sharing 34% of the costs of implementing this disregard, now have the option of retaining or eliminating the disregard. If the state chooses to retain the disregard, it would need to add \$1,870,000 to its state share to maintain the current program. If the state chooses, however, to eliminate the disregard, it could decrease its state share by \$963,300.
- **Distribution of Arrearages:** The welfare reform bill changes the formula for calculating how arrearages (past child support owed to a custodial parent) are distributed between the custodial parent and the government. Under current Arizona law, arrearages are distributed proportionally between the total amount owed to the custodial parent and the total amount owed to the government as reimbursement for public assistance collected by the custodial parent. The new welfare reform bill, however, makes changes to the arrearage distribution formula that in general favors the custodial parent over the government. While there is a "hold harmless" provision in the law that means states will not receive less SSRE monies than they received in FFY 1995, these provisions likely mean that the state will not receive additional SSRE.
- **State Directory of New Hires:** The welfare reform bill requires states to create a state directory of new hires by October 1, 1997. Arizona currently has a voluntary directory of new hires.
- **Paternity Establishment:** The welfare reform bill increases the paternity establishment percentage (PEP) the state must meet from 75% to 90%. States with PEPs between 75-89% must improve by 2% in order to avoid sanctions.

**Blessing vs. Freestone**

*Blessing vs. Freestone* is a federal court class action lawsuit alleging that Arizona's IV-D Child Support Enforcement program does not comply with Federal requirements. The Ninth Circuit Court of Appeals ruled in favor of the plaintiffs, but the Supreme Court heard the case in January 1997 and will issue a ruling by July 1997. If the U.S. Supreme Court upholds the Appeals Court, there will be additional costs to the state.

**Navajo Nation Services**

The decision by the State Court of Appeals in *State vs. Zaman* held that state courts have no jurisdiction in cases where all pertinent events occurred on the reservation. The decision will likely be appealed by Apache County. If the additional Appeals Court decision is upheld, funds may be

needed to allow the Navajo Nation to operate Child Support Enforcement activities.

**Pima County Participation**

Pima County Attorney currently contracts with DCSE to provide IV-D services in Pima County. According to DES, the Pima County Board of Supervisors is questioning the benefit of continuing to pay the county share. JLBC Staff does not recommend considering additional funding until additional action is taken.

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec.
Child Support Enforcement Administration Fund	\$7,361,900

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Economic Security  
 PROG: Aging & Community Services

JLBC: Marge Cawley/Stefan Shepherd  
 House Sub: Weiers

OSPB: Rick Zelznak/Matt Gottheiner  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	85.8	85.5	93.5	89.1	89.1
Personal Services	2,658,100	2,675,100	2,918,800	2,858,900	2,881,800
Employee Related Expenditures	591,300	576,200	704,900	631,600	632,900
All Other Operating Expenditures:					
Professional and Outside Services	13,400	14,000	14,000	14,000	14,000
Travel - In State	144,800	154,400	179,700	156,000	156,000
Other Operating Expenditures	213,300	223,600	297,800	241,600	241,600
Equipment	0	0	49,900	0	0
<b>OPERATING SUBTOTAL</b>	<b>3,620,900</b>	<b>3,643,300</b>	<b>4,165,100</b>	<b>3,902,100</b>	<b>3,926,300</b>
<b>SPECIAL LINE ITEMS</b>					
Emergency Assistance	828,600	983,500	983,500	3,350,500	3,350,500
Homeless Shelter	1,160,400	1,155,400	1,155,400	1,873,000	1,873,000
Information and Referral	112,100	115,400	115,400	115,400	115,400
Rural Food Bank Project	389,500	1,086,600	1,086,600	811,900	811,900
Adult Services	8,375,000	9,165,900	9,165,900	9,165,900	9,182,100
LTC Ombudsman	116,600	118,200	118,900	100,400	118,700
Respite Care	32,500	185,000	185,000	0	0
Domestic Violence	965,000	1,157,900	1,157,900	2,022,700	2,022,700
Attorney General Legal Services	0	0	0	18,300	0
<b>PROGRAM TOTAL</b>	<b>15,600,600</b>	<b>17,611,200</b>	<b>18,133,700</b>	<b>21,360,200</b>	<b>21,400,600</b>
<b>BY FUND SOURCE</b>					
General Fund	15,600,600	17,611,200	18,133,700	17,231,800	17,246,300
Other Appropriated Funds	0	0	0	4,128,400	4,154,300
Other Non-Appropriated Funds	3,155,900	3,556,000	3,558,800	3,558,800	3,558,800
Federal Funds	39,973,200	43,513,700	43,070,600	38,942,200	38,942,200
<b>TOTAL - ALL SOURCES</b>	<b>58,729,700</b>	<b>64,680,900</b>	<b>64,763,100</b>	<b>63,861,200</b>	<b>63,901,600</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.*

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Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$ (364,900)	(2.1)%
Other Appropriated Funds	4,154,300	N/A
Total Appropriated Funds	\$3,789,400	N/A

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** \$ 59,700 GF  
**ERE Rates** 18,900 GF

**Attorney General Realignment -0- GF**  
 The JLBC Staff recommendation reflects a reduction of a (0.5) FTE Position from the Long Term Care Ombudsman Special Line Item. This is legal staff which are supervised by the Attorney General. The FTE Position and funding, however, have historically been included in this budget. In FY 1998, this funding totals \$18,300 appropriated funds only. Laws 1996, Chapter 335 requires the appropriation of the Attorney General intergovernmental service agreements (ISAs). Consistent with that legislation, the JLBC Staff recommends appropriating these amounts in the Attorney General's ISA Fund. To ensure that the state could draw down Federal Funds, these amounts would continue to be appropriated to the Department of Economic Security (DES) and then transferred to the Attorney General via an ISA. Since the FTE Positions are supervised by the Attorney General, the JLBC Staff is recommending the deletion of the positions from this budget and adding a like amount to the Attorney General's budget. The Executive concurs with the FTE Position issue, but moves the related appropriated dollars into an Attorney General Legal Services Special Line Item in this budget unit.

**Temporary Assistance for Needy Families (TANF) Block Grant Appropriation 4,154,300 OF**  
 The JLBC Staff recommendation includes the appropriation of \$4,154,300 federal TANF dollars and 4.1 FTE Positions. The \$4,154,300 is distributed as follows: \$204,900, Operating Budget; \$2,367,000, Emergency Assistance; \$717,600, Homeless Shelter; and \$864,800, Domestic Violence. These FTE Positions and dollars represent the base amount of federal dollars that have been used for these programs and their related administrative costs. The Operating Budget amount includes \$4,100 for the FY 1997 pay annualization. The Executive concurs with the TANF federal dollar appropriation; however, the Executive recommended amount is slightly lower. The Executive number does not provide full annualization of the pay increase.

**Adult Services-Older Americans Act 16,200 GF**  
 The JLBC Staff recommendation adds \$16,200 in the Adult Services Special Line Item for an increase in the state match to draw down an additional \$643,000 in federal Older Americans Act (OAA) funding. These additional dollars will provide non-medical home and community-based services to another 625 functionally impaired adults. This General Fund increase will bring the OAA state match to \$879,800. The Executive expects DES to find the \$16,200 within its current budget to draw down the additional federal OAA dollars.

The funds in the Adult Services Special Line Item provide for a community-based continuum of care and services for abused, neglected, and exploited adults. The services provided are based upon the person's ability to perform activities of daily living, family support, and financial status.

The remaining General Fund dollars should be distributed as appropriated in FY 1997:

- Adult Protective Services, \$176,100;
- Supplemental Payments, \$2,156,300;
- Home Care, \$4,868,200; and
- Assessments and Case Management, \$1,001,700.

**Food Distribution Information and Rural Food Bank Project Combined -0- GF**  
 The JLBC Staff recommendation combines these 2 similar Special Line Items. This recommendation reflects a general trend toward more closely aligning the budget with the department's program structure. The Food Distribution Information Special Line Item provides \$24,800 for informing the hungry about potential food sources and for operating a toll-free telephone line for donors to notify food banks of availability of food. The \$24,800 will continue to be appropriated for this use. The Rural Food Bank Special Line Item predominantly provides money for food banks and pantries throughout the state for the coordination of providing food to those who qualify and are in need. Monies in the Rural Food Bank line also fund the Arizona Gleaning Project. The Executive does not address this issue.

**Respite Care (185,000) GF**  
 Laws 1996, Chapter 296 provided \$185,000 in FY 1997 for the statewide program to provide relief to care givers. The appropriation is exempt from A.R.S. § 35-190, relating to the lapsing of appropriations. This legislation also repealed the program after June 30, 1998. Based on the appropriation



Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

appearing to be for only a 2-year period, the JLBC Staff recommends elimination of the funding. The Executive concurs.

**Food Banks; Governmental Incentives (274,700) GF**  
Laws 1996, Chapter 352 added \$700,000 for the expansion of the Rural Food Bank Project for FY 1997. Of the \$700,000, \$274,700 was awarded through the Request for Proposal process as one-time equipment to various food banks/pantries throughout the state. As with all one-time equipment expenditures appropriated in 1 fiscal year, the amount is eliminated in the following fiscal year's appropriation. In addition to the monies, Chapter 352 established a Joint Legislative Committee on Hunger. The legislation also repealed this committee after December 31, 1998. The Executive concurs.

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

It is the intent of the Legislature that the \$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.

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.

**Other Issues for Legislative Consideration**

**Other Appropriated Fund Source Detail**

	FY 1998 <u>JLBC Rec.</u>
Temporary Assistance for Needy Families Block Grant	\$4,154,300

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Economic Security  
 PROG: Children and Family Services

JLBC: Marge Cawley/Stefan Shepherd  
 House Sub: Weiers

OSPB: Rick Zelznak/Matt Gottheiner  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	591.6	630.6	675.2	754.4	717.4
Personal Services	16,370,600	17,705,200	19,381,600	22,088,200	21,290,300
Employee Related Expenditures	3,692,900	3,971,200	4,680,700	4,906,600	4,799,000
All Other Operating Expenditures:					
Professional and Outside Services	305,500	254,800	256,800	231,700	254,800
Travel - In State	719,900	805,100	912,000	854,500	802,100
Travel - Out of State	1,200	6,200	5,200	5,200	5,200
Other Operating Expenditures	1,069,500	1,298,400	1,630,300	1,360,200	1,114,000
Equipment	2,800	597,400	824,800	398,300	0
<b>OPERATING SUBTOTAL</b>	<b>22,162,400</b>	<b>24,638,300</b>	<b>27,691,400</b>	<b>29,844,700</b>	<b>28,265,400</b>
<b>SPECIAL LINE ITEMS</b>					
Adoption Services	12,878,400	15,145,600	16,334,800	13,002,800	15,621,300
Children Services	43,370,600	45,967,000	45,491,300	51,766,200	48,099,100
High Risk Infant Services	602,900	686,300	686,300	686,300	686,300
Intensive Family Services	2,362,900	2,435,600	2,435,600	2,435,600	2,435,600
Child Severance Project	463,200	649,900	649,900	268,900	649,900
Comprehensive Medical and Dental Program	2,794,900	2,794,900	2,794,900	2,794,900	0
Child Abuse Prevention Fund	738,700	737,800	737,800	737,800	737,800
Videotaping	153,700	104,700	106,300	106,300	105,400
Healthy Families Pilot	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Attorney General Legal Services	0	0	0	636,600	0
<b>PROGRAM TOTAL</b>	<b>88,527,700</b>	<b>96,160,100</b>	<b>99,928,300</b>	<b>105,280,100</b>	<b>99,600,800</b>
<b>BY FUND SOURCE</b>					
General Fund	87,741,500	95,266,300	99,034,500	93,561,100	91,429,500
Other Appropriated Funds	786,200	893,800	893,800	11,719,000	8,171,300
Other Non-Appropriated Funds	7,053,300	8,697,500	10,145,300	10,145,300	10,145,300
Federal Funds	104,818,500	119,882,800	74,456,300	63,631,100	67,178,800
<b>TOTAL - ALL SOURCES</b>	<b>200,399,500</b>	<b>224,740,400</b>	<b>184,529,900</b>	<b>179,056,500</b>	<b>176,924,900</b>

**Program Description** — *The program provides staff resources, such as Child Protective Service (CPS) workers, an array of contracted services for abused, neglected or abandoned children and medical and dental care for foster children.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$(3,836,800)	(4.0)%
Other Appropriated Funds	7,277,500	N/A
Total Appropriated Funds	\$3,440,700	N/A

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

Performance Measure	FY 96	FY 97
	Actual	Estimate
% of Child Protective Services Reports Investigated	94.8%	94.8%

### FY 1998 — Recommended Changes from FY 1997

<b>Standard Changes</b>	
<b>Pay Annualization</b>	\$ 431,900 GF
<b>ERE Rates</b>	106,500 GF
<b>Eliminate One-time Equipment</b>	(597,400) GF
<b>Other - Transfer Occupancy &amp; Travel Out-of State to the Division of Administration</b>	(93,400) GF

#### Transfer of Child Protective

**Services Training**                      -0- OF                      -0- GF

The JLBC Staff recommends transferring the budget of the Child Protective Services Training Program from its own cost center to be incorporated into the Division of Children and Family Services' (DCFS) Operating Budget. This recommendation reflects a general trend toward reducing the number of cost centers maintained in the state accounting system for all agencies. Since other training is provided in DCFS, the 7 FTE Positions and \$360,900 GF and \$156,000 OF from the Children and Family Services Training Fund are recommended for this transfer. The Executive does not address this recommendation. For this budget presentation, the Executive recommendation has been modified to portray this transfer.

#### Attorney General Realignment

-0- GF

Laws 1996, Chapter 335 requires the appropriation of the Attorney General intergovernmental service agreements (ISA). Consistent with that legislation, the JLBC Staff recommends appropriating these amounts in the Attorney General's ISA Fund. In FY 1998, this funding totals \$1,394,900, including \$456,200 from appropriated funds. To ensure that the state could draw down Federal Funds, these amounts would continue to be appropriated to the Department of Economic Security (DES) and then transferred to the Attorney General via an ISA. The Executive moves the related appropriated dollars into an Attorney General Legal Services Special Line Item in this budget unit, consisting of \$23,100 from Professional and Outside Services and \$613,500 from the Child Severance Project Special Line Item. The Executive transfer from Child Severance includes \$180,400 of new dollars.

#### Temporary Assistance for Needy Families

**(TANF) Block Grant Appropriation**                      7,277,500 OF

The JLBC Staff recommends the appropriation of TANF Block Grant federal dollars and 118.8 FTE Positions. The \$7,277,500 is distributed among costs for staff, \$4,669,700,

and for contracted services in the Children Services Special Line Item, \$2,607,800. The amount includes \$100,600 for the FY 1997 pay annualization. The Executive recommends \$10,825,200 in TANF federal dollars. The Executive recommendation includes the base TANF appropriation and the 118.8 FTE Positions as recommended by the JLBC Staff. The Executive recommends a slightly lower base, as the Executive number does not provide full annualization for the pay increase. In addition, the Executive recommends a new initiative of adding \$3,667,100 to the Children Services Special Line Item for caseload growth.

#### Adoption Services

475,700 GF

Funding in this Special Line Item subsidizes the adoption of children who otherwise would entail high financial risks to prospective parents because of physical, mental or emotional disorders; or who, because of age, sibling relationship, or racial or ethnic background, would otherwise be difficult to place in adoption. The funding provides for ongoing maintenance and/or payment for special services depending on each eligible child's needs. The recommendation includes a transfer-in of \$475,700 from Children Services for the foster care children anticipated to move to adoption status and qualifying for the adoption subsidy in FY 1998.

The JLBC Staff recommendation assumes a monthly average of 3,116 subsidized children, which is 290 new children, a 10.25% increase. The JLBC Staff recommendation is based on the per annum growth of 10.25% from FY 1992 through FY 1996. For the first 5 months of FY 1997, caseload growth is almost 13.6%. Besides the 232 children moving from foster care, another 58 privately placed special needs children will be added. The estimated average annual cost is \$7,187.40 per child, which is \$15.96 higher than the FY 1997 budgeted amount. The recommendation also assumes another \$132,400 for non-recurring adoption expenses. The recommendation assumes at least \$7,382,700 in Title IV-E Federal Funds.

The Executive recommends a decrease of \$(2,142,800). The Executive recommendation is based on a 7.3% client growth rate in FY 1998 and a decline in average state cost per client of 7.1%. Although caseloads are rising, the Executive believes state costs will decrease. Over the past 2 years the department has cut costs by using less costly placements and by requiring all eligible children to participate under Title XIX (AHCCCS) guidelines and by drawing down more federal Title IV-E dollars for eligible children. The Executive assumes that the state's average monthly per client cost will be \$369.13. The JLBC Staff assumes a higher state monthly average cost of \$401.51, which still represents a decline from the state's FY 1997 monthly average cost estimate of \$426.23.

**CHILDS' Efficiencies**

**(424,000) GF**

The JLBC Staff recommends the elimination of (17) of the division's 40 Information Processing Specialists (IPS). The recommendation is based on the efficiencies introduced with the Children Information and Library Data System (CHILDS). Last year all CPS case managers received laptop computers. With the introduction of CHILDS and the laptop computers, DES has begun to re-think the need for IPS workers. Many case managers are now directly transcribing reports and data entry themselves. Therefore, fewer IPS are needed. The savings consists of a decrease of \$(294,100) in Personal Services, \$(87,400) in Employee Related Expenditures, and \$(42,500) in Other Operating Expenditures. The Executive concurs.

**Child Protective Services (CPS) Staff  
and Children Services**

**(475,700) GF**

The JLBC Staff recommendation reflects the transfer-out of \$(475,700) in the Children Services Special Line Item to Adoption Services for the estimated 232 children moving to adoption status. The FY 1998 recommendation reflects the appropriation of TANF dollars as noted earlier. The recommendation assumes at least \$50,000,000 in federal Title IV-E dollars. Monies in the Children Services Special Line Item fund a range of contracted services—in-home, out-of-home, and Child Protective Services—to ensure the well-being of children who are abused or neglected.

As reflected in the TANF Block Grant narrative, the amount of \$2,607,800 of TANF federal dollars has been used by DES in the past for contracted services provided in the Children Services Special Line Item. In addition, another \$4,669,700 of related TANF federal dollars has been used by DES for 118.8 FTE Positions. These TANF dollars are part of the FY 1997 base amount for CPS staff and Children Services contracted services. The department requested no new General Fund dollars for FY 1998. Instead DES plans to utilize \$1,225,100 TANF federal dollars for adding 19 FTE Positions and \$7,416,500 of TANF federal dollars to cover increases for the Children Services Special Line Item. Now that the TANF Block Grant dollars are to be appropriated by the Legislature, the Legislature must decide if it wants to utilize TANF federal dollars as part of its FY 1998 TANF legislative initiatives.

The Executive recommends an increase of \$3,667,100 in TANF dollars for the Children Services Special Line Item. The Executive also recommends adding 22 FTE Positions and \$1,409,700 GF for CPS staff as part of DES's case weighting workload measurement model. The Executive does not recommend using TANF federal dollars for adding CPS staff.

The JLBC Staff has not recommended additional staff or additional contracted dollars. Traditionally, increases in this program have been based on estimated growth in the number

of CPS reports appropriate for investigation. Since DES had planned to use TANF federal dollars and did not know that these funds would be appropriated, its budget request did not show any growth in CPS reports. Its budget request shows reports appropriate for investigation are to remain flat at 28,509 with 27,018 being investigated for a 94.8% investigation rate. DES provided FY 1997 3-month data which show reports appropriate for investigation growing by 35% to 38,528. This 3-month data also indicates that the investigation rate declined to 82.8%. This growth in reports is somewhat surprising in that reports appropriate for investigation have hovered between a high of 30,249 in FY 1993 to a low of 28,254 in FY 1995 for the 5-year period between FY 1992 and FY 1996. For the past 3 years, the number of reports appropriate for investigation have remained around 28,500. The department is investigating if a change in how reports are classified took place at the end FY 1996. Until it can be determined if DES has made a change in its reporting methodology, the JLBC Staff is unable to make a CPS staff recommendation. Similarly, the JLBC Staff is uncomfortable with DES's case weighting methodology model. The model does not incorporate the impact of the implementation that the CHILDS case management automation system may have on workload. A slight variation in time spent on client-specific activities impacts case managers' productivity. Any change in the model's case manager productivity results in differing staffing requirements.



**Program Authorization Review — Comprehensive  
Medical and Dental Program (3,260,400) GF**

The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Comprehensive Medical and Dental Program (CMDP) during the last year. As a result of that review, the JLBC Staff recommends modifying the program.

CMDP is the program through which foster children receive medical, dental and behavioral health services. The PAR found that the mission of CMDP fits better with AHCCCS's agency mission than it does with DES's agency mission. In addition, it was found that although CMDP is an AHCCCS managed care health plan, it lacks adequate information systems to meet AHCCCS's managed care health plan requirements. CMDP's customers have a high level of satisfaction with CMDP, especially its doctors.

The JLBC Staff recommends that the program be moved to AHCCCS as is. That is, that it remain a fee-for-service medical program and stay intact as a separate program within AHCCCS. Such a move will place the program within an agency whose mission is to improve accessibility and delivery of quality health care to eligible members. Although savings may exist, the JLBC Staff recommends that the program retain any savings achieved and develop a better

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

dental provider network as well as improving other aspects of its services.

The transfer to AHCCCS includes (15) FTE Positions and \$(465,500) in the Operating Budget. The \$(465,500) is distributed as follows: \$(327,000), Personal Services; \$(86,000), Employee Related Expenditures; \$(3,000) Travel - In State; and \$(49,500), Other Operating Expenditures. Of the \$(3,260,400), the sum of \$(2,794,900) is for contracted medical, dental and behavioral health services. An additional (34.5) FTE Positions and \$(7,917,000) in Title XIX Federal Funds will also be transferred with the program. Of the \$(7,917,000) Title XIX dollars, which originally flow to DES from AHCCCS, \$(1,396,600) are new dollars anticipated during FY 1998.

\* \* \*

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

**Other Issues for Legislative Consideration**

**Child Care Administration and Services**

The JLBC Staff recommends transferring the Child Care programs and its related General Appropriation Act footnote from this division to the Division of Employment and Rehabilitation Services as requested by DES. Discussion on the appropriation recommendation is in the Division of Employment and Rehabilitation Services narrative. The Executive concurs with the transfer.

**Healthy Families Pilot**

Laws 1996, Chapter 247 appropriated \$3,000,000 for FY 1997 and FY 1998. Since these funds have already been appropriated, they do not need to be included in the General Appropriation Act. 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.

Laws 1994, Chapter 1, 9th Special Session required the Auditor General to conduct an annual programmatic evaluation of this program. The Auditor General's annual evaluation on the Healthy Families Pilot Program was published in November 1996. This annual evaluation found the following:

- the pilot targets families who need its services;
- program participants face troubling living situations; overall about 70% of the pilot's families are part of

families that are not supportive of family members and are not able to deal with stress or change;

- families access fewer services than envisioned in the model, in fact, the pilot is experiencing a 47% attrition rate; and
- the high attrition rate contributes to a high yearly cost per family.

**Child Severance Project**

The Executive recommends adding \$232,500 to the Child Severance Project Special Line Item for filing and litigation of additional severance petitions and severance social studies in FY 1998. The Executive estimates that these dollars will raise the number of severance petitions and severance social studies completed to 630 in FY 1998. DES's FY 1997 appropriation in the Child Severance Project Special Line Item was budgeted for the completion of 570 petitions and social studies. Of the \$232,500, \$180,400 new dollars are included in the Attorney General Legal Services Special Line Item as part of the Executive's Attorney General Realignment policy issue discussed previously.

**Child Abuse Prevention**

Laws 1996, Chapter 335 made the Child Abuse Prevention Fund subject to legislative appropriation. The FY 1998 recommended appropriation will be the same as its FY 1997 distribution: \$635,000, Healthy Start; \$2,800, Child Abuse Prevention Programs; and \$100,000, Regional Councils.

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec.
Child Abuse Prevention Fund	\$ 737,800
Children and Family Services	
Training Program Fund	156,000
Temporary Assistance for	
Needy Families Block Grant	<u>7,277,500</u>
TOTAL	<u>\$8,171,300</u>

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

DEPT: Department of Economic Security      JLBC: Marge Cawley/Stefan Shepherd      OSPB: Rick Zelznak/Matt Gottheiner  
 PROG: Employment and Rehabilitation Services      House Sub: Weiers      Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	115.2	126.1	129.1	370.4	370.4
Personal Services	4,573,800	4,638,900	4,779,900	10,966,600	11,069,700
Employee Related Expenditures	1,069,700	944,600	1,147,500	2,649,300	2,511,300
All Other Operating Expenditures:					
Professional and Outside Services	59,900	89,200	89,200	258,600	258,600
Travel - In State	152,600	157,100	157,700	346,100	346,100
Other Operating Expenditures	455,000	444,700	451,200	1,398,200	1,398,200
Equipment	8,500	0	0	44,000	44,000
<b>OPERATING SUBTOTAL</b>	<b>6,319,500</b>	<b>6,274,500</b>	<b>6,625,500</b>	<b>15,662,800</b>	<b>15,627,900</b>
<b>SPECIAL LINE ITEMS</b>					
Vocational Rehabilitation Services	3,189,400	3,285,100	3,285,100	3,285,100	3,285,100
Independent Living Rehabilitation Services	526,400	575,000	575,000	575,000	575,000
Job Search Stipends	173,900	173,900	173,900	173,900	173,900
<b>JOBS</b>	<b>4,898,300</b>	<b>4,385,100</b>	<b>16,114,900</b>	<b>14,209,200</b>	<b>10,109,200</b>
Employment Support Services	6,443,000	7,381,700	6,701,700	7,381,700	7,381,700
Other Receipts	0	(500,000)	(500,000)	0	0
Summer School and Jobs	1,000,000	0	0	1,000,000	1,000,000
Youth Employment, Ch. 309	0	0	0	1,000,000	1,000,000
Clifton Flood Control, Ch. 312	0	4,904,300	0	0	0
Day Care Subsidy	18,319,900	19,915,700	74,998,600	68,578,700	53,433,500
Transitional Child Care Extension Pilot	482,200	416,800	3,555,200	6,509,400	1,200,600
Child Care Legislative Initiatives	0	0	0	0	12,676,400
UI Employer Reimbursement	0	0	0	85,000	85,000
Transportation	0	0	0	2,000,000	0
<b>PROGRAM TOTAL</b>	<b>41,352,600</b>	<b>46,812,100</b>	<b>111,529,900</b>	<b>120,460,800</b>	<b>106,548,300</b>
<b>BY FUND SOURCE</b>					
General Fund	41,352,600	41,907,800	41,603,800	38,333,400	38,170,700
Other Appropriated Funds	0	4,904,300	69,926,100	82,127,400	68,377,600
Other Non-Appropriated Funds	188,184,000	216,274,800	216,323,000	216,323,000	216,323,000
Federal Funds	107,319,800	116,589,700	183,987,200	183,987,200	183,987,200
<b>TOTAL - ALL SOURCES</b>	<b>336,856,400</b>	<b>379,676,600</b>	<b>511,840,100</b>	<b>520,771,000</b>	<b>506,858,500</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.*

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$ (3,737,100)	(8.9)%
Other Funds	63,473,300	N/A
<b>Total Funds</b>	<b>\$59,736,200</b>	<b>N/A</b>

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

**Pay Annualization**    \$    **68,200 GF**  
**ERE Rates**    **20,400 GF**

**Child Care Administration Transfer**    **-0- GF**

The JLBC Staff recommends the transfer in of the Department of Economic Security's (DES) Child Care Administration and its related General Appropriation Act footnote from the Division of Children and Family Services (DCFS) cost center. The transfer includes 18.3 FTE Positions and a total of \$2,477,100 in operating expenditures and a total of \$20,332,500 in Special Line Items. This transfer will allow DES to combine administratively the related services of providing job training and child care, especially for recipients of assistance under the new Temporary Assistance for Needy Families (TANF) (old AFDC) program. The transfer includes the creation of Special Line Items identical to those in the DCFS: Day Care Subsidy and Transitional Child Care Extension Pilot. No new General Fund dollars were added or subtracted in the transfer. For display purposes, JLBC Staff has shown FY 1996 and FY 1997 Child Care Administration expenditures in the Department of Employment and Rehabilitation Services cost center; hence, there is no General Fund (GF) impact shown.

**Appropriation of Child Care Block Grant**    **51,731,200 OF**

The JLBC Staff recommends appropriating a total of \$51,731,200 from the Child Care Block Grant (CCBG). The August 1996 federal welfare reform bill (P.L. 104-193), which created the Child Care Block Grant, requires that state legislatures appropriate the block grant. The JLBC Staff recommends the appropriation of \$52,032,400 in total CCBG funds, including monies in other programs. Further details on the JLBC Staff recommendation for the appropriation of CCBG funds can be found in the Summary and the Administration cost center pages. Details on the appropriation of FY 1997 CCBG funds can be found in the Supplemental section in the Summary.

The recommended amount includes a total of \$4,013,000 and 109.8 FTE Positions associated with operating costs in the Division of Employment and Rehabilitation Services. This amount is composed of \$2,695,800 in Personal Services, \$669,500 in Employee Related Expenditures, and \$647,700 in All Other Operating Expenditures. This amount includes

costs associated with the annualization of the April 1, 1997 pay raise.

The recommended amount also provides a total of \$47,718,200 associated with child care subsidies. The total is divided between 3 Special Line Items: Day Care Subsidy, Transitional Extension Pilot, and the new Child Care Legislative Initiatives Special Line Item. The Day Care Subsidy funds 5 programs: State Day Care Subsidy, AFDC-Employed, AFDC-At Risk, JOBS Child Care, and Transitional Child Care. Since the passage of the welfare reform bill eliminated some of the funding streams upon which these programs were based, it is expected that the Legislature will alter the structure of the program. JLBC Staff estimated that DES would receive \$35,041,800 in Federal Funds in FY 1997 for child care subsidies, which does not include monies from the Social Services Block Grant. The difference between that amount and the \$47,718,200 the state will receive for subsidies in CCBG, \$12,676,400, is placed in the new Child Care Legislative Initiatives Special Line Item. During the 1997 legislative session, legislative committees will be considering statutory changes in the state's welfare reform laws. Once the redesign of the welfare system is complete, these monies will be available to assist in fulfilling legislative objectives. For example, the Legislative Initiatives monies could be used to further expand the \$17,786,200 set-aside for the TANF Stabilization Fund. In addition, the footnote concerning the amount appropriated for the State Day Care Subsidy program is transferred from DCFS.

The Executive recommends the appropriation of \$52,154,200 in CCBG funds in FY 1998. The recommended amount includes \$4,158,400 in operating expenditures and \$47,995,800 for existing day care subsidies. Further details on the Executive recommendation for the appropriation of the CCBG can be found in the Summary and Administration cost center pages.

**Appropriation of TANF Block Grant**    **10,565,600 OF**

The JLBC Staff recommends appropriating a total of \$10,565,600 and 129.5 FTE Positions from the TANF Block Grant. The August 1996 federal welfare reform bill (P.L. 104-193), requires that state legislatures appropriate the block grant. The JLBC Staff recommends the appropriation of \$226,741,500 in total TANF funds, including monies in other programs. Further details on the JLBC Staff recommendation for the appropriation of TANF funds can be found in the Summary and other DES cost center pages.

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

Details on the appropriation of FY 1997 TANF funds can be found in the Supplemental section in the Summary.

The recommended amount includes a total of \$4,841,500 and 129.5 FTE Positions associated with operating costs for the JOBS Program (or Job Opportunities and Basic Skills). This amount is composed of \$3,569,800 in Personal Services, \$841,000 in Employee Related Expenditures, and \$430,700 in All Other Operating Expenditures. This amount includes costs associated with the annualization of the April 1, 1997 pay raise. With this exception, these same amounts were expended as non-appropriated Federal Funds prior to the creation of the block grants.

The recommended amount also provides a total of \$5,724,100 associated with programs in the JOBS Special Line Item. The entitlement funding source for the JOBS Program was replaced by the TANF Block Grant. These same amounts were expended as non-appropriated Federal Funds prior to the creation of the block grants.

The Executive recommends the appropriation of \$23,892,400 in TANF funds in FY 1998. The recommended amount includes \$4,568,300 in operating expenditures and \$5,724,100 for the JOBS program. The Executive also recommends an additional \$11,600,000 for welfare reform initiatives: an additional \$4,100,000 for the JOBS Program, an additional \$7,500,000 for child care programs, and \$2,000,000 for transportation for TANF participants. JLBC Staff has not recommended any specific welfare reform initiatives; rather, the recommendation includes more than \$20,009,900 reserved in the Division of Benefits and Medical Eligibility budget for legislative initiatives the Legislature may wish to consider as part of welfare reform.

**Neighborhood Protection Act** **2,000,000 GF**  
The JLBC Staff recommends an increase of \$2,000,000 for 2 programs created by Laws 1996, Chapter 309. JLBC Staff recommends appropriating an additional \$1,000,000 to the non-appropriated, non-lapsing Summer Youth Program Fund for the continuation of summer school youth employment, education, and gang prevention programs for economically disadvantaged youth. JLBC Staff also recommends appropriating an additional \$1,000,000 to the non-appropriated, non-lapsing Project Intervention Fund for distribution to private, nonprofit, locally-initiated, community-based organizations for neighborhood rehabilitation projects. JLBC Staff is also recommending that an additional \$1,000,000 be added to DES's FY 1997 budget for the Summer Youth Program Fund; further details on that recommendation can be found in the FY 1997 Supplemental section in the Summary. The Executive concurs.

**Internal Reorganization** **103,800 GF**  
The JLBC Staff recommends the transfer of 3 FTE Positions and \$103,800 from the Administration cost center. This

department-requested transfer will realign support staff and results in no change to the overall agency budget. The Executive concurs.

**Foster Care Child Care** **(929,500) GF**  
The JLBC Staff recommends a decrease of \$(929,500) and (5.5) FTE Positions associated with additional Federal Funds for child care for children in the Child Protective Services (CPS) program. Previous Title IV-E federal regulation prohibited reimbursement for child care provided in a for-profit center. The regulations were recently revised, however, allowing the department to receive Federal Funds for the child care for these CPS children. The General Fund decrease will be matched by an equivalent Federal Fund increase; service levels will remain unchanged. The Executive concurs.

**Special Administration**  
**Fund** **1,176,500 OF (5,000,000) GF**  
Laws 1996, Chapter 102 made the Special Administration Fund subject to legislative appropriation.

The JLBC Staff recommends the following distribution of \$6,080,800 in Special Administration Fund monies appropriated for FY 1998:

- \$495,800 and 7.5 FTE Positions for Research Administration positions previously funded from the Special Administration Fund, same as in FY 1997.
- \$85,000 for Unemployment Insurance (UI) Employer Reimbursement previously funded from the Special Administration Fund, same as in FY 1997.
- \$4,385,100 for the JOBS program. In FY 1997, \$500,000 of the Special Administration Fund was used to partially fund the program. Associated with the \$3,885,100 increase in Special Administration monies (of which \$3,385,100 is one-time only) is a corresponding \$(3,885,100) decrease in General Fund monies, of which \$(3,385,100) is a one-time decrease.
- \$1,114,900 for the Employment Support Services program. In previous years, this program was funded solely with General Fund monies. Associated with the one-time \$1,114,900 increase in Special Administration monies is a corresponding one-time \$(1,114,900) decrease in General Fund monies.

In FY 1997, the Special Administration Fund will be expended for the Research Administration, UI Employer Reimbursement, and JOBS items described above. These amounts will total \$1,080,800. The FY 1997 Special Administration Fund appropriation is \$4,904,300, which will leave \$3,723,500 unexpended at the end of FY 1997. This amount will carry-forward to FY 1998 and is part of the appropriation described above. The overall policy issue change of \$1,176,500 represents the increase between the original FY 1997 appropriation of \$4,904,300 and the



**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

FY 1998 recommendation of \$6,080,800. The Executive concurs.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

It is the intent of the Legislature that the \$10,109,200 appropriated for JOBS may be used to support non-permanent and seasonal positions to fulfill federal program requirements when contracts for services cannot be established with outside parties. The use of such positions shall be reported to the Director of the Joint Legislative Budget Committee.

Of the \$53,433,500 appropriated for Day Care, \$8,249,000 is for a program in which the upper income limit is at least 65% of the state median income as determined by the Department of Economic Security. This provision may not be construed to impose a duty of an officer, agent or employee of the state to discharge a responsibility or to create any right in a person or group if the discharge or right would require an expenditure of state monies in excess of the \$8,249,000 appropriation. *(This footnote was previously located in the Division of Children and Family Services cost center.)*

*Deletion of Prior Year Footnote*

JLBC Staff recommends deletion of this footnote concerning using \$500,000 from the Special Administration Fund since the fund is now appropriated. See discussion under "Special Administration Fund" above.

**Other Issues for Legislative Consideration**

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec.
Child Care Block Grant	\$51,731,200
TANF Block Grant	10,565,600
Special Administration Fund	6,080,800
TOTAL	\$68,377,600

**DEPARTMENT OF EDUCATION  
(ADE)**

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Education  
Agency Summary

JLBC: Steve Schimpp/Justin Garosi  
House Sub: Knaperek

OSPB: Rita Sauv  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
General Services Administration	9,016,200	10,709,100	15,165,100	10,526,400	11,939,800
Assistance to Schools	1,847,155,000	1,999,382,900	2,135,359,800	2,093,043,700	2,088,243,300
<b>AGENCY TOTAL</b>	<b>1,856,171,200</b>	<b>2,010,092,000</b>	<b>2,150,524,900</b>	<b>2,103,570,100</b>	<b>2,100,183,100</b>

**OPERATING BUDGET**

<i>Full Time Equivalent Positions</i>	227.4	200.2	201.7	201.7	201.7
Personal Services	4,512,800	4,408,000	4,490,700	4,494,500	4,504,700
Employee Related Expenditures	1,010,800	934,200	1,009,500	948,500	957,100
All Other Operating Expenditures:					
Professional and Outside Services	106,600	12,600	12,600	12,600	12,600
Travel - In State	43,500	52,200	51,200	51,200	51,200
Travel - Out of State	24,700	34,400	33,400	33,400	33,400
Other Operating Expenditures	1,446,300	1,598,900	1,584,700	1,545,000	1,544,900
Equipment	19,400	0	137,000	0	0
<b>OPERATING SUBTOTAL</b>	<b>7,164,100</b>	<b>7,040,300</b>	<b>7,319,100</b>	<b>7,085,200</b>	<b>7,103,900</b>
Special Line Items	1,849,007,100	2,003,051,700	2,143,205,800	2,096,484,900	2,093,079,200
<b>AGENCY TOTAL</b>	<b>1,856,171,200</b>	<b>2,010,092,000</b>	<b>2,150,524,900</b>	<b>2,103,570,100</b>	<b>2,100,183,100</b>

**BY FUND SOURCE**

General Fund	1,791,576,400	1,972,667,000	2,109,283,100	2,063,067,900	2,062,143,100
Other Appropriated Funds	64,594,800	37,425,000	41,241,800	40,502,200	38,040,000
Other Non-Appropriated Funds	3,488,700	4,073,800	4,343,600	3,935,000	3,935,000
Federal Funds	399,955,200	495,326,800	467,843,000	467,108,300	467,108,300
<b>TOTAL - ALL SOURCES</b>	<b>2,259,615,100</b>	<b>2,509,492,600</b>	<b>2,622,711,500</b>	<b>2,574,613,400</b>	<b>2,571,226,400</b>

**Agency Description** — *The Department of Education is headed by the Superintendent of Public Instruction, an elected constitutional officer. For FY 1998 it is anticipated that the department will oversee 227 school districts and approximately 118 State Board of Education or State Board for Charter Schools-sponsored charter schools in their provision of public education from preschool through 12th grade.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$89,476,100	4.5%
Other Appropriated Funds	615,000	1.6%
<b>Total Appropriated Funds</b>	<b>\$90,091,100</b>	<b>4.5%</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
Pay Annualization	\$ 143,000 GF
ERE Rates	3,800 GF
Risk Management	(15,600) GF
Rent	(24,200) GF

**Basic State Aid**

Student Growth	80,736,100 GF
5% preschool (disabled)	
2.75% K-8	
4.1% 9-12	
5% Group B	
FY 1997 Base Adjustment for Student Growth	1,438,600 GF
Assessed Valuation Growth at 5.8%	(62,706,900) GF
FY 1997 Base Adjustment for Assessed Valuation Growth	(9,425,400) GF
Charter Schools (district sponsored)	10,704,900 GF
Charter Schools (state sponsored)	22,022,500 GF
Sudden Growth/Current Year Funding: (FY 1997 Shortfall)	12,613,900 GF
(FY 1998)	20,726,800 GF
1.9% K-8	
3.35% 9-12	
3.95% Group B	
(ASDB Cooperative Programs Expansion)	(856,700) GF
BIA School Funding	(10,235,800) GF
Transportation Support	(4,853,400) GF
Vocational Education Weight (Transfer to Voc Ed Block Grant)	(3,635,100) GF
Possessory Interest Deduction (new for FY 1998)	(1,000,000) GF
Endowment Earnings	615,500 OF (615,000) GF
Miscellaneous	4,625,900 GF
<b>SUBTOTAL</b>	<b>\$615,000 OF \$59,540,400 GF</b>

**Additional State Aid**

("Homeowner's Rebate")	18,592,100 GF
<b>State Block Grant-Early Childhood</b>	<b>5,000,000 GF</b>
<b>State Block Grant-Vocational Ed</b> (transfer from Basic State Aid)	<b>3,635,100 GF</b>
<b>Adult Education</b>	<b>1,000,000 GF</b>
<b>Student Accountability Information System</b>	<b>750,000 GF</b>
<b>Achievement Testing</b>	<b>394,600 GF</b>
<b>Misc. Formula Programs</b>	<b>293,400 GF</b>

<b>State Block Grant-Vocational Ed</b> (to replace local formula funding)	<b>146,400 GF</b>
<b>Optional Performance Incentive Programs</b>	<b>100,000 GF</b>
<b>Scotopic Sensitivity Syndrome</b>	<b>(90,000) GF</b>
<b>Other Changes</b>	<b>7,100 GF</b>

\* \* \*

**JLBC Staff Recommended Format — Varies by Program**

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Education  
 PROG: General Services Administration

JLBC: Steve Schimpp/Justin Garosi  
 House Sub: Knaperek

OSPB: Rita Sauv  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	160.3	143.9	143.9	143.9	143.9
Personal Services	4,512,800	4,408,000	4,490,700	4,494,500	4,504,700
Employee Related Expenditures	1,010,800	934,200	1,009,500	948,500	957,100
All Other Operating Expenditures:					
Professional and Outside Services	106,600	12,600	12,600	12,600	12,600
Travel - In State	43,500	52,200	51,200	51,200	51,200
Travel - Out of State	24,700	34,400	33,400	33,400	33,400
Other Operating Expenditures	1,446,300	1,598,900	1,584,700	1,545,000	1,544,900
Equipment	19,400	0	137,000	0	0
<b>OPERATING SUBTOTAL</b>	<b>7,164,100</b>	<b>7,040,300</b>	<b>7,319,100</b>	<b>7,085,200</b>	<b>7,103,900</b>
<b>SPECIAL LINE ITEMS</b>					
Achievement Testing	1,396,100	2,640,600	7,040,300	2,640,600	3,035,200
Charter Schools Administration	140,600	346,600	200,500	198,200	198,300
Education Commission of the States	54,400	57,200	56,100	56,100	56,100
Special Education Audit	100,300	230,100	232,000	231,700	231,700
State Board for Charter Schools	0	0	171,600	169,100	169,100
State Board of Education	160,700	144,300	145,500	145,500	145,500
Student Accountability Information System	0	250,000	0	0	1,000,000
<b>PROGRAM TOTAL</b>	<b>9,016,200</b>	<b>10,709,100</b>	<b>15,165,100</b>	<b>10,526,400</b>	<b>11,939,800</b>
<b>BY FUND SOURCE</b>					
General Fund	9,016,200	10,709,100	15,165,100	10,526,400	11,939,800
Other Non-Appropriated Funds	3,469,300	4,053,800	4,323,600	3,915,000	3,915,000
<b>TOTAL - ALL SOURCES</b>	<b>12,485,500</b>	<b>14,762,900</b>	<b>19,488,700</b>	<b>14,441,400</b>	<b>15,854,800</b>

**Program Description** — *The General Services Administration (GSA) program is divided into a number of units, including School Finance, Data Processing, Career Ladders, Teacher Certification and Special Education, which provide for the ongoing operation of the Department of Education. The State Superintendent of Public Instruction is funded through this cost center.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$1,230,700	11.5%

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**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
Pay Annualization	\$105,900 GF
ERE Rates	9,600 GF
Risk Management	(15,600) GF
Rent	(24,200) GF

**Elected Officials Salary Adjustment** 11,500 GF  
 The JLBC Staff recommends half-year funding to increase the salary of the Superintendent of Public Instruction from \$54,600 to \$75,000. With the exception of legislators, elected official salaries are determined by the recommendations of the Governor and the Commission on Salaries for State Elected Officials. Since the Legislature took no action to disapprove of these recommendations, current law requires the salary adjustment to take place on January 1, 1999.

**Transfer of State Board of Education Cost Center** -0- GF  
 The JLBC Staff recommends transferring the budget of the State Board of Education cost center to a new "State Board of Education" Special Line Item in this cost center. This recommendation reflects a general trend toward reducing the number of cost centers maintained in the state accounting system for all agencies, in preparation for the phasing in of program budgeting. The JLBC Staff believes that fiscal autonomy for the State Board of Education can be maintained within the structure of a Special Line Item in this cost center, rendering unnecessary the need to continue to maintain a separate cost center for this relatively small budget unit. The total amount recommended for transfer includes \$1,400 for annualization of the FY 1997 pay increase for state employees and \$(200) for changes in Employee Related Expenditures (ERE), both of which are reflected under "Standard Changes" for the cost center as a whole. The Executive does not recommend this funding transfer.

**New State Board for Charter Schools Special Line Item** -0- GF  
 The JLBC Staff recommends creating a new "State Board for Charter Schools" Special Line Item in this cost center, in order to promote greater staff autonomy for the Board, and to fund it in the same manner as is being proposed for the State Board of Education. This new Special Line Item would consist of 3 FTE Positions and \$152,800 transferred from the Charter Schools Administration Special Line Item in this cost center, and \$16,200 transferred from the operating budget of the cost center itself. The Executive concurs regarding the amounts to be transferred, but recommends that such transfers be into a new cost center, rather than into a new Special Line Item in the General Services Administration cost center.

**Achievement Testing** 394,600 GF  
 Achievement Testing consists of Norm Referenced Testing, which compares achievement of Arizona students to that of students nationwide, and Arizona Student Assessment Plan (ASAP) testing, which assesses student mastery of state-established "essential skills." The Norm Referenced Test will be administered to all students in grades 3-12 during FY 1998; the revised ASAP test is expected to be pilot tested in grades 3, 5, 8 and 12. For FY 1998, the JLBC Staff recommends an increase of \$394,600 for Norm Referenced Testing, but no increase for ASAP testing. This would provide a total FY 1998 appropriation for achievement testing (Norm Referenced Testing and ASAP) of \$3,035,200.

The recommended \$394,600 increase for Norm Referenced Testing reflects both an increase in the number of students expected to take the test and an increase in the anticipated per pupil cost. The estimated per pupil cost for FY 1998 is based on a contract awarded through a competitive bid process, and is lower than the FY 1997 per pupil cost because test booklets purchased in FY 1997 will be reused in FY 1998.

	Norm Referenced Testing		
	FY 1997 <u>Appropriated</u>	FY 1997 <u>Estimated</u>	FY 1998 <u>Estimated</u>
Total Cost	\$918,700	\$1,379,300	\$1,313,300
Students Tested	599,904	599,904	613,995
Cost/Student	\$ 1.53	\$ 2.30	\$ 2.14

	ASAP Testing		
	FY 1994 <u>Actual</u>	FY 1997 <u>Appropriated</u>	FY 1998 <u>Estimated</u>
Development	\$ 570,000	\$ -0-	\$4,143,000
Printing	75,700	805,000	271,100
Scoring	692,000	894,900	1,260,500
Shipping/Misc.	18,900	22,000	52,300
Total Cost	\$1,356,600	\$1,721,900	\$5,726,900
Students Tested	136,049	175,967	237,832
Cost/Student	\$ 9.97	\$ 9.79	\$ 24.08

The table above summarizes the department's request for \$5,727,000 in total ASAP funding for FY 1998—an increase of \$4,005,100 over FY 1997. This increase is requested in order to fund both an increase in the number of students expected to take the test, and an increase in the anticipated cost per pupil over FY 1997. (Actually, most FY 1997 funding for ASAP will revert, since the program is expected to remain suspended for 1 more year than was originally anticipated.) As compared with program costs averaging \$9.97/pupil for FY 1994 (the last year ASAP testing was done), the FY 1998 estimate of \$24.08/pupil is higher partly because many more students are expected to be tested (due to student population growth, fewer exempted students, and

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1 more grade level being tested.) Most of the cost increase, however, pertains to test development costs.

The FY 1998 cost estimates for test development are based on actual cost data for a similar testing program in Texas. These data indicate that it cost that state roughly \$600,000 in total to develop the tests for reading, writing and mathematics for each elementary grade level, but roughly \$2,000,000 in total to develop the "exit level" tests for these subject areas for high school students. The "exit level" tests are more expensive to develop because multiple versions have to be published, since students must pass them in order to graduate, and retesting must be done using different versions of the tests. The State Board of Education has not yet decided whether high school students will have to pass the 12th grade ASAP tests in order to graduate in Arizona, but the FY 1998 cost estimates shown in the table above anticipate such a decision.

Since a number of uncertainties exist regarding the FY 1998 ASAP program (such as whether multiple versions of the 12th grade ASAP tests will be required, whether the department's cost estimates for test development are reasonable, whether the new ASAP tests can be developed for all grade levels in time for field testing in the fall of 1997, and whether all field-tested versions can be modified quickly enough to allow for full testing in the spring of 1998), the JLBC Staff recommends that ASAP funding be maintained at the FY 1997 level of \$1,721,900. An analysis of the Texas cost data upon which the department's ASAP funding request is based indicates that such a funding level would be adequate to provide for the development and pilot testing of tests for all 3 required subject areas (mathematics, reading and writing) for Grades 12 and 8, for either a mathematics or reading test for Grade 5, and for no tests for Grade 3. This analysis assumes that only 10% of pupils in Grades 12, 8 and 5 would be pilot tested, and that multiple versions of Grade 12 tests would not be developed for FY 1998.

The Executive does not recommend increased funding for Achievement Testing.

**Student Accountability Information System 750,000 GF**  
The JLBC Staff recommends an increase of \$750,000 for the Student Accountability Information System (SAIS) project, which seeks to enable schools and school districts to transmit student count, financial accountability and other data to the Department of Education via the Internet. Currently, most state-mandated data are supplied to the department on hard copy, computer diskettes or computer tape, and require much more processing effort, time and cost than is anticipated under the SAIS. The General Appropriation Act for FY 1997 appropriated \$250,000 for this project, but restricted its use to aspects of the project aimed at enabling school districts to transmit more accurate and timely student count data to the department. Thus, the total recommended FY 1998 appropriation for this project is \$1,000,000.

<b>Student Accountability Information System</b>		
<u>Agency Infrastructure</u>		<u>Est. Cost</u>
Training		\$232,800
Consultants/Temporary Staff		624,000
Hardware		96,000
Software		200,100
Other		<u>17,100</u>
Subtotal		\$1,170,000
<u>School Connections</u>		
Workstations	(1,100 @ \$1,700)	\$1,870,000
Peripheral Hardware	(1,100 @ \$1,170)	1,287,000
Leased Line Charge	(1,100 @ \$1,300)	1,430,000
Data Line Installation	(1,100 @ \$439)	482,900
External Training		<u>345,000</u>
Subtotal		<u>\$5,414,900</u>
<b>TOTAL</b>		<b><u>\$6,584,900</u></b>

The department estimates the total cost of the project at approximately \$6,584,900. This figure assumes that the SAIS would connect to the Internet all of the approximately 1,100 schools in the state, and enable them to transmit to the Department of Education all data required for mandated state-level reports. For FY 1998, however, the JLBC Staff recommends that the focus of the project again be limited primarily to the automation of student count reporting from school districts. Furthermore, the JLBC Staff recommends that, for FY 1998, the project focus on establishing and pilot testing the automated reporting of student count data with those school districts that already have Internet access, so as to defer major Internet connectivity costs until after the technical feasibility of the project is confirmed through pilot testing. Thus, the \$1,000,000 recommended appropriation for the SAIS is intended to be devoted primarily to "agency infrastructure" costs shown in the above table.

The department notes that implementation of this project will make it unnecessary for it to request funding to modify computer programs that, as currently written, will not be able to process data relating to any year beyond 1999 (i.e., "the Year 2000 problem"). This is because the project budget includes costs associated with converting all of the agency's mainframe programs to function in a "client-server" environment, as required for Internet compatibility. Such conversion will include the development of replacement computer programs not having a "Year 2000 problem." The department estimates that it would cost roughly \$500,000 to \$1,100,000 to overcome the "Year 2000 problem" if the SAIS were not to be implemented, since it would have approximately 500,000 lines of computer code needing modification at a cost of \$1.10 to \$2.20 per line, based on consultant estimates. Separate funding to address the "Year 2000 problem" is not being requested, but the JLBC Staff is

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recommending a lump sum amount to address this problem for all agencies in the budget for the new Government Information Technology Agency.

The department also notes that the federal government has allocated to Arizona approximately \$2,700,000 in federal School Computer Literacy funding for FY 1997, to fund costs associated with promoting computer literacy at the school level. Such funding has a matching requirement, which the department indicates could be partially met with a confirmation of state funding to the SAIS project for FY 1998.

The Executive recommends a \$(250,000) decrease for the SAIS, which would eliminate all funding for the program.

**Education Commission of the States (1,100) GF**  
The JLBC Staff recommends a \$(1,100) reduction in funding to the Education Commission of the States, based on the projected cost of the membership dues to be paid by the state for FY 1998. The Executive concurs.

\* \* \*

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

### **JLBC Staff Recommended Footnotes**

#### *New Footnotes*

Monies appropriated for the Student Accountability Information System 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 via the Internet. It is the intent of the Legislature that major Internet connectivity costs of the project be deferred until after its technical feasibility has been confirmed through pilot testing of the automated student count reporting system with school districts that already have Internet access. It likewise is 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.

#### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote concerning the Student Accountability Information System, since a new footnote regarding the use of the FY 1998 appropriation for this project is recommended.

### **JLBC Staff Recommended Statutory Changes**

The JLBC Staff recommends notwithstanding the statutory language that requires essential skills (ASAP) testing to be conducted in a least 4 grades annually, since revised ASAP tests have not yet been developed to replace suspended

versions, and it is uncertain whether these revised tests can be developed and field tested in time for FY 1998 administration. Please see "Achievement Testing" policy issue for more information.



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DEPT: Department of Education  
 PROG: Assistance to Schools

JLBC: Steve Schimpp/Justin Garosi  
 House Sub: Knaperek

OSPB: Rita Sauv  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	67.1	56.3	57.8	57.8	57.8
<u>Statutory Formula Programs</u>					
Basic State Aid	1,640,583,500	1,802,989,600	1,912,903,000	1,874,842,500	1,863,145,000
Additional State Aid	148,095,900	146,279,400	165,995,900	162,615,100	164,871,500
Assistance to School Districts for Children	66,100	23,000	70,500	70,500	23,000
Certificates of Educational Convenience	1,830,800	4,142,400	2,291,500	2,291,500	2,291,500
Perm. Spec. Ed. Inst. Voucher Fund	6,727,100	7,339,100	7,888,200	8,312,700	9,123,400
Spec Ed Plcmt & Resid Ed Vch Fund	2,103,800	2,245,400	2,606,100	2,605,400	2,604,700
Subtotal	1,799,407,200	1,963,018,900	2,091,755,200	2,050,737,700	2,042,059,100
<u>Non-Formula Programs</u>					
Academic Contest Fund	50,000	50,000	50,000	50,000	50,000
Academic Decathlon	84,300	85,200	82,400	85,200	82,400
Adult Education Assistance	3,556,600	3,558,500	5,844,100	4,562,100	4,562,100
Arizona Geographic Alliance	50,000	50,000	50,000	50,000	50,000
Arizona Humanities Council	40,000	40,000	40,000	40,000	40,000
Arizona Principals' Academy	25,200	25,200	25,200	25,200	25,200
AZ School Service Through Ed. Tech.	234,000	234,000	234,000	234,000	234,000
Arizona Teacher Evaluation	195,600	191,200	192,700	192,500	192,500
Career Ladder Administration	0	131,000	131,700	129,500	129,500
Charter Schools Stimulus Fund	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Chemical Abuse	849,200	849,900	855,300	851,800	851,800
County Jail Education Start-Up	242,200	0	0	0	0
Extended School Year	490,100	500,000	500,000	500,000	500,000
Family Literacy	1,013,200	1,000,000	1,000,000	1,000,000	1,000,000
Gifted Support	0	1,290,600	1,293,300	1,291,900	1,291,900
Optional Performance Incentive Progs.	100,000	200,000	200,000	200,000	300,000
Residential Placement	0	100,000	100,000	100,000	100,000
School Report Cards	296,900	300,000	300,000	300,000	299,500
School Safety Program	4,998,900	5,000,000	5,000,000	5,000,000	5,000,000
Scotopic Sensitivity Irlen Syndrome	0	90,000	0	0	0
State Block Grant - Early Childhood	27,230,200	14,466,000	19,469,900	19,469,400	19,469,400
State Block Grant - Vocational Educ.	1,325,800	7,202,400	7,236,000	7,224,400	11,005,900
Tuition Fund	100,000	0	0	0	0
Vocational Education Assistance	2,832,300	0	0	0	0
Vocational Education Program Support	1,033,300	0	0	0	0
Vocational-Technological Education	2,000,000	0	0	0	0
Subtotal	47,747,800	36,364,000	43,604,600	42,306,000	46,184,200
<b>PROGRAM TOTAL</b>	<b>1,847,155,000</b>	<b>1,999,382,900</b>	<b>2,135,359,800</b>	<b>2,093,043,700</b>	<b>2,088,243,300</b>
<b>BY FUND SOURCE</b>					
General Fund	1,782,560,200	1,961,957,900	2,094,118,000	2,052,541,500	2,050,203,300
Other Appropriated Funds	64,594,800	37,425,000	41,241,800	40,502,200	38,040,000
Other Non-Appropriated Funds	19,400	20,000	20,000	20,000	20,000
Federal Funds	399,955,200	495,326,800	467,843,000	467,108,300	467,108,300
<b>TOTAL - ALL SOURCES</b>	<b>2,247,129,600</b>	<b>2,494,729,700</b>	<b>2,603,222,800</b>	<b>2,560,172,000</b>	<b>2,555,371,600</b>

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**Program Description** — Assistance to Schools includes the 6 formula programs and 20 non-formula programs listed above. The largest line item is Basic State Aid, which provides the state's share of equalization assistance to school districts based on a funding formula set in statute.

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$88,245,400	4.5%
Other Appropriated Funds	615,000	1.6%
<b>Total Appropriated Funds</b>	<b>\$88,860,400</b>	<b>4.4%</b>

Performance Measure	FY 96 Actual	FY 97 Estimate
% of High School Graduates Prepared for the Workplace	35	N/A

### FY 1998 — Recommended Changes from FY 1997

Standard Changes  
Pay Annualization  
ERE Rates

**\$37,100 GF**  
**(6,300) GF**

#### BASIC STATE AID

**Student Growth** **82,174,700 GF**  
Each school district or charter school's K-12 formula funding entitlement is based primarily upon its student count from the *prior* fiscal year. (This is true even under "current year funding," as described under "Sudden Growth" below.) Prior year student counts for FY 1991 through FY 1998 (estimated) appear in the table below. Based on the estimated FY 1998 "prior year" student count shown in the table (i.e., the estimated "current year" student count for FY 1997), the JLBC Staff Basic State Aid recommendation for FY 1998 provides funding for a

5% increase in the Preschool Disabilities (PSD) student count, a 2.75% increase in the elementary student count, a 4.1% increase in the high school student count, and a 5% increase in the Group B student count. Based on these student growth assumptions, an additional \$80,736,100 above the FY 1997 projected requirement will be needed for Basic State Aid in FY 1998. Adding in a base increase of \$1,438,600 from the FY 1997 appropriation, due to higher than projected student growth during FY 1997, results in a net projected increase of \$82,174,700 in the Basic State Aid requirement for FY 1998 from the FY 1997 appropriation. These growth projections exclude both district-sponsored and state-sponsored charter schools, as does the chart below.

The FY 1997 Basic State Aid appropriation was based on estimates of 0.4% growth in the PSD count, 2.9% growth in the elementary student count, 3.8% growth in the high school student count, and 5% growth in Group B. Actual student growth for the FY 1997 requirement was 1.38% for PSD, 2.86% for elementary, 3.96% for high school, and 5.38% for Group B.

**State Aid "Prior Year" Student Counts For Past 7 Years**

Fiscal Year	PSD		K-8		9-12		Total	Total Weighted Count		
	Count	% Change	Count	% Change	Count	% Change		Count	% Change	
1991	637	37.3%	430,531	2.7%	158,334	(1.2)%	589,502	1.7%	727,529	1.7%
1992	848	33.1	444,474	3.2	159,842	1.0	605,164	2.7	747,981	2.8
1993	1,224	44.3	458,761	3.2	166,056	3.9	626,041	3.4	771,810	3.2
1994	1,610	31.5	474,768	3.5	170,527	2.7	646,905	3.3	798,443	3.5
1995	1,824	13.3	491,198	3.5	176,708	3.6	669,730	3.5	825,927	3.4
1996	2,044	12.1	509,241	3.7	183,769	4.0	695,054	3.8	857,823	3.9
1997	2,073	1.4	523,791	2.9	191,050	4.0	716,914	3.1	892,449	4.0
1998 Est.	2,176	5.0	538,187	2.8	198,883	4.1	739,246	3.1	920,552	3.1

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The actual FY 1998 Basic State Aid funding requirement will be based on the final 100th day student count for the 1996-97 school year.

The Executive recommends an increase of \$78,784,400 over the FY 1997 requirement based on 3% growth in preschool disabilities, 2.56% growth in elementary, 3.83% in high school, and 8% growth for Group B students.

**5.8% Growth in School District**

**Net Assessed Valuation (NAV) (72,132,300) GF**  
 Growth in school district assessed valuation increases the "local share" of total formula funding from both the "qualifying tax rate" of \$4.40 per \$100 NAV and the statewide "county equalization" tax of 53 cents per \$100 NAV. This offsets the state General Fund requirement. For FY 1998, the JLBC Staff projects an additional \$(62,706,900) offset to Basic State Aid over the actual (versus appropriated) FY 1997 offset due to a projected 5.8% increase in school district assessed valuation for FY 1998. This projected growth rate is primarily due to strong growth expected in class 3 (commercial) and class 5 (single-family housing). Added to this offset, moreover, is an FY 1996 base adjustment of \$(9,425,400) due to higher than projected NAV growth for FY 1997 (2.86% actual versus 1.8% projected). In total, a net additional Basic State Aid offset for FY 1997 of \$(72,132,300) over the FY 1997 appropriation is projected.

The Executive projects a savings of \$(61,634,600), including county equalization, over the actual (not appropriated) FY 1997 requirement. This is based on 6.46% NAV growth. The JLBC staff projects a higher savings (\$62.7 million) despite a lower projected growth rate, because in the JLBC projection system districts have different NAV growth rates based on previous growth, whereas OSPB projects all districts to grow at the same rate.

The table below presents historical data on net assessed valuation growth since tax year 1987. Each additional 1% of

growth, if spread evenly throughout the state and among property classes, saves the state about \$9,659,000 (including County Equalization).

**District Sponsored Charter Schools 10,704,900 GF**

The charter school law contains provisions for school districts to sponsor charter schools. Such districts receive current-year funding for their charter schools' students. For FY 1997, it is estimated that 3,130 charter school students will be funded through school districts at a cost to the state of \$10,704,900. No change in this cost is projected for FY 1998. The original FY 1997 appropriation included no funding for district-sponsored charter schools.

The JLBC Staff recommends amending the "Rapid Decline" and "Capital Outlay Growth Factor" provisions of the K-12 funding formula, as they pertain to formula funding entitlements for school districts that sponsor charter schools. The rationale for amending Rapid Decline statutory language (A.R.S. § 15-942) is discussed below in the section on "Rapid Decline." The JLBC Staff recommends amending statutory language regarding the "Capital Outlay Growth Factor" (A.R.S. § 15-961 subsection C, paragraph 3) because this factor is somewhat arbitrary, since it depends upon the size of the sponsoring district as well as of the charter school itself. This provides an incentive for schools wishing to become chartered by a school district to seek only "small" districts to sponsor them, since this will result in a higher growth rate from 1 year to the next, and, hence, a higher Capital Outlay Revenue Limit (CORL) growth factor. Furthermore, the JLBC Staff believes that a more direct and practical way to provide capital funding for charter school start-up is through the Charter Schools Stimulus Fund.

The Executive projects an increase of \$17,300,000 for these schools for FY 1998.

**State Sponsored Charter Schools 22,022,500 GF**

The \$66,394,000 appropriated for charter schools operation in FY 1997 was based on a projected unweighted enrollment

Property Class	Percent Growth/Decline by Class									
	Tax Years (NAVS from tax year 1994 were used in FY 1995, etc.)									
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997 Proj.
1-Mines	25.1%	29.7%	10.5%	26.8%	22.7%	7.2%	(2.2)%	(1.7)	(1.4)	(10.0)
2-Utility	0.7	8.4	(4.1)	(0.3)	(2.9)	(1.1)	(0.4)	(3.2)	(2.5)	(3.6)
2-SRP	4.5	6.1	2.0	0.4	1.7	0.2	1.5	(3.2)	(2.6)	(3.6)
3-Commercial	9.7	10.6	9.6	(1.1)	0.1	(1.0)	(0.6)	(3.6)	4.9	4.3
4-Ag/vacant	12.2	12.7	4.8	(1.5)	(5.9)	(5.8)	(2.5)	(2.8)	(2.1)	1.5
5-Homeowners	8.6	7.6	3.7	2.4	2.6	3.0	7.2	10.2	5.4	13.2
6-Rental	4.5	1.6	(8.0)	(10.7)	(7.7)	(9.4)	(6.9)	8.0	8.0	8.9
Other	3.5	18.2	17.3	22.6	11.9	(17.2)	13.5	6.9	15.8	7.5
<b>TOTAL</b>	<b>7.2%</b>	<b>8.8%</b>	<b>3.1%</b>	<b>(0.2)%</b>	<b>(0.3)%</b>	<b>(0.7)%</b>	<b>1.4%</b>	<b>1.8%</b>	<b>2.9%</b>	<b>5.8</b>

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of 15,000 students with an average cost of \$4,426 per student. Revised projections for FY 1997 now show an unweighted enrollment of 14,300 students and an average cost per student of \$4,313 for a total operating cost of \$62,178,900. This is a savings of \$(4,215,100) from the original FY 1997 appropriation. For FY 1998, an unweighted student count of 20,500 and total operating costs of \$88,416,500 are projected, which is \$22,022,500 higher than the FY 1997 appropriation. The JLBC Staff recommends that transportation costs be funded at \$174 per student, as in FY 1997. This will require a continuation of the FY 1997 session law which set transportation funding at the \$174 level.

The Executive projects a total cost in FY 1998 of \$92,600,500 for an increase of \$26,206,500, based on a count of 21,500 students and an average cost of \$4,307 per student, including \$174 per student for transportation.

**Increase in Endowment Revenue (615,000) GF**  
Endowment Earnings of the Permanent State School Fund offset the cost of Basic State Aid. Endowment Earnings consist of interest on securities held in the fund and receipts from leases of state lands. Proceeds from sales of state lands are used to increase the size of the fund. The FY 1997 JLBC Staff recommendation includes an offset of \$(38,040,000) for Endowment Earnings, compared to the \$(37,425,000) offset upon which the FY 1997 Basic State Aid appropriation was based. However, the current projection of the FY 1997 offset is \$(36,100,200), which is \$1,324,800 smaller than the original projection. The Executive recommendation includes an increased offset of \$(3,816,800) for Endowment Earnings.

**State Juvenile Education System 550,400 GF**  
Laws 1989, Chapter 266, established the State Juvenile Educational System (SJES) and provided for the calculation and apportionment of equalization assistance for the system beginning in FY 1992. This SJES is administered by the Department of Juvenile Corrections (DJC) and provides educational services for juveniles incarcerated at DJC facilities. Formula funding for SJES is deposited into the State Education Fund for Committed Youth (SEFCY) established by A.R.S. § 15-1372(B). Based on a December 1996 actual student count of 551 average daily membership (ADM) students, versus a December 1995 ADM count of 443, the JLBC Staff estimates that \$420,100 in supplemental funding will be required in FY 1997 for the SJES.

Since no new beds are expected to come on line at DJC until at least June of 1998, no increase in the December 1996 student count is projected for FY 1998. However, the JLBC Staff estimates that \$130,300 in additional formula funding will be required for the SJES for FY 1998 (above and beyond that provided by the projected FY 1997

supplemental), primarily because of increases in CORL funding to the SJES during FY 1998, due to more students being in the SJES prior year student count for FY 1998. Only students represented in a school district (or agency's) prior year student count are entitled to CORL funding under the K-12 funding formula. The \$420,100 projected FY 1997 supplemental plus the additional \$130,300 FY 1998 increase result in a net recommended increase of \$550,400 for the SJES for FY 1998, for a total appropriation of \$1,972,000. The Executive recommends an increase of \$539,600 and a total appropriation of \$1,961,200.

**State Education Fund for  
Correctional Education 21,100 GF**  
Laws 1995, Chapter 158, established the State Education Fund for Correctional Education (SEFCE) and authorized separate formula funding for educational costs of pupils committed to the state Department of Corrections (DOC) who are 18 years old or younger or who are 21 years old or younger and have a disability. For FY 1998 the JLBC Staff recommends an increase of \$73,200 for this program based on agency student count estimates. This would provide a total FY 1998 appropriation of \$511,800. The Executive recommends an increase of \$21,100 for this program.

**Sudden Growth/Current Year Funding 33,340,700 GF**  
"Sudden Growth" is the provision of law (A.R.S. § 15-948) that allows school districts and charter schools to receive additional formula funding if their student count in a current year is greater than their student count in the prior year. This provision is necessary because delays in receiving current year student count information under the present data collection system make it difficult to base a school district or charter school's formula funding entitlement on current year student count data. Instead, such entitlements are computed based on prior year student counts, but with a "Sudden Growth" adjustment being allowed after the first 100 days if current year student counts turns out to be higher than the prior year student counts.

Prior to FY 1997, school districts received full "Sudden Growth" funding only when their current year student count was at least 5% higher than their prior year student count. Laws 1996, Chapter 8, 5th Special Session, however, reduced the 5% threshold to 2% for FY 1997, and to 0% for FY 1998. This means that in FY 1998, school districts and charter schools for the first time will be eligible for "Sudden Growth" funding for *any* increase in their student count above the prior year. Since this essentially provides formula funding for all students in a school district or charter school's student count in the current year, such funding also is commonly referred to as "current year funding." It should be noted, however, that A.R.S. § 15-948 does not provide funding for 3 components of the main K-12 funding formula:

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Capital Outlay Revenue Limit (CORL), Capital Levy Revenue Limit (CLRL), and the Transportation Support Level (TSL). As a result, based on current estimates, A.R.S. § 15-948 will provide for FY 1998 an average of about \$616 less in formula funding per pupil than will be provided for pupils represented in a school district or charter school's prior year student count. Total average formula funding per "Sudden Growth" pupil for FY 1998 is estimated at \$3,198 versus \$3,814 for "prior year" pupils.

A.R.S. § 15-948 likewise does not provide for "true" current year funding in that school districts with declining student counts will continue to be funded based solely on their prior year student counts. Such districts or charter schools would receive less total formula funding under a true current year funding system, since they would have fewer students in the current year than in the prior year.

The JLBC Staff estimates that a \$33,340,700 increase will be required for Sudden Growth/current year funding for FY 1998, relative to the FY 1997 appropriation. Of this, \$12,613,900 represents an increase in the estimated requirement for FY 1997, with the remaining \$20,726,800 representing the estimated change in actual requirement from FY 1997 to FY 1998. The FY 1998 requirement is based on projected 100th day FY 1998 "current year" student count growth rates of 5% preschool disabilities, 1.9% elementary, 3.35% high school, and 5% group B.

The Executive recommends an increase of \$34,194,200 based on a projected funding requirement of \$68,250,300.

**Career Ladder Step Increase** **1,117,500 GF**  
Career Ladder is a teacher performance compensation program, which allows participating districts to increase their Base Levels by percentages stated in statute (A.R.S. § 15-918), depending on the implementation phase the district is in. There are 4 phases with corresponding percentage increases as follows: the Development Phase: 0.5% increase; the Evaluation Phase: 1% increase; the Placement Phase: not greater than a 2.5% increase in the first year or not greater than 4% in the second year; and the Effective Career Ladder Phase: not greater than a 5.5% increase. The Career Ladder program is an optional program and 29 districts currently participate. No new districts are expected to participate in FY 1998.

The projected FY 1998 requirement for career ladder step increases is \$927,700. In addition, another \$189,800 will be needed to annualize the higher than expected cost of career ladder step increases in FY 1997. The total cost of the program is estimated to be \$42,704,500 in FY 1998: \$29,436,000 in state funding and \$13,268,500 in funding received from the Qualifying Tax Rate.

### Fund Transportation on

**Prior Year Mileage** **(4,853,400) GF**  
Currently, the state funding formula allows districts to receive transportation funding based on the greatest yearly number of route miles driven by the district's buses in the 3 previous years. The JLBC Staff recommends modifying this law to fund districts on the number of route miles driven in the previous year only. This will better reflect districts' actual transportation funding requirements, especially since some districts recently have increased their use of city buses for pupil transportation, and the cost of city bus passes and tokens used by public school students is reimbursed separately in the K-12 transportation funding formula. Under current law a district can be funded both for the cost of bus passes and tokens in the prior year and for the bus route mileage driven 3 years prior. This can result in much higher transportation formula funding levels, particularly for school districts that are increasing their reliance on city buses to provide to-and-from-school transportation for their pupils. The Executive makes no recommendation on this issue.

**End Double Funding of BIA Schools** **(10,235,800) GF**  
Under current law, charter schools which will receive maintenance and operation (M&O) formula funding from the federal Bureau of Indian Affairs (BIA), and which were chartered prior to July 1, 1996, will not have to deduct this amount from their state formula funding entitlement for FY 1998. (Laws 1996, Chapter 284 will require such deductions starting in FY 1999). Ten such schools are anticipated for FY 1998, and these schools will receive M&O formula funding twice for each student--once from the BIA, and once from the state. The JLBC Staff recommends that for FY 1998, each of these schools be entitled to state formula funding only to the extent that comparable BIA formula funding provides less than would be provided under the state formula, with the state making up the difference. The JLBC Staff estimate that such a policy would save the state General Fund approximately \$(10,235,800). The Executive concurs with this policy recommendation, but projects a slightly lower savings of \$(10,233,300).

**Rapid Decline** **805,400 GF**  
The JLBC Staff projects an increased requirement of \$805,400 for Rapid Decline for FY 1998, to a level of \$1,260,800 based on current student growth projections. Rapid Decline (A.R.S. § 15-492) is a provision in the Basic State Aid formula that buffers the loss of formula funding for school districts that experience sudden and substantial declines in enrollment. Of this increase, \$393,100 represents an increase from the FY 1997 appropriation to the current FY 1997 projection, and \$412,300 represents the projected increase in the program requirement from FY 1997 to FY 1998.

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In addition, the JLBC Staff recommends that A.R.S. § 15-492 be amended so that school districts that sponsor a charter school not be considered eligible for Rapid Decline funding if such a charter school switches sponsors or ceases to exist as a state-funded charter school. Such situations currently qualify the former sponsor to receive Rapid Decline funding for the related decline in its student count, even though this loss of students does not impose a financial hardship on the district, since virtually all of funding generated by the charter school's student count in the prior year was passed on to the charter school. One such situation is anticipated for FY 1998, and will cost the state an estimated \$298,300 if not disallowed.

The Executive projects a \$344,600 increase in the Rapid Decline requirement for FY 1998.

### Transfer of Vocational Education

**Group B Weight Funding (3,635,100) GF**  
The JLBC Staff recommends that all Basic State Aid funding generated by the Vocational Education Group B weight be transferred to the State Block Grant for Vocational Education, as described in further detail under the narrative for that Special Line Item. The Executive makes no recommendation on this issue.

**Possessory Interest Deduction (1,000,000) GF**  
Laws 1996, Chapter 349 eliminated the previous "possessory interest" property tax classification for property held for private purposes on government land, and established the new "government property lease excise tax" to replace it. Of the revenue from this tax, 73% is earmarked for the school district in which the property is located. Beginning in FY 1998, the revenue a district receives from this tax in the prior year will be counted as part of the local tax base for purposes of determining state aid payments. The JLBC Staff projects that this will yield a state General Fund savings of \$(1,000,000) in FY 1998. The Executive makes no recommendation on this issue.

### Deduction for Expansion of ASDB

**Cooperative Programs (856,700) GF**  
The JLBC Staff recommendation for the Arizona State Schools for the Deaf and the Blind (ASDB) includes funding for expansion of ASDB Cooperative Programs. Such expansion should lead to a reduction in the Group B student counts submitted by school districts and charter schools for formula funding, since students served by ASDB Cooperative Programs typically are funded out of the Permanent Special Education Institutional Voucher Fund (PSEIVF) rather than through Basic State Aid. The JLBC Staff estimates that this will result in a \$(856,700) reduction in the total statewide requirement for Basic State Aid for FY 1998, and will reduce the Group B student

count growth rate from 5% to 3.95%. The Executive makes no recommendation regarding this deduction.

### Other Adjustments

**2,079,400 GF**  
The County Equalization offset to Basic State Aid (described above) is reduced each year by costs associated with 1) the small schools service program [A.R.S. § 15-365], 2) costs of educating pupils who are incarcerated in county juvenile detention centers [A.R.S. § 15-913], and 3) costs of educating eligible pupils who are incarcerated in county jails [A.R.S. § 15-913.01]. The JLBC Staff projects that the FY 1998 costs of the small schools service program will increase by \$38,000 to a total of \$1,200,000, and that the formula funding cost of county juvenile detention center education will increase by \$298,100 to a total of \$1,300,000. Formula funding requirements for county jail education are projected to drop by \$(172,000) to \$400,000. The Executive concurs.

The recommendation also assumes an increase of \$1,028,100 for prior year adjustments to school district budgets (Executive: \$(471,900)), a decrease of \$(6,500) for miscellaneous collections, an increase of \$199,300 for tuition loss [A.R.S. § 15-954], an increase of \$100,000 for student loss, an increase of \$100,500 for financial and compliance audits [A.R.S. § 15-914] (Executive: \$114,900), an increase of \$595,000 for the cost of transporting students in unorganized areas (Executive: \$38,200), a decrease of \$(40,200) for career ladder adjustments (Executive: not shown), a decrease of \$(68,500) for bus passes and tokens (Executive: not shown), and an increase of \$7,600 for small school transportation [A.R.S. § 15-963]. The changes reflect actual requirements for Basic State Aid. The Executive concurs except where otherwise noted, but also projects a \$(587,500) reduction in the cost of transportation and other costs associated with special education students participating in open enrollment pursuant to A.R.S. § 15-816, whereas the JLBC Staff projects no change in this requirement.

**Total Basic State Aid \$615,000 OF \$59,540,400 GF**

### "HOMEOWNERS' REBATE PROGRAM"

#### Additional State Aid

The FY 1997 appropriation of \$146,279,400 and the FY 1998 recommendation of \$164,871,500 are based upon the following assumptions:

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**Additional State Aid Budget Assumptions**

	Est. FY 1997	JLBC Rec. FY 1998
Class 5 Property Growth	5.4%	13.2%
Growth in Avg School District Tax Rates	(5.6)%	0.5%
Rebate Percentage	35.0%	35.0%

Laws 1994, Chapter 41 freezes the rebate percentage rate at 35% for tax year 1994 and thereafter. Laws 1988, Chapter 271 amended A.R.S. § 15-972 to provide that the maximum state reduction in property taxes for any residential parcel shall not exceed \$500. The Additional State Aid adjustments are as follows:

**13.2% Increase in Class 5 Property and 0.5% Increase in Average School District Tax Rates for Class 5 Properties 18,271,000 GF**  
 Unlike Basic State Aid, Additional State Aid expenditures rise as Class 5 property values rise. Class 5 property is expected to grow somewhat faster than other classes for FY 1998.

**Homeowners' Rebate Under Constitutional 1% Cap 321,100 GF**  
 The Constitution requires that residential (Class 5) primary property taxes not exceed 1% of a property's full cash value. In effect, the state pays school districts for any portion of a school district's primary levy that would leave a homeowner's property tax bill at more than 1% of the house's full cash value. The total projected size of this portion is \$915,100, up \$321,100 from the estimated FY 1997 level of \$594,000.

**Total Additional State Aid Increase 18,592,100 GF**

The Executive recommends an increase of \$16,335,700, which assumes an 11.3% growth rate for Class 5 property values for FY 1998.

**OTHER STATUTORY FORMULA PROGRAMS**

**Assistance to School Districts for Children of State Employees -0- GF**  
 Laws 1996, Chapter 358 appropriated \$23,000 in order to supplement formula funding provided for students whose parents are employed by and domiciled at the Arizona State Hospital, the Arizona State Schools for the Deaf and the Blind, and institutions and facilities maintained by the Arizona Department of Corrections, in accordance with A.R.S. § 15-976. This funding is intended to partially compensate school districts eligible for this program for funding reductions that they experienced as a result of the

implementation of "open enrollment" policies pursuant to A.R.S. § 15-816. The JLBC Staff projects no increased cost for this formula program for FY 1998, and therefore recommends no change in funding for it.

**Certificates of Educational Convenience (1,850,900) GF**  
 The JLBC Staff recommends a \$(1,850,900) reduction in the funding requirement for Certificates of Educational Convenience (CEC's) [A.R.S. § 15-825] based on department projections. This program primarily funds "excess" Group B costs of students who, under open enrollment provisions described in A.R.S. § 15-816.01, attend school in a school district in which they do not reside. Such costs reflect differences between special education costs identified in the department's biennial special education cost study and the amount of Basic State Aid funding generated by Group B special education weights. The department currently projects that \$(1,961,300) of the \$4,142,400 FY 1997 appropriation for this program will revert to the state General Fund, due to fewer than anticipated requests for CEC funding from school districts for FY 1997. Therefore the \$(1,850,900) recommended decrease for this program for FY 1998 actually represents the sum of the \$(1,961,300) anticipated reversion for FY 1997 plus a \$110,400 increase for FY 1998. This would provide a total FY 1998 appropriation for the program of \$2,291,500. The Executive concurs.

**Permanent Special Education Institutional Voucher Fund 1,784,300 GF**  
 The JLBC Staff recommends an increase of \$1,784,300 in the funding requirement for Permanent Special Education Institutional Vouchers (PSEIV's) [A.R.S. § 15-1202] for FY 1998. This program primarily funds the educational costs of students with a visual or hearing impairment who attend the Arizona Schools for the Deaf and the Blind (ASDB), or a school district that participates in an ASDB cooperative program. The estimated \$1,784,300 increased requirement assumes that existing ASDB cooperative programs will add approximately 60 additional students, based on an analysis of historical trends, and that 2 new cooperative regions recommended in the ASDB agency budget will qualify an additional 40 pupils for PSEIV funding for FY 1998. It also assumes that the FY 1997 requirement for PSEIV funding will exceed the FY 1997 appropriated amount by \$772,500 (which will be covered by carry-forward monies available in the fund from prior years), based on revised data regarding the number of students eligible for PSEIV funding for FY 1997. Thus \$772,500 of the \$1,784,300 recommended increase is to account for the anticipated FY 1997 shortfall, with the remaining \$1,011,800 representing an estimated change in PSEIV funding requirements from FY 1997 to FY 1998.

As noted under "Basic State Aid," some of the increased cost for PSEIV's in FY 1998 will be offset by reductions in

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Basic State Aid entitlements for school districts for FY 1998, since many pupils funded for the first time under PSEIV's for FY 1998 otherwise would have been funded through Basic State Aid. The JLBC Staff estimates that this offset will be approximately \$(856,700), indicating that a net increased cost to the state of \$155,100 will be experienced due to expanded use of PSEIV funding during FY 1998.

The FY 1997 appropriation for this program included \$743,300 appropriated by Laws 1996, Chapter 310, in order to fund increases in Group B weights authorized by Laws 1996, 5th Special Session, Chapter 8.

The Executive recommends an increase of \$973,600 for this program for FY 1998.

### Special Education Placement and

#### Residential Education Voucher Fund 360,000 GF

The JLBC Staff recommends an increase of \$360,000 in the funding requirement for the Special Education Placement and Residential Education Voucher Fund (SEPREVF) [A.R.S. § 15-1182], based on Department of Education estimates. This program provides funding for the education of children who are placed in a residential facility by a state placing agency, or who require a residential special education placement as defined in A.R.S. § 15-761. The department currently projects an FY 1997 shortfall of \$244,300 for this program, based on increased requests for such voucher funding for FY 1997. (This supplemental will be paid for with carry-forward monies in the SEPREVF from prior fiscal years.) The \$360,000 increase recommended for FY 1998 therefore includes \$244,300 for the projected FY 1997 shortfall plus \$115,700 for increased FY 1998 funding relative to the revised FY 1997 requirement. This recommendation does not include a \$(700) adjustment for Standard Changes related to the 1 FTE Position funded through the SEPREVF, since this change is accounted for elsewhere. The Executive concurs.

### NON-FORMULA PROGRAMS

#### Academic Decathlon (2,800) GF

The JLBC Staff recommends the elimination of the (1) FTE Position dedicated to this program, as requested by the agency, since the program now is administered through a county school superintendent's office (which does not charge the state for administrative costs of the program). As a result of eliminating this 1 FTE Position, a savings of \$(2,800) in ERE costs would be realized. No Personal Services funding is being expended for this program during FY 1997.

#### Adult Education Assistance 1,000,000 GF

The JLBC Staff recommends an increase of \$1,000,000 for this program in order to eliminate the current waiting list for program services. Authorized by A.R.S. § 15-232, the program provides classes aimed at enabling adults to learn

English or pass a general equivalency diploma (GED) test. Such classes typically are provided by a school district, community college district, correctional facility, or community-based organization. The department indicates that approximately 7,600 adults currently are on the waiting list for adult education classes, and that the statewide average cost (federal and state funding combined) per adult served in this program is approximately \$130 per year. Thus, this increase will provide adult education for approximately 7,600 more adults. This recommendation does not include \$3,600 in Standard Changes for the program, which are accounted for along with the cost center's other Standard Changes. The Executive concurs with this recommendation.

#### Family Literacy

-0- GF

Laws 1996, Chapter 247 appropriated \$1,000,000 for FY 1997 and \$1,000,000 for FY 1998 to continue this program. For FY 1998, the JLBC Staff recommends the elimination of the (0.5) FTE Position dedicated to this program, as requested by the department. Associated with the elimination of this position is a \$(1,400) savings in ERE. As a result, all \$1,000,000 in FY 1998 funding for the program will be passed through to participating school districts. This funding, however, will not need to be included in the General Appropriation Act, given the Chapter 247 appropriation.

The Auditor General released an Annual Evaluation report on this program during December of 1996. Regarding the program's first year of implementation, this report concluded that (1) many of the program's contractors did not meet criteria required by Arizona's Family Literacy Pilot Program, (2) the department's monitoring of most program sites was inadequate, (3) some sites were operating with inadequate resources due to past budgeting errors, and (4) the program is having problems enrolling and retaining participants.

#### Optional Performance Incentive Programs 100,000 GF

The JLBC Staff recommends an increase of \$100,000 for Optional Performance Incentive Programs (OPIP) in order to allow more school districts to participate in OPIP programs, which serve as an alternative to Career Ladder incentive compensation programs. The Executive makes no recommendation on this issue.

#### Scotopic Sensitivity Irlen Syndrome (90,000) GF

Laws 1995, Chapter 145 appropriated \$90,000 for FY 1997 to fund a 2-year pilot program related to Scotopic Sensitivity Irlen Syndrome. Since FY 1998 funding for this program was appropriated during FY 1997, no FY 1998 appropriation is required, resulting in a \$(90,000) change for FY 1998.

#### School Report Cards

-0- GF

The JLBC Staff recommends authorization of 3 FTE Positions for this program, as requested by the department. No cost is associated with this authorization, as adequate funding exists in the program budget to pay for the new



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positions. The goal of the program is to provide the public with easy access to a wide variety of information on public schools in the state, as required by A.R.S. § 15-746. The Executive concurs.

### **State Block Grant for Early Childhood 5,000,000 GF**

The JLBC Staff recommends an increase of \$5,000,000 for this program for FY 1998, in order to restore a temporary base reduction of \$5,000,000 that the program experienced in FY 1997, due to the availability of \$5,000,000 in carry-forward monies to fund the program for that fiscal year. Total recommended funding for the program for FY 1998 is \$19,469,400, which includes a \$3,400 increase for standard changes related to the FTE Positions that administer this program.

The goal of the program is to provide flexible supplemental funding for early childhood programs, including preschool programs for economically disadvantaged children, and programs that serve all public school students statewide who are in grades K-3. For FY 1997, 50% of funding for this program is being allocated to school districts and charter schools based on the number of students they have who qualified during FY 1996 for free lunch under the federal free and reduced lunch program. The other 50% is being allocated so that each school district or charter school receives \$15,000 plus a variable amount based on the number of "average daily membership" (ADM) students they had in grades K-3 during FY 1996.

For FY 1998, the JLBC Staff recommends that 100% of program funding be allocated based on each charter school or school district's "free lunch eligible" student count for the prior year (using the statewide "free lunch eligible" average for any charter school that is not participating in the federal free lunch program during FY 1997). This approach would partially compensate for disproportionate funding losses experienced by a number of school districts under the FY 1997 program.

For FY 1998, the JLBC Staff recommends that school districts or charter schools that wish to devote part of their block grant funding to preschool programs be required to (1) restrict the preschool program only to "free and reduced lunch-eligible" preschool children; (2) allow at least 50% of children selected for the program to choose to receive preschool services from a federally-funded or private preschool, if they so chose; and (3) allow participating students to receive preschool services only from a public or private preschool provider approved by the Department of Health Services as being a qualified provider of preschool services.

Regarding item #3 above, the JLBC Staff recommends that the Department of Health Services consider all public, federally-funded and private preschool providers participating in the program during FY 1997 also to be

qualified for participation during FY 1998. It furthermore recommends that any new providers wishing to participate in the program be considered qualified to do so, as long as they can show evidence of being able to help prepare disadvantaged preschoolers to be "ready" to enter kindergarten (as determined by any commonly-used test of kindergarten readiness) by the time they are first eligible by age to do so.

The JLBC Staff recommends that starting in FY 2000 only preschool providers who are accredited by a preschool-accrediting organization recognized by the State Board of Education be allowed to participate in this program, and that all such providers be automatically considered eligible to do so.

The Executive concurs with the recommended \$5,000,000 increase for the program, but does not recommend changes in eligibility and private provider criteria as does JLBC Staff.

### **State Block Grant for Vocational Education 3,781,500 GF**

The JLBC Staff recommends an increase of \$3,781,500 for this program, due to a recommended transfer of \$3,635,100 in funding currently generated through the vocational education Basic State Aid "Group B" weight authorized by A.R.S. § 15-943 and A.R.S. § 15-782.01, and the addition of \$146,400 in new funding to compensate for the loss of local funds currently generated by that weight. Such funding changes are recommended in order to consolidate into this block grant program all funding provided by the state for high school vocational education programs. Together with \$21,300 in Standard Changes accounted for elsewhere, these changes would result in a total FY 1998 appropriation of \$11,005,900 for the State Block Grant for Vocational Education program. This program was created in FY 1997 by consolidating funding for 3 separate vocational education-related Special Line Items in this cost center with funding for the then-separate Vocational Education cost center (through which 34.3 FTE Positions were funded), in order to improve accountability for this funding and promote increased flexibility regarding its use. Of the total recommended \$11,005,900 FY 1998 appropriation for this program, \$1,754,600 is for state-level operating expenditures (to fund 34.3 FTE Positions), and \$9,251,300 is "pass through" funding for charter schools and school districts.

The JLBC Staff recommends that the \$9,251,300 in pass-through funding recommended for the program for FY 1998 be allocated whereby 80% is based upon the number of 11th and 12th grade students enrolled in an approved vocational education program in FY 1997, and 20% is based upon placement data on vocational education program completers from FY 1995 (the last year for which such data will be available prior to the start of FY 1998). Currently about half of the funding recommended for transfer into this program is allocated to school districts on a formula basis and half as

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competitive grants. Under this system, there is no direct linkage between a school district's vocational education funding levels and its success in placing its vocational education program completers. Since placement rates for vocational education program completers provide a strong indication of their usefulness and effectiveness, the JLBC Staff recommends that the percentage of state vocational education "pass through" funding linked to placement rates be increased in future years above the 20% recommended for FY 1998. A higher percentage is not recommended for FY 1998, however, because currently-available data on placement rates for vocational education programs are not of high quality. Such quality is expected to improve, however, once a clear linkage between vocational education funding levels and placement rates becomes established, since vocational education programs will have a financial incentive to provide more complete data regarding placement of their program completers.

\* \* \*

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

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

Additional State Aid - This appropriation is made to enable the state to carry out the requirements of A.R.S. § 15-972.

Assistance to School Districts - The appropriated amount is for assistance to school districts in educating the children of certain state employees as prescribed in A.R.S. § 15-976.

Certificates of Educational Convenience - The appropriated amount is for reimbursement to school districts that have students enrolled under certificates of educational convenience as provided by A.R.S. § 15-825.

Permanent Special Education Institutional Voucher Fund - The appropriated amount is for special education costs of students from the Arizona State Schools for the Deaf and the Blind and the Arizona State Hospital, in accordance with A.R.S. § 15-1202.

Special Education Placement and Residential Education Voucher Fund - The appropriated amount is for education costs of students placed in private institutions by the Department of Economic Security, Department of Health Services, Department of Corrections or the Juvenile Courts, as provided by A.R.S. § 15-1182.

Academic Contest Fund - The appropriated amount is for assistance in sending state level winners of academic contests to the national levels of the contests.

Academic Decathlon - The appropriated amount shall be used solely for the purpose of paying administrative and material costs incurred in support of the academic decathlon and other academic events.

Adult Education - The appropriated amount is for classes in adult basic education, general education development and citizenship on a statewide basis.

It is the intent of the Legislature that no more than 10% of the appropriation for adult education assistance be used by the Department of Education for operating the Division of Adult Education. It is also the intent of the Legislature that the greatest possible proportion of monies appropriated for adult education programs be devoted to instructional, rather than administrative, aspects of the programs.

Arizona Humanities Council - The appropriated amount is for assistance to the Arizona Humanities Council for educational outreach services to Arizona school districts.

Arizona Principals' Academy - The appropriated amount is for the costs of administering the principals' academy and for the instructional or program costs of the academy.

Arizona Teacher Evaluation - The appropriated amount is for funding the Arizona Teacher Proficiency Examination, the administration and evaluation of the examination in state and United States Constitutions and assisting with the alternative secondary certification program.

Arizona School Services through Educational Technology (ASSET) - The appropriated amount is for funding to assist school districts in enhancing educational instruction through television course work.

Chemical Abuse - The appropriated amount is for assistance to school districts for programs designed to prevent chemical abuse by pupils in kindergarten programs and grades 1 through 12.

Extended School Year - The appropriated amount is for assistance to school districts providing extended school year programs to handicapped pupils.

Residential Placement - The appropriated amount is for residential placement and shall be used to identify students needing residential placement and to establish a Residential Emergency Fund for the timely placement of students.

Arizona Geographic Alliance - The appropriated amount is to enable the department to participate in the National Geographic Society's Geography Alliance program, which is designed to increase the geographic and social studies literacy of students in grades K-12.

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

### *Continuation of New FY 1997 Footnotes*

Career Ladder Administration - The appropriated amount is to cover the expenses of providing career ladder program technical assistance to the State Board, the Career Ladder Advisory Committee and school districts.

Gifted Support - The appropriated amount is for assistance to school districts for special programs to meet the needs of gifted pupils.

### *Modification of Prior Year Footnotes*

Basic State Aid - The above state General Fund appropriation, when combined with all other monies in the state school fund, provides basic state support to school districts for maintenance and operations funding as provided by A.R.S. § 15-973, AND INCLUDES AN ESTIMATED \$38,040,000 IN EXPENDABLE INCOME DERIVED FROM THE PERMANENT STATE COMMON SCHOOL FUND.

~~The state General Fund appropriation, when combined with other appropriations, reflects the major portion of the estimated \$ total requirement for Basic State Aid support. The difference between the estimated total amount required and the state General Fund amount appropriated will be funded by expendable income derived from the Permanent State Common School Fund together with Receipts derived from THE PERMANENT STATE COMMON SCHOOL FUND AND any OTHER NON-STATE GENERAL FUND REVENUE SOURCE THAT IS DEDICATED TO FUND BASIC STATE AID source and will be expended, whenever possible, prior to expenditure of state General Fund monies.~~

All monies received during the fiscal year from national forests, interest collected on deferred payments on the purchase of state lands, the income from the investment of permanent funds as prescribed by the Enabling Act and the Constitution and all monies received by the Superintendent of Public Instruction from whatever source, except that monies received pursuant to A.R.S. § 15-237, when paid into the State Treasury are hereby appropriated for apportionment to the various counties in accordance with law, EXCEPT THAT THE FIRST \$30,000,000 IN EXPENDABLE INCOME DERIVED FROM THE PERMANENT STATE COMMON SCHOOL FUND IS APPROPRIATED TO THE SCHOOL CAPITAL EQUITY FUND IN ACCORDANCE WITH THE REQUIREMENTS OF A.R.S. § 37-521. No expenditures shall be made except as specifically authorized above.

*The recommended changes are due to expendable income from the Permanent State Common School Fund becoming appropriated for the first time in FY 1998, and to the fact that, starting in FY 1997, the first \$30 million of this income is appropriated automatically to the School Capital Equity*

*Fund to address critical capital funding needs of school districts and charter schools.*

State Block Grant for Early Childhood Education - The appropriated amount is for block grants to CHARTER schools AND SCHOOL DISTRICTS THAT OFFER offering instructional programs for students in preschool through grade 3

~~The Department of Education shall devise a plan for allocating and distributing funds for the State Block Grant for Early Childhood Programs, and shall present this plan to the Joint Legislative Budget Committee for review prior to the fund distribution. This plan shall target 50% of grant funds toward school districts with high percentages of students from low income families, and 50% across all school districts.~~

A maximum of 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.

*Since the JLBC Staff recommends that FY 1998 Education Omnibus Reconciliation Bill (ORB) contain language prescribing how this program shall be administered during FY 1998 (see "JLBC Staff Recommended Statutory Changes" below), the paragraph stricken above should no longer be necessary.*

State Block Grant for Vocational Education - The appropriated amount is for block grants to CHARTER schools AND SCHOOL DISTRICTS and community colleges that have vocational education programs.

~~The Department of Education shall devise a plan for allocating and distributing funds for the State Block Grant for Vocational Education, and shall present this plan to the Joint Legislative Budget Committee for review prior to the fund distribution.~~

It is the intent of the Legislature that the greatest possible proportion of monies appropriated for the State Block Grant for Vocational Education be passed on to schools to support their vocational education programs, rather than being used for state-level administration of vocational education programs.

*Since the JLBC Staff recommends that FY 1998 Education Omnibus Reconciliation Bill (ORB) contain language prescribing how this program shall be administered during FY 1998 (see "JLBC Staff Recommended Statutory Changes" below), the paragraph stricken above should no longer be necessary.*

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

### *New Footnotes*

Permanent Special Education Institutional Voucher Fund - THE APPROPRIATION FOR THE PERMANENT SPECIAL EDUCATION INSTITUTIONAL VOUCHER FUND IS AN ESTIMATE REPRESENTING ALL MONIES DISTRIBUTED TO THIS FUND, INCLUDING BALANCE FORWARD, REVENUE, AND TRANSFERS, DURING FISCAL YEAR 1996-1997. IT IS THE INTENT OF THE LEGISLATURE THAT ANY BALANCE FORWARD BE EXPENDED PRIOR TO EXPENDING THE FISCAL YEAR 1996-1997 STATE GENERAL FUND APPROPRIATION. IT IS EXPECTED THAT THE APPROPRIATED AMOUNT, WHEN COMBINED WITH PRIOR YEAR MONIES OF \$967,500, WILL RESULT IN TOTAL EXPENDITURES OF \$7,563,300.

*This footnote for the FY 1997 Supplemental Bill only is intended to provide statutory authority for the department to spend carry-forward monies from FY 1995 and earlier fiscal years for which such authority has been considered uncertain.*

Special Education Placement and Residential Education Voucher Fund - THE APPROPRIATION FOR THE SPECIAL EDUCATION PLACEMENT AND RESIDENTIAL EDUCATION VOUCHER FUND IS AN ESTIMATE REPRESENTING ALL MONIES DISTRIBUTED TO THIS FUND, INCLUDING BALANCE FORWARD, REVENUE, AND TRANSFERS, DURING FISCAL YEAR 1996-1997. IT IS THE INTENT OF THE LEGISLATURE THAT ANY BALANCE FORWARD BE EXPENDED PRIOR TO EXPENDING THE FISCAL YEAR 1996-1997 STATE GENERAL FUND APPROPRIATION. IT IS EXPECTED THAT THE APPROPRIATED AMOUNT, WHEN COMBINED WITH PRIOR YEAR MONIES OF \$579,600, WILL RESULT IN TOTAL EXPENDITURES OF \$2,825,000.

*This footnote for the FY 1997 Supplemental Bill only is intended to provide statutory authority for the department to spend carry-forward monies from FY 1995 and earlier fiscal years for which such authority has been considered uncertain.*

Permanent Special Education Institutional Voucher Fund - IT IS EXPECTED THAT THE APPROPRIATED AMOUNT, WHEN COMBINED WITH PRIOR YEAR MONIES OF \$194,900, WILL RESULT IN TOTAL EXPENDITURES OF \$9,318,300.

*(for the FY 1998 General Appropriation Act only)*

Special Education Placement and Residential Education Voucher Fund - IT IS EXPECTED THAT THE APPROPRIATED AMOUNT, WHEN COMBINED WITH PRIOR YEAR MONIES OF \$335,300, WILL RESULT IN TOTAL EXPENDITURES OF \$2,940,000.

*(for the FY 1998 General Appropriation Act only)*

### **JLBC Staff Recommended Statutory Changes**

The JLBC Staff recommends amending A.R.S. § 15-945 so that the "to and from school" portion of transportation formula funding be based on prior year daily route mileage, rather than the highest daily route mileage from the past 3 prior years. See the "Fund Transportation on Prior Year Mileage" policy issue under "Basic State Aid" for more information.

As a FY 1998 session law, the JLBC Staff recommends for FY 1998 that formula transportation funding for charter schools again (as in FY 1997) be provided at a rate of \$174 multiplied by the school's student count. The Staff also recommends that a statutory change be made apart from the Omnibus Reconciliation Bill in order to establish this as a permanent policy. Under current law, A.R.S. § 15-185; 15-186 and 15-816.01 must be notwithstanding in order to implement this policy. See the "District Sponsored Charter Schools" and "State Sponsored Charter Schools" policy issues under "Basic State Aid" for more information regarding charter schools funding.

The JLBC Staff recommends that Laws 1996, Chapter 284, Section 82 be notwithstanding so that Bureau of Indian Affairs (BIA) schools that also have become charter schools will not receive duplicative maintenance and operation funding during FY 1998. See "End Double Funding of BIA Schools" under "Basic State Aid" for a further discussion of this topic.

The JLBC Staff recommends that pass-through funding appropriated to the State Block Grant for Early Childhood Special Line Item be allocated 100% based on a school district or charter school's FY 1997 "free lunch eligible" student count. This and other policy changes recommended for this program for FY 1998 are discussed in the "State Block Grant for Early Childhood" narrative section.

The JLBC Staff recommends that pass-through funding appropriated to the State Block Grant for Vocational Education Special Line Item for FY 1998 be allocated whereby 80% is based upon the number of 11th and 12th grade students enrolled in an approved vocational education program in FY 1997, and 20% is based upon placement data on vocational education program completers from FY 1995. The Staff also recommends that the current Basic State Aid formula weight for Vocational Education be suspended and the funding transferred to the block grant. See the narrative section for "State Block Grant for Vocational Education" for further details.

The JLBC Staff recommends that, starting in FY 1997, student counts for district-sponsored charter schools not be included in the sponsoring district's student count for purposes of computing formula funding adjustments pertaining to Rapid Decline (A.R.S. § 15-942) and the Capital Outlay Revenue Limit growth factor (A.R.S. § 15-961 subsection C, paragraph 3). See related discussions

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

under "Rapid Decline" and "District Sponsored Charter Schools" for details.

### **Auditor General Performance Audit of Selected School Districts**

The Auditor General conducted an audit of selected school districts during FY 1996. The audit noted that a number of provisions in A.R.S. § 15-945 entitle school districts to receive transportation funding in excess of actual transportation costs. The JLBC Staff recommends that alternative methods be explored for funding public school transportation, including the possible use of a formula based on student population density and dispersion, rather than on route miles. The complexity of current laws on transportation funding precludes the JLBC Staff from making more specific major recommendations on this topic at this time. The JLBC Staff does, however, recommend making the related change discussed above under "Fund Transportation On Prior Year Mileage."

This audit also noted that the food service programs at some school districts are not self-supporting, which requires them to be subsidized by general operating funds. This, in turn, disqualifies the amount of general operating funds available for use for educational purposes across school districts. The JLBC Staff makes no recommendation on this issue.

### **Auditor General Performance Audit of Selected Responsibilities and Programs**

During FY 1996, the Auditor General conducted an audit of selected responsibilities and programs of the Arizona Department of Education. The audit concluded that audits of ADM counts reported by school districts for formula funding purposes need to be resumed in order to better assure that formula funding entitlements paid to school districts are based on accurate student counts. The JLBC Staff agrees with this conclusion, but makes no specific recommendation on this issue at this time.

### **FY 1997 Supplemental**

The JLBC Staff projects that a Department of Education supplemental of \$8,592,200 is required for FY 1997, largely because of projected shortfall in Basic State Aid for district sponsored charter school operations, and for "current year funding" (Sudden Growth). As shown in the table below, the projected FY 1997 shortfall in Basic State Aid for Charter Schools operation partially is offset by higher than projected net assessed valuation growth, among other things.

### **FY 1997 Basic State Aid Supplemental**

Student Growth	\$1,438,600
NAV Growth	(8,023,500)
District-Sponsored Charter Schools	10,704,900
State-Sponsored Charter Schools	(4,215,100)
Endowment Earnings	1,324,800
Sudden Growth	12,613,900
Other Components of BSA	<u>278,700</u>
Basic State Aid Subtotal	\$14,122,300
Additional State Aid	(1,568,800)
Other Formula Programs	(1,961,300)
Achievement Testing	<u>(2,000,000)</u>
<b>TOTAL</b>	<b>\$8,592,200</b>

**DEPARTMENT OF HEALTH SERVICES  
(DHS)**

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Health Services  
Agency Summary

JLBC: Jennifer Vermeer  
House Sub: Weiers

OSPB: Melodie Jones  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	18,260,200	18,480,600	18,875,000	18,781,300	18,718,900
Public Health	14,193,700	17,439,700	16,561,900	16,522,300	16,622,300
Family Health	38,484,700	41,456,600	40,405,800	40,983,500	40,988,700
Behavioral Health	198,993,300	220,570,100	226,334,900	226,478,700	227,842,300
Arizona State Hospital	30,180,500	30,559,600	31,048,700	30,558,300	28,543,200
<b>AGENCY TOTAL</b>	<b>300,112,400</b>	<b>328,506,600</b>	<b>333,226,300</b>	<b>333,324,100</b>	<b>332,715,400</b>

**OPERATING BUDGET**

<i>Full Time Equivalent Positions</i>	1,614.2	1,167.1	1,168.1	1,073.1	1,073.1
Personal Services	29,105,600	26,154,600	22,750,100	23,195,700	23,019,700
Employee Related Expenditures	7,225,200	5,832,900	5,496,500	5,322,800	5,325,800
All Other Operating Expenditures:					
Professional and Outside Services	7,202,100	7,791,600	10,200,800	8,748,600	8,329,000
Travel - In State	291,600	335,300	338,700	337,500	346,200
Travel - Out of State	84,600	62,200	64,200	63,600	62,200
Food	165,500	0	0	0	0
Other Operating Expenditures	7,345,400	7,250,800	7,359,300	7,562,700	7,423,200
Equipment	495,700	236,200	293,700	248,000	198,900
<b>OPERATING SUBTOTAL</b>	<b>51,915,700</b>	<b>47,663,600</b>	<b>46,503,300</b>	<b>45,478,900</b>	<b>44,705,000</b>
Special Line Items	248,196,700	280,843,000	286,723,000	287,845,200	288,010,400
<b>AGENCY TOTAL</b>	<b>300,112,400</b>	<b>328,506,600</b>	<b>333,226,300</b>	<b>333,324,100</b>	<b>332,715,400</b>

**BY FUND SOURCE**

General Fund	204,743,200	216,247,400	216,151,200	215,030,900	215,456,300
Other Appropriated Funds	16,662,400	18,759,200	17,560,600	18,778,700	17,744,600
Other Non-Appropriated Funds	87,779,400	108,591,800	105,958,300	105,958,300	105,958,300
Federal Funds	191,123,200	203,550,000	208,827,500	208,827,500	208,827,500
<b>TOTAL - ALL SOURCES</b>	<b>500,308,200</b>	<b>547,148,400</b>	<b>548,497,600</b>	<b>548,595,400</b>	<b>547,986,700</b>

**Agency Description** — *The Department of Health Services is responsible for the provision of most public health programs not administered by AHCCCS, most behavioral health programs, emergency medical services, state laboratory support, vital records maintenance, disease control, and epidemiological monitoring.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$(791,100)	(0.4)%
Other Appropriated Funds	(1,014,600)	(5.4)%
Total Appropriated Funds	\$(1,805,600)	(0.8)%

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$23,800 OF	\$672,500 GF
ERE Rates	3,400 OF	192,800 GF
Risk Management	(9,000) OF	15,500 GF
Rent	6,200 OF	165,900 GF
<b>Eliminate One-time Equipment</b>	<b>-0- OF</b>	<b>(419,800) GF</b>
<b>Equipment</b>		<b>378,000 GF</b>
<b>DCRC Elimination</b>		<b>(1,423,300) GF</b>
Poison Control	300,000 OF	-0- GF
CRS Realignment	(285,500) TF	(800,000) GF
CRS Data System		(240,000) GF
Population Changes	8,881,600 TF	3,381,600 GF
Actuarial Services		(655,000) GF
Debt Retirement		(904,900) GF
ASH Contract Changes		(453,800) GF
ASH Staff Reduction		(4,675,000) GF
Community Treatment		3,047,000 GF
Loss of TXIX Recoupments	(1,300,000) OF	1,300,000 GF
Other Changes	(39,000) OF	(372,600) GF

\* \* \*

**JLBC Staff Recommended Format** — Modified Lump Sum for the Program

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Appropriations Committees, and the Director of the Joint Legislative Budget Committee by the 25th of the following month. The report shall include an estimate of (1) potential shortfalls in programs, (2) potential federal and other funds, such as the statewide assessment for indirect costs, that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation, and (3) total expenditure authority of the month and year-to-date for Seriously Mentally Ill Services, Regional Residential/Psychiatric Beds, Children's Behavioral Health Services, Children's Behavioral Health State Match for Title 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.

Notwithstanding A.R.S. § 35-173C, any transfer to or from the amounts appropriated for Seriously Mentally Ill Services,

Regional Residential/Psychiatric Beds, Children's Behavioral Health Services, Children's Behavioral Health State Match for Title XIX, Mental Health Non-Title XIX, Substance Abuse Non-Title XIX, Community Therapeutic Substance Abuse Treatment, Mental Health/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, Kidney Program, Adult Cystic Fibrosis, Adult Sickle Cell Anemia, Regional Contamination, High-Risk Perinatal Services, County Prenatal Services Grant, Nutrition Services, Geriatric Residential Beds, Psychotropic Drugs, Children's Respite Care, Community Placement Treatment, Community Treatment Contingency, University of Arizona Poison Control Center Funding, and Poison Control Center Funding shall require approval of the Joint Legislative Budget Committee. The amounts appropriated for these items shall be used exclusively for the contracts for the provision of services to clients unless a transfer of monies is approved by the Joint Legislative Budget Committee. No monies shall be used from these appropriated amounts for any expenses of the state Department of Health Services.

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.

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec
EMS Operating Fund	\$2,605,300
Poison Control Fund	1,550,000
Child Fatality Review Fund	95,400
Alcohol Abuse Treatment Fund	500,000
Substance Abuse Services Fund	800,000
ASH Fund	12,193,900
<b>TOTAL</b>	<b>\$17,744,600</b>



**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Health Services  
 PROG: Administration

JLBC: Jennifer Vermeer  
 House Sub: Weiers

OSPB: Melodie Jones  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	383.3	348.3	346.3	349.3	462.1
Personal Services	6,176,200	6,520,400	6,813,400	6,865,600	6,865,600
Employee Related Expenditures	1,446,400	1,436,700	1,646,100	1,518,900	1,518,900
All Other Operating Expenditures:					
Professional and Outside Services	335,800	540,500	365,000	317,000	491,700
Travel - In State	61,500	68,800	69,700	69,700	69,700
Travel - Out of State	22,300	23,000	23,000	23,000	23,000
Other Operating Expenditures	4,189,800	4,859,500	5,090,500	5,304,200	5,130,300
Equipment	364,100	187,700	187,700	161,800	150,400
<b>OPERATING SUBTOTAL</b>	<b>12,596,100</b>	<b>13,636,600</b>	<b>14,195,400</b>	<b>14,260,200</b>	<b>14,249,600</b>
<b>SPECIAL LINE ITEMS</b>					
Morton and Black Canyon Buildings Management	379,400	180,600	180,600	0	0
Assurance and Licensure	5,284,700	4,663,400	4,499,000	4,521,100	4,469,300
<b>PROGRAM TOTAL</b>	<b>18,260,200</b>	<b>18,480,600</b>	<b>18,875,000</b>	<b>18,781,300</b>	<b>18,718,900</b>
<b>BY FUND SOURCE</b>					
General Fund	18,260,200	18,480,600	18,875,000	18,781,300	18,718,900
Other Non-Appropriated Funds	10,691,900	12,278,200	10,002,200	10,002,200	10,002,200
Federal Funds	2,599,000	2,798,200	2,789,600	2,789,600	2,789,600
<b>TOTAL - ALL SOURCES</b>	<b>31,551,100</b>	<b>33,557,000</b>	<b>31,666,800</b>	<b>31,573,100</b>	<b>31,510,700</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$238,300	1.3%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Agency Personnel Turnover	21%	NA

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	\$264,800 GF
ERE Rates	67,600 GF
Risk Management	15,500 GF
Rent	63,200 GF
Eliminate One-time Equipment	(239,700) GF

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

**Format Change**

**-0- GF**

The JLBC Staff recommends that the Assurance and Licensure division be combined with the Administration division as a Special Line Item. This change in the agency's appropriation format will allow the agency greater flexibility within the Assurance and Licensure division. The recommended amount for the Assurance and Licensure Special Line Item includes 114.8 FTE Positions, \$3,083,900 Personal Services, \$712,400 Employee Related Expenditures, \$109,600 Professional and Outside Services \$155,200 Travel - In State, \$2,800 Travel - Out of State, \$312,900 Other Operating Expenditures, and \$92,500 Equipment, for a total of \$4,469,300. The Executive does not address this issue.

**Equipment**

**179,500 GF**

The recommended amount includes \$87,000 for replacement computer equipment for the Administration division and \$92,500 for the Assurance and Licensure division. The Assurance and Licensure division recommendation of \$92,500 includes \$27,500 for replacement computer equipment and \$65,000 for the General Fund share of a new telephone system. The remaining \$60,000 for the telephone system will be charged to federal and other fund sources for a total cost of \$125,000.

The Executive recommends \$98,400 for the Administration program and \$101,700 for the Assurance and Licensure program for a total of \$200,100 for replacement equipment.

**Information Technology Project**

**3,200 GF**

In FY 1996 the department was appropriated \$560,700 from the General Fund for the re-engineering of the department's computer system. Each year, as phases of the project are completed, one-time equipment and contract costs are eliminated and new equipment is recommended in order to complete the project in FY 1999. As a result, the JLBC Staff recommends an increase of \$63,400 for equipment, and a decrease of \$(60,200) in one-time Professional and Outside Services and Other Operating Expenditures, for a net increase of \$3,200. Including the recommended change, \$260,800 remains in the base budget for the continuation of this project. The Executive concurs, but recommends a net increase of \$4,000.

**Operations and Maintenance**

**-0- GF**

The JLBC Staff recommends that the \$180,600 funding for operation and maintenance of the Morten and Black Canyon buildings currently appropriated as a Special Line Item be moved from a Special Line Item to Other Operating Expenditures. Operation and maintenance is included in Other Operating Expenditures in most other agency budgets and the amount no longer needs to be budgeted and accounted for in a separate line item. The Executive concurs.

**Agency Reorganization**

**(110,900) GF**

The agency has requested that the Public Health Library be moved from the Assurance and Licensure division to the Public Health division because the functions of the Public Health Library are more closely related to those of the Public Health division. The transfer includes (3) FTE Positions, \$(61,500) Personal Services, \$(15,400) Employee Related Expenditures, and \$(34,000) Other Operating Expenditures for a total of \$(110,900). The net General Fund change for the agency as a whole is \$0. The Executive concurs.

**DDD Licensure Transfer**

**35,000 GF**

Laws 1996, Chapter 191 transferred the powers and duties of the Division of Developmental Disabilities (DDD) in the Department of Economic Security (DES) relating to the licensing and regulation of group homes for the developmentally disabled to the Department of Health Services Assurance and Licensure program. The law also established the Developmental Disabilities Transfer Transition Committee to determine the amount of resources to be transferred from DES to DHS. Based on the Committee's recommendation, the JLBC Staff recommends the transfer of 1 FTE Position, \$24,700 Personal Services, \$6,100 Employee Related Expenditures, \$2,600 Travel - In State, and \$1,600 Other Operating Expenditures for a total transfer of \$35,000 General Fund. In addition, the transfer includes \$2,100 Federal Funds. The net General Fund change for the state as a whole is \$0. The Executive concurs.

**Medicaid Licensure Transfer**

**(42,600) GF**

The JLBC Staff recommends transferring \$(42,600) from the DHS Assurance and Licensure program to the AHCCCS budget. This adjustment will allow all Medicaid related costs to be represented in the AHCCCS budget and will not impact how the services are performed. The Executive concurs but recommends the transfer of \$(41,400).

**Prior Year Adjustment**

**2,700 GF**

Laws 1996, Chapter 325 appropriated 14 FTE Positions and \$205,100 from the General Fund that had been eliminated in the General Appropriation Act. The JLBC Staff recommends the addition of 1 FTE Position and \$2,700 for associated Employee Related Expenditures that was also eliminated in the General Appropriation Act but was not included in Laws 1996, Chapter 325. The Executive concurs, but recommends \$2,900.

\* \* \*

**JLBC Staff Recommended Format — Modified Lump Sum for the Program**

**Other Issues for Legislative Consideration**

**Supportive Residential Living Licensure**

The Executive recommends an increase of 2 FTE Positions and \$70,900 from the General Fund for licensure of supportive residential living centers. The licensure of supportive residential living centers is a new requirement pursuant to Laws 1996, Chapter 329.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Health Services  
 PROG: Public Health

JLBC: Jennifer Vermeer  
 House Sub: Weiers

OSPB: Melodie Jones  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	180.7	214.2	217.2	217.2	218.2
Personal Services	2,472,600	3,269,900	3,397,400	3,401,700	3,434,900
Employee Related Expenditures	587,200	747,400	820,800	778,800	784,800
All Other Operating Expenditures:					
Professional and Outside Services	87,900	157,400	140,200	140,200	157,400
Travel - In State	82,400	97,800	100,300	100,300	107,800
Travel - Out of State	19,300	16,700	18,700	18,700	16,700
Other Operating Expenditures	400,000	643,300	707,100	707,100	699,500
Equipment	0	24,500	37,200	37,000	24,500
<b>OPERATING SUBTOTAL</b>	<b>3,649,400</b>	<b>4,957,000</b>	<b>5,221,700</b>	<b>5,183,800</b>	<b>5,225,600</b>
<b>SPECIAL LINE ITEMS</b>					
Tuberculosis Provider Care and Control	873,700	1,082,000	1,082,000	1,082,000	1,082,000
Direct Grants	578,000	578,000	578,000	578,000	578,000
Vaccines	1,808,700	1,915,100	1,915,100	1,915,100	1,915,100
Reimbursement to Counties	396,300	396,300	396,300	396,300	396,300
Loan Repayment Services	8,900	100,000	100,000	100,000	100,000
Regional Contamination	227,500	250,000	250,000	0	250,000
TCE Contamination	0	0	0	250,000	0
Kidney Program	101,000	101,000	101,000	101,000	101,000
STD Control Subventions	49,700	52,500	52,500	52,500	52,500
AIDS Reporting and Surveillance	121,200	125,000	125,000	125,000	125,000
Border Health Office	0	50,000	50,900	51,200	0
Laboratory Services	2,512,400	2,577,900	2,818,900	2,797,800	2,641,500
Disease Control Research Commission	1,051,800	1,423,300	0	0	0
U of A Poison Control Center Funding	562,500	750,000	750,000	750,000	900,000
Poison Control Center Funding	250,000	500,000	500,000	500,000	650,000
EMS Operations	1,535,200	1,582,200	1,621,100	1,609,700	1,605,900
EMS Provider Contracts	224,700	331,200	481,200	481,200	481,200
State EMS Special Projects	145,000	170,000	170,000	170,000	170,000
Ambulance Replacement	7,700	150,000	0	0	0
EMS Regional Coordinating System	90,000	98,200	98,200	98,200	98,200
Attorney General Legal Services	0	0	0	30,500	0
Trauma Advisory Board	0	250,000	250,000	250,000	250,000
<b>PROGRAM TOTAL</b>	<b>14,193,700</b>	<b>17,439,700</b>	<b>16,561,900</b>	<b>16,522,300</b>	<b>16,622,300</b>
<b>BY FUND SOURCE</b>					
General Fund	11,378,600	13,608,100	12,691,400	12,632,700	12,467,000
Other Appropriated Funds	2,815,100	3,831,600	3,870,500	3,889,600	4,155,300
Other Non-Appropriated Funds	20,014,600	39,356,000	39,900,800	39,900,800	39,900,800
Federal Funds	15,954,200	16,537,900	16,390,600	16,390,600	16,390,600
<b>TOTAL - ALL SOURCES</b>	<b>50,162,500</b>	<b>73,333,600</b>	<b>72,853,300</b>	<b>72,813,700</b>	<b>72,913,700</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Health Services  
 PROG: Public Health

**Program Description** — *The Public Health Program provides emergency medical services which includes funding for both state and local programs and poison control centers. In addition, the program provides funding for some county health programs, disease prevention, and treatment of a number of specific illnesses, 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, public health testing, and other health related testing. The laboratory also monitors and evaluates the quality of laboratory testing statewide.*

Change in Funding Summary:	<u>FY 1997 to FY 1998 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$(1,141,100)	(8.4)%
Other Appropriated Funds	323,700	8.4
<b>Total Appropriated Funds</b>	<b>\$(817,400)</b>	<b>(4.7)%</b>

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$22,400 OF	\$115,800 GF
ERE Rates	4,100 OF	12,100 GF
Risk Management	(9,000) OF	-0- GF
Rent	6,200 OF	25,000 GF
Eliminate One-time Equipment	-0- OF	(156,100) GF

**Format Change** -0- GF  
 The JLBC Staff recommends that the State Health Laboratory be moved from its own free-standing budget program to a Special Line Item in the Public Health budget. This change in the agency's appropriation format will allow the agency greater flexibility within the State Health Laboratory division.

The recommended amount for the State Health Laboratory Special Line Item includes 56.5 FTE Positions, \$1,556,900 Personal Services, \$358,500 Employee Related Expenditures, \$3,000 Professional and Outside Services \$22,200 Travel - In State, \$11,400 Travel - Out of State, \$539,500 Other Operating Expenditures, and \$150,000 Equipment, for a total of \$2,641,500. The Executive does not address this issue.

**Equipment** 174,500 GF  
 The recommended amount includes \$24,500 for replacement computer equipment for the Public Health program and \$150,000 for replacement laboratory equipment for the State Health Laboratory. The Executive recommends \$37,000 for the Public Health program and \$309,700 for the State Health Laboratory for a total of \$346,700 for replacement equipment.

**Border Health** -0- GF  
 The JLBC Staff recommends that the \$50,000 funding for the Border Health Special Line Item be moved from a Special Line Item to the operating budget. The Border Health Special Line Item was newly appropriated for FY 1997 and adds to the current Border Health program which is shown in Personal Services, Employee Related Services and Travel - In State. Moving the Special Line Item funding would consolidate the 2 funding streams for the program. The recommended transfer includes \$33,200 for Personal Services, \$6,800 for Employee Related Expenditures, and \$10,000 Travel - In State for a total of \$50,000. The Executive does not address this issue.

**Agency Reorganization** 110,900 GF  
 The agency has requested that the Public Health Library be moved from the Assurance and Licensure division to the Public Health division because the functions of the Public Health Library are more closely related to those of the Public Health division. The transfer includes 3 FTE Positions, \$61,500 Personal Services, \$15,400 Employee Related Expenditures, and \$34,000 Other Operating Expenditures for a total of \$110,900. The net General Fund change for the agency as a whole is \$0. The Executive concurs.

**DCRC Elimination** (1,423,300) GF  
 In FY 1995, funding for new contracts was not approved. However, since the contracts were traditionally granted on a 3-year cycle, monies from the General Fund were appropriated to complete these ongoing contracts through FY 1997. As all contracts have now been completed, the JLBC Staff recommends elimination of the \$(1,423,300) remaining General Fund. The Executive concurs.

The Disease Control Research Commission will continue to receive their appropriation of 5% of Tobacco Tax revenues

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

in the Health Research Account. Expenditures from the Health Research Account are estimated to be \$5,067,200 in FY 1997 and \$5,611,300 in FY 1998. The balance carried forward from FY 1997 to FY 1998 is estimated to be \$9,231,600. The monies are to be used for research on the prevention and treatment of tobacco-related diseases and addictions, such as heart and lung cancer.

### **EMS Consolidation**

**-0- OF**

The JLBC Staff recommends the consolidation of the Ambulance Replacement Special Line Item with the Provider Contracts Special Line Item. Both are funded from the Emergency Medical Services Operating Fund and provide grants for equipment and training for rural EMS providers. However, the Ambulance Replacement Special Line Item can currently only be used for the purchase of ambulances. Combining the Ambulance Replacement monies with the Provider Grants Special Line Item would provide a larger, more flexible pool of resources for rural EMS grants. If a provider's highest need is for an ambulance, this could still be provided through the new program, and if other needs have higher priority, the monies will not be restricted for ambulances only. The Executive concurs.

### **Trauma Advisory Board**

**-0- OF**

Laws 1996, Chapter 312 appropriated \$250,000 from the EMS Operating Fund for operating expenses of the Trauma Advisory Board. Previously, the board did not receive an appropriation. The JLBC Staff recommends that funding be continued for the board. The Executive concurs.

### **Poison Control**

**300,000 OF**

Laws 1996, Chapter 5, 5th Special Session established the Poison Control Fund and allocated 0.3% of the revenues from the Telecommunication Services Excise Tax to the fund. The recommended amount includes increases of \$150,000 a piece from the Poison Control Fund for the University of Arizona Poison Control Center and Poison Control Center Funding Special Line Items.

The Poison Control system has been appropriated at their current level since FY 1995 and call volumes have increased significantly since that time. For example, from FY 1994 through FY 1996 call volume at the University of Arizona poison center has increased 17% and the Maricopa County poison center projects a 7% increase for both FY 1997 and FY 1998, for a total increase of 14% over 2 years. The recommended amount includes staff salary increases, which the Centers currently do not receive, and increased public outreach and information efforts. The Executive does not address this issue.

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**JLBC Staff Recommended Format** — Modified Lump Sum for the Program

## **JLBC Staff Recommended Footnotes**

### *Standard Footnotes*

The appropriation for Direct Grants is to provide for local health work and is to be divided equally among the 15 counties on a non-matching basis, with each county to employ 1 Public Health Nurse and 1 Sanitarian. All monies received by a county under this appropriation that are not used for the prescribed purposes shall revert to the General Fund.

The \$396,300 appropriated for reimbursement to counties is to provide matching monies to counties for local health work on an equal matching basis and shall be distributed in the following manner: \$174,790 of the monies shall be distributed to counties with populations of less than 500,000 persons on an equal per capita basis as determined by the latest United States decennial census. The distribution for counties with a population of more than 500,000 persons but less than 1,000,000 persons shall be \$57,750 and for counties with a population of 1,000,000 persons or more the distribution shall be \$163,760.

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.

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.

### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote which required the state's poison control centers to develop a plan for uniform accounting procedures. The plan is no longer needed.

### **JLBC Staff Recommended Statutory Changes**

The JLBC Staff recommends allocating 0.8% of the Telecommunications Services Excise Tax to the Council for the Hearing Impaired and 0.3% of the tax to the DHS Poison Control Fund for FY 1998 and FY 1999. This recommendation continues the allocations established in Laws 1996, Chapter 5, 5th Special Session. See the Poison Control section for more detail on this issue.

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

#### **TCE Contamination**

The Executive recommends transferring the \$250,000 from the Regional Contamination Special Line Item to a Trichlorethylene (TCE) Contamination Special Line Item.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

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The JLBC Staff does not recommend this transfer because the funds in the Regional Contamination line item can already be used to address the TCE contamination.

**Other Appropriated Fund Source Detail**

	<u>FY 1998 JLBC Rec</u>
EMS Operating Fund	<u>\$2,605,300</u>
Poison Control Fund	<u>1,550,000</u>
TOTAL	<u>\$4,155,300</u>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Health Services  
 PROG: Family Health

JLBC: Jennifer Vermeer  
 House Sub: Weiers

OSP: Melodie Jones  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSP	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	68.6	68.6	68.6	68.6	68.6
Personal Services	1,727,000	1,849,900	1,888,900	1,888,900	1,888,900
Employee Related Expenditures	415,300	413,200	456,400	425,100	425,100
All Other Operating Expenditures:					
Professional and Outside Services	143,200	144,200	644,200	144,200	144,200
Travel - In State	51,700	74,600	74,600	74,600	74,600
Travel - Out of State	9,400	2,700	2,700	2,700	2,700
Other Operating Expenditures	359,200	362,700	363,700	363,700	368,700
Equipment	800	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>2,706,600</b>	<b>2,847,300</b>	<b>3,430,500</b>	<b>2,899,200</b>	<b>2,904,200</b>
<b>SPECIAL LINE ITEMS</b>					
Children's Rehabilitative Services	6,471,500	6,491,800	5,741,800	5,351,800	5,351,800
AHCCCS-Children's Rehabilitative Services	23,416,800	24,451,400	24,965,900	25,065,900	25,065,900
Adult Cystic Fibrosis	223,600	223,600	223,600	223,600	223,600
Adult Sickle Cell Anemia	70,100	70,100	70,100	70,100	70,100
Newborn Intensive Care	2,912,900	0	0	0	0
Perinatal Care Services	231,300	0	0	0	0
High Risk Perinatal Services	0	4,016,500	4,016,500	4,016,500	4,016,500
Medical Malpractice/Obstetrical Services	99,300	0	0	0	0
Nutrition Services	290,200	330,100	330,100	330,100	330,100
Prenatal Outreach	106,000	0	0	0	0
Teen Prenatal Express	868,900	0	0	0	0
County Prenatal Services Grant	0	1,281,100	1,281,100	1,281,100	1,281,100
Teenage Pregnancy Prevention Task Force	156,100	250,000	250,000	250,000	250,000
Child Fatality Review Team	98,600	94,700	96,200	95,200	95,400
Health Start	832,800	1,400,000	0	1,400,000	1,400,000
<b>PROGRAM TOTAL</b>	<b>38,484,700</b>	<b>41,456,600</b>	<b>40,405,800</b>	<b>40,983,500</b>	<b>40,988,700</b>
<b>BY FUND SOURCE</b>					
General Fund	23,379,500	25,361,900	23,795,100	24,373,800	24,378,800
Other Appropriated Funds	98,600	94,700	96,200	95,200	95,400
Other Non-Appropriated Funds	18,696,100	21,598,000	21,598,000	21,598,000	21,598,000
Federal Funds	79,188,100	81,903,200	82,417,200	82,417,200	82,417,200
<b>TOTAL - ALL SOURCES</b>	<b>121,362,300</b>	<b>128,957,800</b>	<b>127,906,500</b>	<b>128,484,200</b>	<b>128,489,400</b>



**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Health Services  
 PROG: Family Health

**Program Description** — *The Division of Family Health Services provides public health programs relating to women, children and families. The largest program is Children's Rehabilitative Services (CRS) which provides treatment for seriously physically impaired children that would benefit from a team surgical approach. CRS includes children with severe congenital defects, spina bifida, cleft palate, and other serious, yet correctable or improvable conditions. Non-CRS programs include prenatal programs, nutrition services, and targeted care for specific diseases.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$(983,100)	(3.9)%
Other Appropriated Funds	700	0.7%
Total Appropriated Funds	\$(982,400)	(3.9)%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Percent of AHCCCS Allowable Services Covered by CRS <sup>1/</sup>	112%	111%

<sup>1/</sup> AHCCCS allowable services include AHCCCS per diem payments, physician schedules, and out-patient cost/charges.

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$1,400 OF	\$44,100 GF
ERE Rates	(700) OF	6,800 GF
Rent	-0- OF	6,000 GF

**CRS Realignment** (285,500) TF (800,000) GF  
 The AHCCCS-Children's Rehabilitative Services (CRS) Special Line Item represents the Title XIX portion of the CRS program. In the past only the state matching monies from the General Fund were shown. This year, the presentation has been changed to show both state General Fund and Federal Funds in the line item. The line item will now reflect the total cost of the Title XIX portion of the CRS program. This recommendation is consistent with the long-standing practice of displaying both state and Federal Funds in the AHCCCS budget. For comparability purposes, the FY 1996 and FY 1997 columns have been adjusted to include Title XIX Funds.

The JLBC Staff recommends a realignment of funds within the CRS program to reflect actual expenditures. The funding changes will not impact the level of services or the number of clients served by the program.

The CRS program has experienced a shift in the numbers of clients qualifying for the Title XIX and Non-Title XIX components of the program. A greater number of CRS clients are qualifying for Title XIX coverage and fewer numbers are qualifying for Non-Title XIX coverage. As a result, the recommended amount includes a decrease of \$(900,000) in the Children's Rehabilitative Services (Non-Title XIX) line item and an increase of \$100,000 in the AHCCCS-Children's Rehabilitative Services (Title XIX) line item, for a net General Fund change of \$(800,000).

The movement of clients from the state only portion of the program to the Title XIX portion of the program results in a net General Fund decrease because in the Title XIX program, these clients now qualify for Federal matching funds. As a result, the recommended amount also includes an increase of \$514,500 in Federal Title XIX funds. The following table represents the net change for the CRS program overall.

	FY 1998
CRS Non-Title XIX	\$(900,000) GF
AHCCCS CRS - State Match	100,000 GF
AHCCCS CRS - Federal Funds	514,500 FF
<b>Net Change from FY 1997</b>	<b>\$(285,500) TF</b>

The funding recommendations will have no impact on the level of services provided and will not cut off any clients from eligibility. The changes are recommended based on actual expenditures in FY 1996. The Executive does not show the Federal Funds in its recommendation, but concurs with the recommended changes to the General Fund.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

**CRS Data System (240,000) GF**

The agency's contract for its current data system for the CRS program will expire in December 1997. The department has determined that it will develop its own system and provide the data processing in-house. The system is scheduled to be completed by the end of FY 1997. Expenditures for the current contract for FY 1996 totaled \$480,000 and were funded from the Title V Maternal and Child Health (MCH) Block Grant. When the contract is terminated halfway through FY 1998, expenditures from the MCH Block Grant of \$240,000 in FY 1998 and \$480,000 in FY 1999 will be freed up for other purposes.

As these monies are dedicated for children with special health care needs by the MCH funding requirements, the JLBC Staff recommends that these monies be used for CRS services. The JLBC Staff recommends shifting \$(240,000) of the cost of the Non-Title XIX portion of the CRS program to the MCH Block Grant for FY 1998, and \$(480,000) in FY 1999. The recommended change would allow the monies to be spent on services for the CRS program, rather than on administration of the program. This results in a net General Fund change of \$(240,000) in FY 1998 and an additional \$(240,000) in FY 1999 to annualize the change. The Executive concurs.

**Health Start -0- GF**

Laws 1996, Chapter 247 appropriated \$1,400,000 in FY 1997 and \$1,400,000 in FY 1998 from the General Fund to continue the Health Start Pilot program. The JLBC Staff recommendation includes the \$1,400,000 already appropriated for FY 1998 and these monies need not be included in the General Appropriation Act. The Executive concurs.

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**JLBC Staff Recommended Format** — Modified Lump Sum for the Program

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

The amounts appropriated for Children's Rehabilitative Services, AHCCCS-Children's Rehabilitative Services, and for federal expenditure authority in the AHCCCS Program are intended to cover all indirect, fixed contract, fee for services costs, and all other costs of the Children's Rehabilitative Service program in full, unless a transfer of funds is approved by the Joint Legislative Budget Committee.

*Modification of Prior Year Footnotes*

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. ~~The distribution shall be subject to review by the Joint Legislative Budget Committee. Prior to July 1, 1996 the department shall appear before the Joint Legislative Budget Committee to present a plan for the distribution formula.~~ (The requirement for a plan for the distribution formula has been deleted as the plan has been completed and approved).

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Health Services  
 PROG: Behavioral Health

JLBC: Jennifer Vermeer  
 House Sub: Weiers

OSPB: Melodie Jones  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	143.6	69.5	69.5	68.5	69.5
Personal Services	1,517,600	1,862,100	1,900,500	1,880,600	1,900,500
Employee Related Expenditures	361,400	412,900	459,200	423,800	429,100
All Other Operating Expenditures:					
Professional and Outside Services	842,700	835,500	2,530,500	2,073,200	1,875,500
Travel - In State	55,000	75,300	75,300	74,100	75,300
Travel - Out of State	26,800	15,000	15,000	14,400	15,000
Other Operating Expenditures	628,700	494,100	539,100	502,500	565,800
Equipment	77,900	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>3,510,100</b>	<b>3,694,900</b>	<b>5,519,600</b>	<b>4,968,600</b>	<b>4,861,200</b>
<b>SPECIAL LINE ITEMS</b>					
Client Satisfaction Incentive Program	37,700	100,000	100,000	100,000	100,000
Third Party Payor Costs	1,601,800	1,848,900	1,848,900	1,848,900	1,848,900
Data Processing Debt Retirement	1,315,400	1,500,000	1,056,000	596,000	595,100
Computer Hardware Lease	821,300	996,000	996,000	996,000	996,000
Managed Care and Actuarial Services	1,420,800	1,695,000	0	0	0
HUD Grants Compliance	34,800	70,000	0	0	0
Children's Behavioral Health Services	12,758,900	13,264,400	13,264,400	13,264,400	13,264,400
Seriously Emotionally Handicapped Children	4,375,300	4,375,300	4,375,300	4,375,300	4,375,300
CBH State Match for Title XIX	45,093,500	56,610,900	58,110,900	58,486,200	58,184,300
Children's Respite Care	252,500	252,500	252,500	252,500	252,500
Seriously Mentally Ill Services	85,673,100	91,669,600	94,669,600	95,696,400	97,438,500
Geriatric Residential Beds	2,211,800	2,211,800	2,211,800	2,211,800	2,211,800
Regional Residential Psychiatric Beds	5,770,300	5,770,300	5,770,300	5,770,300	5,770,300
Psychotropic Drugs	1,244,600	1,257,100	1,257,100	1,257,100	1,257,100
Mental Health Non-Title XIX	7,893,600	9,862,100	10,205,200	9,862,100	9,862,100
Substance Abuse Non-Title XIX	11,946,500	12,274,400	12,578,500	12,235,400	12,235,400
Mental Health & Substance Abuse Title XIX	7,924,900	11,065,700	12,065,700	12,115,800	12,605,000
Community Therapeutic Substance Abuse Treatment	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Southern Arizona Mental Health Center	3,363,700	0	0	0	0
Psychiatric Review Board	42,700	76,900	78,800	78,900	78,700
Attorney General Legal Services	0	0	0	457,300	0
Court Monitoring	0	274,300	274,300	205,700	205,700
<b>PROGRAM TOTAL</b>	<b>198,993,300</b>	<b>220,570,100</b>	<b>226,334,900</b>	<b>226,478,700</b>	<b>227,842,300</b>
<b>BY FUND SOURCE</b>					
General Fund	134,243,100	141,731,100	142,034,900	142,178,700	143,542,300
Other Appropriated Funds	1,050,000	1,339,000	1,300,000	1,300,000	1,300,000
Other Non-Appropriated Funds	37,391,200	34,246,000	33,370,500	33,370,500	33,370,500
Federal Funds	93,381,900	102,310,700	107,230,100	107,230,100	107,230,100
<b>TOTAL - ALL SOURCES</b>	<b>266,066,200</b>	<b>279,626,800</b>	<b>283,935,500</b>	<b>284,079,300</b>	<b>285,442,900</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Health Services  
 PROG: Behavioral Health

**Program Description** — *The Behavioral Health Program administers most mental health services for the state including both adult and children's behavioral health, substance abuse and seriously emotionally handicapped children. 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.*

	<u>FY 1997 to FY 1998 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$1,811,200	1.3%
Other Appropriated Funds	(39,000)	(3.0)%
<b>Total Appropriated Funds</b>	<b>\$1,772,200</b>	<b>1.2%</b>

<b>Performance Measure</b>	FY 96	FY 97
	<u>Actual</u>	<u>Estimate</u>
Number of Title XIX SMI Clients Served	10,497	10,818
Number of Non-Title XIX SMI Clients Served	11,066	11,404

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
<b>Pay Annualization</b>	<b>\$44,800 GF</b>
<b>ERE Rates</b>	<b>11,600 GF</b>
<b>Rent</b>	<b>71,700 GF</b>

**Population Changes in Behavioral Health Programs**      **8,881,600 TF**      **3,381,600 GF**

The JLBC Staff recommends a \$3,381,600 net General Fund increase and a \$8,881,600 net total funds increase for Title XIX behavioral health programs. Title XIX eligibility is determined by AHCCCS in accord with the state's managed care waiver for federal entitlement programs. The \$5,500,000 difference between the total funds change and the General Funds change is due to AHCCCS' estimates of increased federal funding in FY 1998. The following table lists the changes in General Funds and Federal Funds by service population.

<u>Service Population</u>	<u>General Fund Change</u>	<u>Federal Funds Change</u>
Title XIX Seriously Mentally Ill (SMI)	\$2,768,900	\$3,000,000
Title XIX Children's Behavioral Health	73,400	1,500,000
Title XIX General Mental Health/Substance Abuse	<u>539,300</u>	<u>1,000,000</u>
<b>TOTAL</b>	<b><u>\$3,381,600</u></b>	<b><u>\$5,500,000</u></b>

All Title XIX changes are based on the JLBC Staff forecast of growth and decline in capitation rates and population. Based on the department's belief that a capitation rate increase is warranted, the JLBC Staff forecast assumes that increased capitation rates will be approved by both AHCCCS and the federal oversight agency, Health Care Finance Administration (HCFA). The JLBC Staff forecast includes the following rates of growth for both capitation and population: 5.1% for SMI, 4.1% for children, and 6.1% for general mental health and substance abuse.

Several other factors will affect the number of persons eligible for Title XIX services. The federal government has eliminated Social Security Income Disability coverage for individuals with a substance abuse problem which contributes to the disability. This change in program eligibility is expected to cause a drop in the number of persons, especially males, who qualify for Title XIX eligibility after January 1, 1997. This expected drop in Title XIX enrollment will be offset by an increase in the need for Non-Title XIX services as those eliminated by the federal rule change move to this new service category. Additionally, Native American tribes are now signing agreements with the RBHAs and DHS for behavioral health services. Many of these persons will prove Title XIX-eligible and may simply transfer from subvention funding for SMI and General Mental Health and Substance Abuse to Title XIX funding for these populations.

The Executive recommends an overall increase of \$1,452,200 in General Fund dollars for Title XIX populations. The Executive recommendation assumes the following rates of growth for both capitation and population: 6.0% for SMI, 3.9% for children, and 6.1% for general mental health and substance abuse. The percentage changes recommended by the Executive do not equate to the JLBC

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

Staff recommended changes due to different methods of forecasting.

### **Managed Care and Actuarial Services (655,000) GF**

The JLBC Staff recommends that the Managed Care and Actuarial Services Special Line Item be decreased by \$(655,000). This line item was originally created to fund contracted actuaries who would determine capitation rates for Title XIX behavioral health services and also perform financial and quality audits of the RBHAs. Monies in the line item still fund this essential work which is required by HCFA. However, a surplus of funds exists beyond the reviews required by HCFA, which, while being spent to improve the behavioral health care delivery system, are not required under federal law. For example, some expenditures, such as those made for training RBHA level case managers and hiring outside facilitators for community meetings, could likely be made by the RBHAs themselves or covered with existing agency resources.

The recommended decrease retains funding for a review of capitation rates, operations and financial reviews of RBHAs, quality reviews of case files, validation of service data, and one-third of the FY 1997 allocation for information systems consulting. This last amount is retained to complete the transition of reporting behavioral health client data from a private contractor responsibility to a RBHA responsibility. Actual costs of generating these reports are represented in the Third Party Payor Costs Special Line Item. In addition to these amounts, a 25% contingency factor has been added to account for any unforeseen needs.

The JLBC Staff also recommends that these funds be transferred to the Behavioral Health Services Operating Subtotal. Having reduced this Special Line Item to an amount that reflects total funding needs, separate oversight of these monies is not required. The Executive concurs with the recommendation to transfer these monies, but does not recommend any reduction of funds.

### **Data Processing Debt Retirement (904,900) GF**

The recommended decrease reflects the declining payments required under the amortization schedule for purchase of the Client Information System. This information system provides data on behavioral health services by categories of clients and type of service encounter for the state and for each RBHA. During FY 1998, the necessary payment is \$595,100. This should be the final payment necessary for purchase of the system. The Executive concurs.

### **Transfer HUD Grants to Commerce (70,000) GF**

The recommended decrease follows the Executive decision to consolidate all assisted housing and community development programs within the Department of Commerce. In order to complete this transfer, a \$70,000 increase is recommended by the JLBC Staff for the Department of

Commerce FY 1998 appropriation. These funds are to be used for administration of federal housing grants which serve homeless seriously mentally ill citizens. A requested FTE Position was not recommended for Commerce, based on the understanding that the DHS employee handling these funds had other responsibilities as well. The Executive concurs with this recommendation in the amount of \$(99,000), but also eliminates (1) FTE Position.

### **Court Monitoring (68,600) GF**

The recommended reduction reflects the decreasing responsibilities of the Office of the Court Monitor regarding the *Arnold v. Sarn* lawsuit. This reduction is agreed upon by the court monitor. The costs of monitoring compliance with the ruling against the state and Maricopa County should continue to decline in the years ahead. The Executive concurs.

### **Substance Abuse Services Fund (39,000) OF**

The recommended decrease reflects estimates of slightly lower revenues in the coming fiscal year. Monies from this fund provide drug and alcohol abuse services, with preference given to pregnant abusers. The Executive concurs.

### **RBHA Client Encounter Reports -0- GF**

The JLBC Staff recommends renaming Third Party Payor Costs to RBHA Client Encounter Reports. This line item was created to fund the payments made to a private contractor for the processing and payment of behavioral health providers' claims. This function is now being transferred to the RBHAs, which will now generate monthly reports to track service utilization and the composition of behavioral health clients. The department has requested that funding be retained in this line item to defray the cost of this new responsibility for the RBHAs. The department is also expending \$770,000 from the Managed Care and Actuarial Services line item to make a smooth transition for this important task. The Executive does not recommend this issue.

\* \* \*

**JLBC Staff Recommended Format** — Modified Lump Sum for the Program.

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

The amount appropriated for Children's Behavioral Health Services shall be used to provide services for Non-Title XIX eligible children. The amount shall not be used to pay for either federally or non-federally reimbursed services for Title XIX eligible children, unless a transfer of monies is approved by the Joint Legislative Budget Committee.

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

### Other Issues for Legislative Consideration

#### Use of Community Treatment Monies for Supervisory Care Members

The Joint Stipulation on Exit Criteria and Disengagement was signed over 1 year ago by state representatives and Maricopa County to lay out the terms which must be met before the *Arnold v. Sarn* lawsuit can be settled. Part of the agreement involves downsizing the Arizona State Hospital (ASH) population by creating community treatment settings for former hospital residents. In addition, the co-defendants are required to move 300 of the 600 classmembers who reside in supervisory care homes to "community living arrangements with appropriate supports necessary to meet the individual needs and preferences of classmembers." These persons were deemed by the court to be "stockpiled" in only semi-supervised homes without any meaningful day activities or treatment.

The overall cost of this mandate and how the funding should be distributed between the county and the state is presently unknown. However, DHS has moved toward compliance by using some savings from the ASH downsizing to fund appropriate treatment for supervisory care home patients. During FY 1996, 10 supervisory care members were moved to appropriate settings, and in FY 1997 another 20 members will be funded. The Legislature approved funding in the 1996 session to place 145 ASH residents into community treatment placements, expecting savings from this move. Costs per patient vary widely, but savings have been gleaned in some cases to fund the more expensive patients, and to relocate some supervisory care members.

The use of the ASH community placement treatment monies to fund supervisory care members deserves legislative attention. While DHS should be commended for working through the challenging task of downsizing the state hospital, it may not be fiscally prudent to pay the full cost of moving supervisory care members before Maricopa County agrees to a share of this responsibility.

#### Attorney General Services

The Executive recommends transferring \$457,300 from the Behavioral Health operating budget to a Special Line Item.

#### Other Appropriated Fund Source Detail

	FY 1998 JLBC Rec
Alcohol Abuse Treatment Fund	\$500,000
Substance Abuse Services Fund	800,000
TOTAL	\$1,300,000

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Health Services  
 PROG: Arizona State Hospital

JLBC: Jennifer Vermeer  
 House Sub: Weiers

OSPB: Melodie Jones  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	838.0	466.5	466.5	369.4	369.5
Personal Services	17,212,200	12,652,300	8,749,900	9,158,900	8,929,800
Employee Related Expenditures	4,414,900	2,822,700	2,114,000	2,176,200	2,167,900
All Other Operating Expenditures:					
Professional and Outside Services	5,792,500	6,114,000	6,520,900	6,074,000	5,660,200
Travel - In State	41,000	18,800	18,800	18,800	18,800
Travel - Out of State	6,800	4,800	4,800	4,800	4,800
Food	165,500	0	0	0	0
Other Operating Expenditures	1,767,700	891,200	658,900	685,200	658,900
Equipment	52,900	24,000	68,800	49,200	24,000
<b>OPERATING SUBTOTAL</b>	<b>29,453,500</b>	<b>22,527,800</b>	<b>18,136,100</b>	<b>18,167,100</b>	<b>17,464,400</b>
<b>SPECIAL LINE ITEMS</b>					
Community Placement Treatment	627,000	7,358,500	12,239,300	11,677,900	10,405,500
Community Placement Development	100,000	0	0	0	0
Community Treatment Contingency	0	673,300	673,300	673,300	673,300
Attorney General Legal Services	0	0	0	40,000	0
<b>PROGRAM TOTAL</b>	<b>30,180,500</b>	<b>30,559,600</b>	<b>31,048,700</b>	<b>30,558,300</b>	<b>28,543,200</b>
<b>BY FUND SOURCE</b>					
General Fund	17,481,800	17,065,700	18,754,800	17,064,400	16,349,300
Other Appropriated Funds	12,698,700	13,493,900	12,293,900	13,493,900	12,193,900
Other Non-Appropriated Funds	985,600	1,113,600	1,086,800	1,086,800	1,086,800
<b>TOTAL - ALL SOURCES</b>	<b>31,166,100</b>	<b>31,673,200</b>	<b>32,135,500</b>	<b>31,645,100</b>	<b>29,630,000</b>

**Program Description** — Provides inpatient psychiatric hospitalization services for adolescent and adult seriously mentally ill residents. The Arizona State Hospital (ASH) is licensed for a maximum of 511 patients. For FY 1998, the ASH target population is an average daily census of 250 patients, of which, no more than 55 shall be non-forensic clients from Maricopa County.

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$ (716,400)	(4.2)%
Other Appropriated Funds	(1,300,000)	(9.6)%
<b>Total Appropriated Funds</b>	<b>\$ (2,016,400)</b>	<b>(6.6)%</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Performance Measure	FY 96	FY 97
	Actual	Estimate
Average Months to Restore Forensic Patient to Competency	N/A	21

agreement between the state and Maricopa County as a result of the *Arnold v. Sarn* lawsuit.

The table below illustrates the effect community treatment has on the size of the ASH population:

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
<b>Pay Annualization</b>	<b>\$203,000 GF</b>
<b>ERE Rates</b>	<b>94,700 GF</b>
<b>Eliminate One-time Equipment</b>	<b>(24,000) GF</b>

**Staff Reduction as Census Declines (4,675,000) GF**

The JLBC recommends a reduction of \$(4,675,000) for salaries and benefits and (97) FTE Positions. This recommendation follows the agency's plans for downsizing the treatment staff at the state hospital. Already, the hospital's patient census has declined by over 120 patients since the process of providing treatment in the community took precedence over treatment in a large institutional setting. This decision was a direct result of the *Arnold v. Sarn* lawsuit; filed by behavioral health advocates against the state and Maricopa County. The reduction decreases Personal Services by \$(3,901,900) and Employee Related Expenditures by \$(773,100). The Executive concurs with this recommendation by eliminating \$(4,707,000) in salary and benefits funding and (97) FTE Positions.

Specific positions to be eliminated will be determined as the department continues to place clients in community treatment, close hospital treatment units, and assess the continuing needs of the remaining ASH patients. Which positions remain will also be dependent upon the new composition of the ASH census, which increasingly consists of forensic patients. Forensic patients are primarily those persons who are committed to ASH by the courts to be evaluated for their competency to stand trial or who are being restored to competency for their trial dates. In addition, the hospital is now responsible for the treatment and housing of persons determined by the courts to be sexual predators, until such time as these persons are so changed that they are no longer a threat to the community. Current treatment standards show that such persons can never be fully rehabilitated to assure community safety.

**Community Treatment 3,047,000 GF**

The JLBC Staff recommends an increase of \$3,047,000 to the Community Placement Treatment Special Line Item. This increase is computed to fund \$55,400 in community treatment for each of 55 patients who will be moved from ASH treatment beds to community treatment beds. This downsizing of the traditional ASH population follows the

ASH Ending Census	
FY 1995	450
FY 1996	405
FY 1997	305 <sup>1/</sup>
FY 1998	250 <sup>2/</sup>

<sup>1/</sup> The average census at ASH for the week ending 12/19/96 was 311 patients. DHS may actually attempt to treat more patients in the community than is required to meet their census goal of 305 in FY 1997. This may be done to live within the department's budget, and to get a head start on the next group to be treated in the community.

<sup>2/</sup> The census will consist of 55 non-forensic patients from Maricopa County, 20 non-forensic patients from other counties, and 175 other patients which will consist of mostly forensic patients from all counties. Some number of beds within this last group may also be held open for children and geriatric patients.

The actual costs of treating patients in the community have proved widely variable. This is to be expected as the level of functioning for each patient is very different. Currently, clients are placed in one of the following living arrangements: a personal apartment among several apartments in 1 complex with supervision of several clients taking place at once; a personal apartment with 24-hour supervision; or a group home of 2-4 compatible clients with 24-hour supervision. The final and ongoing needs of this radical change in the behavioral health system are still to be determined, as are the costs. The costs of community treatment for former ASH clients have averaged less than the \$55,400 per client during FY 1996 and FY 1997.

The Executive recommends \$4,319,400 for this issue. Funding for community treatment of former ASH clients is almost the same under both recommendations, but the Executive recommendation provides almost \$1,500,000 for the movement of Supervisory Care clients. This is a new issue and one that deserves legislative attention, but not an appropriation in FY 1998. For more information on this issue please refer to the Other Issues for Legislative Consideration section in the Behavioral Health cost center.

**Loss of Title XIX**

**Recoupments (1,300,000) OF 1,300,000 GF**  
 The Special Revenue Fund listed in ASH consists of reimbursements from the federal government for services provided at ASH for persons eligible for Title XIX coverage under federal entitlement programs. Most often, these were services provided to children or in some cases elderly



**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

patients. For the past several years the Legislature has appropriated in excess of \$1,000,000 from this fund to offset the General Fund appropriation to ASH. However, as the daily census at ASH continues to decline, this source of federal dollars has declined dramatically. The JLBC Staff recommends that the loss of federal funding be replaced with an additional \$1,300,000 of General Fund dollars. The Executive does not concur. See the Other Issues for Legislative Consideration section for more detail on this issue.

**Renegotiation of Private Contracts (453,800) GF**  
 During FY 1996, DHS enlisted a private contractor to perform engineering, groundskeeping, housekeeping and food service functions. This agreement allows the contractor to negotiate for inflationary increases on an annual basis and for DHS to negotiate for reductions as the patient census declines. DHS is already observing a drop in the cost of providing food service and housekeeping due to fewer patients on campus and fewer treatment units remaining open. In addition, some contracts for outside medical and behavioral health treatment can also be reduced. Based on this and the census projections for the coming year, DHS has agreed that a reduction of \$(453,800) will still allow the agency to fund all contracts for the coming fiscal year. The Executive does not address this issue.

**Operating Supplies (232,300) GF**  
 The JLBC Staff recommends a \$(232,300) reduction to operating supplies, as requested by the agency. This decrease reflects the reduced number of staff and customers at the state hospital, resulting in less need for daily expenses. The Executive does not address this issue.

**Replacement Computer Equipment 24,000 GF**  
 The JLBC Staff recommends \$24,000 for replacement computer equipment. The Executive recommends \$49,200 for replacement equipment.

**1 Program Authorization Review — Arizona State Hospital (ASH)**  
 The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the ASH program during the last year. As a result of that review, the JLBC Staff recommends retaining the program.

The PAR report found that the mission of ASH is undergoing a great deal of change due to the downsizing of the patient census (pursuant to the *Arnold v. Sarn* lawsuit) and to the increased focus on community-based treatment. The PAR also described several alternatives for the delivery of services to ASH patients, one of which included privatization of some or all of the populations at ASH. As the changes noted above are shaping a new role for ASH within the continuum of behavioral health care, modifications to the delivery of services at ASH are not recommended at this time.

The changes noted above have resulted in a dramatic decrease in ASH's civilly committed population, while the criminally committed (forensic) population has increased. It is unlikely that the care of this forensic population will be provided outside ASH. As a result, a secure facility at ASH will be needed in the long term and the existing facility is deteriorating and inefficient. Thus, the JLBC Staff recommends the construction of a new 176-bed facility at ASH. See the Capital budget recommendation for more information.

The Executive concurs that a long term need for ASH exists and that further privatization should not be undertaken at this time. The Executive does not concur with the recommendation for the construction of a new facility.

\* \* \*

**JLBC Staff Recommended Format — Modified Lump Sum for the Program**

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*  
 Monies in the Community Treatment Contingency Special Line Item shall not be expended without the prior review of the Joint Legislative Budget Committee. (General Appropriation Act footnote.)

**Other Issues for Legislative Consideration**

**Attorney General Services**  
 The Executive recommends transferring \$40,000 from ASH's operating budget to a Special Line Item.

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec
Arizona State Hospital Fund	\$12,193,900

Laws 1996, Chapter 287 established the Arizona State Hospital (ASH) Fund to replace the ASH Disproportionate Share Fund and the ASH Special Revenue Fund. The new ASH Fund will consist of the following:

- Monies appropriated by the Legislature and federal monies for Disproportionate Share payments;
- Title XIX monies paid to ASH for eligible clients served at ASH (Special Revenue Fund); and
- Monies collected from the Regional Behavioral Health Authorities (RBHA) for clients served at ASH over the established RBHA cap. This category is not subject to legislative appropriation.

Thus, the JLBC Staff's recommended appropriation for the ASH Fund includes \$11,993,900 from Disproportionate

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Share monies and \$200,000 in Title XIX (Special Revenue Fund) monies.

The Executive recommends an appropriation of \$13,493,900 from the ASH Fund which includes \$11,993,900 from Disproportionate Share monies and \$1,500,000 from Title XIX recoupment (formerly Special Revenue Fund) monies.

**JUDICIARY**  
**(JUD)**

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Judiciary  
 PROG: Court of Appeals - Division I

JLBC: Karen Bock/Brad Regens  
 House Sub: Cooley

OSP: Christine Sato  
 Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	100.0	101.0	101.5	101.0	101.5
Personal Services	4,849,600	4,973,400	5,306,300	4,973,400	5,182,600
Employee Related Expenditures	714,800	726,600	784,400	726,600	743,300
All Other Operating Expenditures:					
Professional and Outside Services	100	800	1,000	800	800
Travel	93,700	81,900	94,400	81,900	82,400
Other Operating Expenditures	290,200	269,800	283,000	269,800	273,700
Equipment	16,100	23,800	91,300	23,800	14,000
<b>PROGRAM TOTAL</b>	<b>5,964,500</b>	<b>6,076,300</b>	<b>6,560,400</b>	<b>6,076,300</b>	<b>6,296,800</b>
<b>BY FUND SOURCE</b>					
General Fund	5,964,500	6,076,300	6,560,400	6,076,300	6,296,800
<b>TOTAL - ALL SOURCES</b>	<b>5,964,500</b>	<b>6,076,300</b>	<b>6,560,400</b>	<b>6,076,300</b>	<b>6,296,800</b>

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

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$220,500	3.6%

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

Pay Annualization	\$ 65,300 GF
ERE Rates	(1,000) GF
Risk Management	(1,100) GF
Eliminate One-time Equipment	(13,800) GF

**Settlement Conference Program** 59,800 GF  
 The JLBC Staff recommends an increase of \$59,800 and a 0.5 FTE Position to fund and equip a Settlement Conference Program to expedite the appellate process. In FY 1996, the Court received \$67,700 through a grant from the Case Processing Assistance Fund to implement a test Settlement Conference Program. The program attempted to mediate settlement early in the appeals process. Settlement judges heard 74 cases, with 23 cases settled and dismissed before

briefing commenced. Of all litigants, 80% either agreed or strongly agreed that they would participate again. Early settlement resulted in estimated overall savings in attorneys' fees of between \$108,000 and \$208,000. The amount of \$59,800 includes \$32,500 in Personal Services for a part-time staff attorney, \$14,100 in Personal Services for salary differential of 6 retired judges to serve as Settlement Conference Judges, \$3,700 in Employee Related Expenditures, \$500 in Travel - In State, \$5,000 in Other Operating Expenditures, and \$4,000 in one-time Equipment.

**Judicial Salary Increase** III,300 GF  
 The Commission on Salaries for Elective State Officers recommended that Appellate Court Judges' salaries be increased from \$98,722 to \$106,225 effective January 1, 1997 and again to \$111,536 on January 1, 1998. The recommended amount annualizes the FY 1997 raise and provides 6-month funding for the FY 1998 raise.

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

The JLBC Staff also recommends a supplemental appropriation for FY 1997 of \$65,200 to fund the 1997 increase. See Supreme Court for further discussion of this issue.

\* \* \*

**JLBC Staff Recommended Format — Lump Sum by Division**

**Other Issues for Legislative Consideration**

**Executive Recommendation**

The Executive did not provide a recommendation or estimate, but displays the division's FY 1997 appropriation in the recommendation column. Pursuant to A.R.S. § 35-116B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of their budgets.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Judiciary  
 PROG: Court of Appeals - Division II

JLBC: Karen Bock/Brad Regens  
 House Sub: Cooley

OSPB: Christine Sato  
 Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	36.0	36.0	38.0	36.0	36.0
Personal Services	1,798,300	1,889,200	2,035,400	1,889,200	1,950,400
Employee Related Expenditures	266,500	280,400	302,100	280,400	275,900
All Other Operating Expenditures:					
Professional and Outside Services	1,300	1,000	1,000	1,000	1,000
Travel	33,900	36,400	36,800	36,400	36,400
Other Operating Expenditures	821,400	717,600	746,700	717,600	740,200
Equipment	78,000	10,000	30,800	10,000	10,000
<b>PROGRAM TOTAL</b>	<b>2,999,400</b>	<b>2,934,600</b>	<b>3,152,800</b>	<b>2,934,600</b>	<b>3,013,900</b>
<b>BY FUND SOURCE</b>					
General Fund	2,999,400	2,934,600	3,152,800	2,934,600	3,013,900
<b>TOTAL - ALL SOURCES</b>	<b>2,999,400</b>	<b>2,934,600</b>	<b>3,152,800</b>	<b>2,934,600</b>	<b>3,013,900</b>

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

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$79,300	2.7%

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
Pay Annualization	\$ 24,800 GF
ERE Rates	(9,800) GF
Risk Management	(700) GF
Rent	23,300 GF

**Judicial Salary Increase 41,700 GF**

The Commission on Salaries for Elective State Officers recommended that Appellate Court Judges' salaries be increased from \$98,722 to \$106,225 effective January 1, 1997 and again to \$111,536 on January 1, 1998. The recommended amount annualizes the FY 1997 raise and provides 6-month funding for the FY 1998 raise.

The JLBC Staff also recommends a supplemental appropriation for FY 1997 of \$24,400 to fund the 1997

increase. See Supreme Court for further discussion of this issue.

\* \* \*

**JLBC Staff Recommended Format — Lump Sum by Division**

**Other Issues for Legislative Consideration**

**Executive Recommendation**

The Executive did not provide a recommendation or estimate, but displays the division's FY 1997 appropriation in the recommendation column. Pursuant to A.R.S. § 35-116B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of their budgets.

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

DEPT: Judiciary - Superior Court

JLBC: Karen Bock/Brad Regens  
House Sub: Cooley

OSP: Christine Sato  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSP	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	180.0	186.0	196.5	186.0	188.0
Personal Services	6,028,400	6,306,600	7,193,800	6,306,600	6,790,000
Employee Related Expenditures	675,500	697,700	815,100	697,700	480,000
All Other Operating Expenditures:					
Other Operating Expenditures	874,800	2,021,800	2,168,200	2,021,800	1,295,300
<b>OPERATING SUBTOTAL</b>	<b>7,578,700</b>	<b>9,026,100</b>	<b>10,177,100</b>	<b>9,026,100</b>	<b>8,565,300</b>
<b>SPECIAL LINE ITEMS</b>					
Family Counseling	514,100	540,100	598,600	540,100	540,100
Adult Probation Enhancement	17,678,000	18,687,400	20,680,000	18,687,400	19,351,900
Adult Intensive Probation	16,229,100	17,440,400	18,830,300	17,440,400	18,340,600
Juvenile Probation State Aid	3,489,600	4,906,800	6,198,000	4,906,800	5,576,300
Juvenile Intensive Probation	7,902,200	9,674,200	12,390,800	9,674,200	10,370,600
Juvenile Treatment Services	26,154,800	28,646,700	30,127,300	28,646,700	21,162,700
Progressively Increasing Consequences	0	0	0	0	7,602,400
Community Punishment	3,476,700	3,678,200	6,370,500	3,507,800	3,759,300
Child Support Enforcement	900,100	955,500	963,000	955,500	973,500
Interstate Compact-Adult Probation	0	1,065,100	1,432,700	1,065,100	1,095,500
Juvenile Crime Reduction Fund	1,933,100	2,386,600	3,395,000	0	2,391,200
Case Processing Assistance Fund	1,666,000	1,679,500	2,181,900	0	1,681,000
<b>AGENCY TOTAL</b>	<b>87,522,400</b>	<b>98,686,600</b>	<b>113,345,200</b>	<b>94,450,100</b>	<b>101,410,400</b>
<b>BY FUND SOURCE</b>					
General Fund	83,923,300	94,450,100	107,768,300	94,450,100	97,167,800
Other Appropriated Funds	3,599,100	4,236,500	5,576,900	0	4,242,600
<b>TOTAL - ALL SOURCES</b>	<b>87,522,400</b>	<b>98,686,600</b>	<b>113,345,200</b>	<b>94,450,100</b>	<b>101,410,400</b>

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

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$2,717,700	2.9%
Other Appropriated Funds	6,100	0.1
<b>Total Appropriated Funds</b>	<b>\$2,723,800</b>	<b>2.8%</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

<b>Pay Annualization</b>	<b>\$ 6,100 OF</b>	<b>\$ 912,200 GF</b>
<b>ERE Rate</b>	<b>-0- OF</b>	<b>(233,800) GF</b>
<b>Risk Management</b>	<b>-0- OF</b>	<b>(726,500) GF</b>
<b>Eliminate One-time Equipment</b>	<b>-0- OF</b>	<b>(259,500) GF</b>

**Adult Probation Enhancement 358,500 GF**

The JLBC Staff recommends an increase of \$299,300 for the state's share of adding 9.5 new probation officers, 1.9 support staff and 1 supervisor.

The Arizona population of adults aged 18-49, which is considered to be the population at risk of arrest, has grown about 2% per year recently. The JLBC Staff recommendation assumes that the number of persons assigned to probation will also increase by 2%, or by 571, from FY 1997 to FY 1998. Since the General Fund appropriation for this program is intended to be an aid or enhancement to the counties who actually run probation programs, the recommended funding is sufficient for 50% of the cost of supervising this many probationers. The counties would need to fund the other 50% of the new officers.

The recommendation also includes \$59,200 to annualize the 6-month funding that was approved for FY 1997 for 1 supervisor and 1 support position.

**Adult Intensive Probation 637,700 GF**

The JLBC Staff recommends an increase of \$300,400 to add 2.2 new intensive probation teams (1 probation officer and 1 surveillance officer per team), as well as 0.9 support staff and 0.9 supervisor.

The Arizona population of adults aged 18-49, which is considered to be the population at risk of arrest, has grown about 2% per year recently. The JLBC Staff recommendation assumes that the number of persons assigned to intensive probation will also increase by 2%, or by 64, from FY 1997 to FY 1998.

The recommended increase also includes \$337,300 to annualize the funding approved for FY 1997 for 6 teams and 3 related staff positions.

**Community Punishment Program 73,600 GF**

The JLBC Staff recommends a 2% increase in funding for the Community Punishment Program (CPP), commensurate with the 2% increases in probationers and intensive probationers funded above. The CPP monies provide probationers with appropriate programs to hold them accountable and to increase their ability to move successfully from supervision to independence.

**Interstate Compact**

**24,500 GF**

The recommended increase will support a 2% growth in the interstate supervision category of probationers. The Arizona population of adults aged 18-49, which is considered to be the population at risk of arrest, has grown about 2% per year recently. The JLBC Staff recommendation assumes that the number of persons supervised under interstate agreements will also increase by 2%, or by 22, from FY 1997 to FY 1998.

**Juvenile Probation State Aid**

**593,500 GF**

This amount annualizes the 6-month funding that was approved for FY 1997 for 22 probation officers and 6 related staff. No additional juvenile probation slots are recommended for FY 1998. See Other Issues for Legislative Consideration for further discussion.

**Juvenile Intensive Probation**

**838,000 GF**

This amount annualizes the 6-month funding that was approved for FY 1997 for 5 new JIPS teams ( 10 probation and surveillance officers) and 3 related staff. No additional juvenile probation slots are recommended for FY 1998. See Other Issues for Legislative Consideration for further discussion.

**Judicial Salary Increase**

**420,800 GF**

The Commission on Salaries for Elective State Officers recommended that Superior Court Judges' salaries be increased from \$96,314 to \$103,634 effective January 1, 1997 and again to \$108,816 on January 1, 1998. The recommended amount annualizes the FY 1997 raise and provides 6-month funding for the 1998 raise.

The JLBC Staff also recommends a supplemental appropriation for FY 1997 of \$246,400 to fund the 1997 increase. See Supreme Court for further discussion of this issue.

**New Judges**

**78,700 GF**

Pursuant to A.R.S. § 12-128, the recommended amount funds the state's 50% share for 2 judgeships to be established in FY 1998 in Maricopa County.



**Program Authorization Review — Juvenile Community Corrections -0- GF**

The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Juvenile

Justice Services Division (JJSD) programs during the last year. As a result of that review, the JLBC Staff recommends that the funding for Progressively Increasing Consequences Program (PIC-Act) be separated from the Juvenile Treatment Services Line Item into its own Special Line Item. The current official program list mirrors the current budget structure, which tends to obscure the true functions of the programs and funding. PIC-Act is a distinct and important



**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

program, and its funding and strategic planning should be distinct from other treatment services. The Executive concurs, and further recommends that the Judiciary change its Master List of programs to conform. JJSD should also be more active in requiring outcome data of counties who receive state funding for juvenile probation programs. Only Juvenile Intensive Probation Services (JIPS) and, to a limited extent, the Juvenile Treatment Services programs have outcome reporting requirements. All juvenile delinquency-related programs should be measured carefully for their impact on law-abiding behavior. The Executive concurs. The Executive also makes several recommendations that would give it greater budgetary oversight of probation-related programs, and recommends several specific reporting requirements as well.

Performance Measure	FY 96	FY 97
	Actual	Estimate
% of Juvenile Probationers in Treatment Who Recidivate	24%	23%

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Of the 180 FTE Positions, 135 FTE Positions represent Superior Court judges. One-half of their salaries are provided by state General Fund appropriations pursuant to A.R.S. § 12-128. This is not meant to limit the counties' ability to add additional judges pursuant to A.R.S. § 12-121.

The Juvenile Treatment Services appropriation is exempt from A.R.S. § 35-190, relating to lapsing of appropriations pursuant to Laws 1991, Chapter 133 (S.B. 1035).

Up to 4.6% of the amount appropriated for Juvenile Treatment Services may be retained and expended by the Supreme Court to administer the programs established by A.R.S. § 8-230.02 and to conduct evaluations as needed. The remaining portion of the Juvenile Treatment Services Line Item shall be deposited to the Juvenile Probation Fund established by A.R.S. § 8-230.02. *(The "Juvenile Treatment Services" Special Line Item was formerly called "Juvenile Probation Services Fund.")*

*Modification of Prior Year Footnotes*

Receipt of state probation monies by the counties is contingent upon the county maintenance of current probation expenditures at the ~~FY 1995 level~~ 50%. State probation monies are not intended to supplant county

dollars for probation programs. *(The JLBC Staff recommendation includes 50% of the funding needed to support new probation and intensive probation officers.)*

**Other Issues for Legislative Consideration**

**Proposition 102: Juvenile Crime Initiative**

The JLBC Staff has recommended no new increases for Superior Court juvenile programs due to the uncertainty that surrounds these programs since the passage of Proposition 102 in November 1996. Legislation will be required to codify specific changes and to define terms related to the initiative, and any changes to program funding should be incorporated into such legislation. While the JLBC Staff recognizes that the overall growth of Arizona's juvenile population will in itself exert upward pressure on the capacity of juvenile programs, Proposition 102 leaves too much uncertainty as to where resources would be needed due to demographic or other policy changes.

There are several provisions of Proposition 102 which cause this policy uncertainty. First, certain groups of juvenile offenders are to be automatically transferred to adult court. The exact composition of these groups needs to be defined by statute, however. Once that is done, it will be possible to develop budget recommendations estimating the number of delinquent juveniles involved and reflecting their shift from juvenile to adult programs. Second, county attorneys will be able to make decisions to divert juveniles to community programs. This could affect a number of juvenile programs, such as PIC-Act, Juvenile Probation, Juvenile Intensive Probation, and Juvenile Treatment Services, depending on what groups of juveniles and how many juveniles are diverted to such options. Funding for such options was not provided for in the initiative. Third, the new restitution requirements may involve additional administrative resources, which cannot be estimated until a program and requirements are codified. Lastly, and potentially most significantly, Proposition 102 took away from the Judiciary the absolute authority over juvenile proceedings. This leaves open the possibility for significant changes, such as moving delinquency or dependency programs from the Judiciary to the Executive branch of government, or otherwise changing their scope, purpose, and number of participants. A legislative committee is in the process of developing a proposal to implement Proposition 102.

The table below shows the Superior Court and Supreme Court programs which could be changed by Proposition 102. In addition, Adult Probation Enhancement and Adult Intensive Probation could be affected if Proposition 102's mandatory transfer of certain juveniles to adult court results in an increase of juveniles placed in adult supervision programs.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

<b>Judiciary Programs That Could Be Affected By Proposition 102</b>		
	<u>FY 1997 Estimate</u>	<u>FY 1998 JLBC Rec.</u>
Family Counseling	\$ 540,100	\$ 540,100
Juv. Probation State Aid	4,906,800	5,576,300
Juv. Intensive Probation	9,674,200	10,370,600
Juv. Treatment Services	28,646,700	21,162,700
Progressively Increasing Consequences	-0-	7,602,400
Child Support Enforcement	955,500	973,500
Juv. Crime Reduction Fund	2,386,600	2,391,200
Foster Care Review Board	1,672,800	1,703,800
Court Appointed Special Advocate	1,468,900	1,548,800
Confidential Intermediary	150,000	150,000
General Fund	46,396,100	47,929,400
Other Appropriated Funds	<u>4,005,500</u>	<u>4,090,000</u>
<b>Total Juvenile Programs</b>	<b>\$50,401,600</b>	<b>\$52,019,400</b>

**Name Change: Juvenile Treatment Services**

The JLBC Staff recommends changing the name of the Special Line Item related to treatment monies for juvenile probationers. It has been called "Juvenile Probation Services Fund." We recommend the new name of "Juvenile Treatment Services" so that the monies' purpose will be clearer.

**Executive Recommendation**

The Executive did not provide a recommendation or estimate, but displays the division's FY 1997 appropriation in the recommendation column. Pursuant to A.R.S. § 35-116B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of their budgets.

**Other Appropriated Fund Source Detail**

	<u>FY 1998 JLBC Rec.</u>
Criminal Justice Enhancement Fund	\$4,242,600 <sup>1/</sup>

<sup>1/</sup> Includes the following distributions: Juvenile Crime Reduction, \$2,391,200; Case Processing Assistance, \$1,681,000; Community Corrections, \$170,400.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Judiciary - Supreme Court  
 PROG: Judicial and Administrative

JLBC: Karen Bock/Brad Regens  
 House Sub: Cooley

OSPB: Christine Sato  
 Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	132.3	133.8	172.3	133.8	134.8
Personal Services	4,493,500	4,840,000	5,390,000	4,840,000	4,994,600
Employee Related Expenditures	767,000	795,000	893,400	795,000	811,000
All Other Operating Expenditures:					
Professional and Outside Services	81,300	236,000	293,500	236,000	236,000
Travel	77,000	71,000	92,800	71,000	71,000
Other Operating Expenditures	3,931,500	3,730,500	3,755,800	3,730,500	3,796,200
Equipment	233,900	107,600	191,700	107,600	113,900
<b>OPERATING SUBTOTAL</b>	<b>9,584,200</b>	<b>9,780,100</b>	<b>10,617,200</b>	<b>9,780,100</b>	<b>10,022,700</b>
<b>SPECIAL LINE ITEMS</b>					
Judicial Assistance	84,500	87,400	108,800	87,400	87,400
Judicial Education	242,100	242,700	305,700	242,700	242,700
State Grand Jury	424,000	300,000	500,000	300,000	440,000
Judicial Performance Review	256,900	339,100	342,200	339,100	342,100
Technology for the Courts	0	0	4,103,500	0	0
Commission on Judicial Conduct	218,400	261,700	332,000	261,700	294,700
Post-Conviction Relief	0	150,000	150,000	150,000	150,000
Judicial Collection Enhancement Fund	775,400	798,500	1,604,200	0	798,500
JCEF Assistance To Courts	1,332,500	2,123,600	2,123,600	0	2,123,600
JCEF AZ Court Automation Project	3,174,800	3,777,300	3,247,900	0	2,039,600
<b>PROGRAM TOTAL</b>	<b>16,092,800</b>	<b>17,860,400</b>	<b>23,435,100</b>	<b>11,161,000</b>	<b>16,541,300</b>
<b>BY FUND SOURCE</b>					
General Fund	10,810,100	11,161,000	16,459,400	11,161,000	11,579,600
Other Appropriated Funds	5,282,700	6,699,400	6,975,700	0	4,961,700
Other Non-Appropriated Funds	8,194,700	7,392,300	7,353,900	7,353,900	7,353,900
<b>TOTAL - ALL SOURCES</b>	<b>19,004,800</b>	<b>18,553,300</b>	<b>23,813,300</b>	<b>18,514,900</b>	<b>18,933,500</b>

**Program Description** — *The 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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$ 418,600	3.8%
Other Appropriated Funds	(1,737,700)	(25.9)
<b>Total Appropriated Funds</b>	<b>\$(1,319,400)</b>	<b>(7.4)%</b>

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

### FY 1998 — Recommended Changes from FY 1997

#### Standard Changes

Pay Annualization	\$ 89,200 GF
ERE Rates	(2,600) GF
Risk Management	(2,300) GF

#### State Grand Jury 140,000 GF

For the last several years the Supreme Court has requested and been granted a supplemental appropriation to pay for Grand Jury expenses that exceeded the amount appropriated for this Special Line Item. The JLBC Staff recommends increasing the appropriation level to avert the need for future supplementals. The supplementals have ranged from about \$100,000 to \$151,000 since 1993.

The JLBC Staff recommends a FY 1997 supplemental appropriation of \$132,100 for excess expenses incurred by the Grand Jury in FY 1996 and FY 1997.

#### Rent 67,300 GF

The JLBC Staff recommends an additional \$67,300 for the lease-purchase payment on the Courts building. Several changes in occupancy are to occur in FY 1998. The Department of Library, Archives, and Public Records (DLAPR) is taking over authority of and budgetary responsibility for the Law Library. The rent amount of \$(486,000) is, therefore, shifted from the Courts to DLAPR. The sub-leases of the Department of Education, Board of Tax Appeals, and Board of Equalization on office space within the Courts building will terminate and the rent amount of \$238,200 will be assumed by the Courts. The net increase of \$67,300 also reflects an increase of \$315,100 for the annual change in the lease-purchase payment on existing space.

#### Private Fiduciary Program 60,600 GF

Laws 1994, Chapter 68 established a program relating to private fiduciaries, who are professionals that manage the affairs of persons incapacitated by age or illness. The law charged the Supreme Court with establishing regulations for this profession, including minimum qualifications, registration, codes of conduct, and investigative and hearing processes. While no appropriation was provided for this program, the Supreme Court has offered some training, but the other provisions have not been implemented. The JLBC Staff recommends that 1 FTE Position be authorized to implement the Private Fiduciary Regulatory Program. This individual will handle licensing, registration, investigations, continuing education, and all other functions. Fee authority is also given and any fees collected when the new staff starts the program will be returned to the General Fund.

#### Judicial Salary Increase 36,400 GF

The Commission on Salaries for Elective State Officers recommended that Supreme Court Justices' salaries be

increased from \$101,130 to \$108,816 and the Supreme Court Chief Justice's salary be increase from \$103,538 to \$111,407 effective January 1, 1997. The Commission further recommended that on January 1, 1998, the Supreme Court Justices' salaries be raised again to \$114,257 and the Supreme Court Chief Justice to \$116,977. The Commission's recommendations were to take effect unless either house of the Legislature disapproved of the increase within 90 days of its release. In 1996, the Senate did pass a bill which would have rescinded these judicial salary increases. The Attorney General, however, has formally opined that the action was not in proper form and, therefore, the increases should take effect.

The JLBC Staff recommends a supplemental appropriation for FY 1997 of \$21,300 to fund these increases from January 1 to June 30, 1997. For FY 1998, the JLBC Staff recommends another \$21,300 to annualize the January 1997 increase and \$15,100 for 6 months of the January 1998 increase.

#### Commission on Judicial Conduct 30,000 GF

The Commission on Judicial Conduct (CJC) has seen a sharp rise in the numbers of complaints during the 1990's: there were an average of 13 complaints per month in 1992, 20 per month in 1994, and 21 per month in 1996. Private attorneys handling these cases have been paid on a fixed fee basis, which is acceptable for average cases but not for the more complex ones. The JLBC Staff recommends an increase of \$30,000 for Professional and Outside Services to hire additional outside counsel as needed and establish a new fee schedule that will be more equitable for the more complex cases. Note that the commission may assess restitution to recover costs. These collections are deposited to the General Fund.

The JLBC Staff has changed the display of the CJC's budget. Formerly, this entity was shown as a separate cost center. To streamline the budget display, it is now shown as a Special Line Item under the Supreme Court-Judicial and Administrative cost center. The change in budget display does not affect the functional autonomy of the CJC, which remains the internal audit arm of the Judiciary.

#### Post-Conviction Relief -0- GF

Laws 1996, 7th Special Session, Chapter 7 requires the Supreme Court to appoint and pay for counsel to represent indigent defendants who have been given capital sentences and are appealing them. The act sets the fee at \$7,500 for the first proceeding. The act also appropriated \$150,000 to the Supreme Court for these costs. Since this is a continuing requirement, the JLBC Staff recommends that the appropriation be continued.

**Court Automation**

**(1,737,700) OF**

The Judicial Collection Enhancement Fund (JCEF) has 2 distinctive statutory purposes: to increase collections and management of court-imposed fines and fees, and to improve case processing through automation projects. The JLBC Staff recommends a \$2,039,600 appropriation from JCEF to the Non-Appropriated Grants and Special Revenues Fund for principal and interest payment on current lease-purchased Arizona Court Automation Project (ACAP) equipment. The JLBC Staff recommends that automation-related expenditures from JCEF be limited to existing ACAP system lease-purchase payments. The net reduction in expenditure authority is \$(1,737,700) in the JCEF Arizona Court Automation Project Special Line Item. The JLBC Staff recommends that funding in the JCEF Assistance To Courts and Judicial Collection Enhancement Fund Special Line Items remain at the FY 1997 level. The JCEF Assistance to Courts Special Line Item funds grants to county courts. The JCEF Special Line Item funds the program's base operating budget, and transfers to the County Public Defender Fund.

For information only, it should be noted that due to past ACAP implementation problems, the JLBC Staff also recommends a \$100,000 non-lapsing appropriation from the General Fund to the Information Technology Authorization Committee (ITAC) to review the Judiciary's automation plans pursuant to ARS § 41-4061. (Please refer to the new footnote and Integrated Judicial Information System section included in the JLBC Staff recommendation for the Government Information Technology Agency.) The review should include expenditures on hardware, software and personnel for all on-going and planned court automation projects including ACAP.

The Judiciary plans to create an integrated Judicial Information System by linking all Arizona courts in a shared, common software environment. The Judiciary anticipates requesting a total of \$46,000,000 over the next 4 years to implement and operate this integrated system.

<u>Expected Courts Automation Request</u>	
<u>Funding Source</u>	<u>4-Year Funding Total</u>
State General Fund	\$14,000,000
State JCEF (automation only)	15,000,000
Local Funding (local JCEF and general funds)	<u>17,000,000</u>
<b>Total</b>	<b>\$46,000,000</b>

The first step in the Judiciary's plan to create an integrated Judicial Information System is ACAP. ACAP endeavors to provide Arizona's trial courts with a uniform, automated financial and case management system yet has incurred

several implementation setbacks. ACAP began in FY 1993 when a private vendor was selected to design and implement a computer network system to automate the trial courts in nine rural counties. In FY 1994, the test software was installed in 4 pilot courts in Navajo and Coconino counties. During the next 12 months, over 100 versions of the new software were implemented, yet none could successfully handle the courts' financial data. In FY 1995, after spending \$9,200,000 in JCEF monies, the private vendor contract for ACAP I was canceled and a new contract with the same vendor was signed for ACAP II. ACAP II required replacement of ACAP I hardware due to the ACAP II software application operating in an open system, PC environment. Changing software applications mid-project resulted in approximately \$6,000,000 in lost or unrecovered expenditures.

In FY 1995, ACAP II was launched. The Judiciary anticipates that Phase I of ACAP II, the automation of trial courts in 11 rural counties, will be completed by the end of CY 1996. The Judiciary estimates the cost of Phase I to total \$10,500,000. Phase II, the automation of the municipal courts in Maricopa, Pima, and Pinal counties, scheduled for completion June 1997 is estimated to cost \$1,800,000. The Judiciary has funded the cost of Phase I and II from prior Non-Appropriated JCEF and local monies. Under Phase III, the Judiciary is proposing to automate the 7 high-volume courts in Maricopa and Pima counties by July 1999 at a cost of \$6,900,000. At the end of FY 2000, total ACAP I and II expenditures would reach approximately \$25,200,000 not including principal and interest payment nor user reimbursement.

The Judiciary's anticipated request of \$46,000,000 over the next 4 years would complete ACAP, extend a shared, integrated computing environment to all Judicial entities, increase public access, and provide operational and infrastructure support. Given past ACAP problems and the fact that the ACAP hardware and software application is the foundation for integrating the courts, the JLBC Staff believes an ITAC review is necessary before recommending additional appropriations. Pending the outcome of ITAC's review, the JLBC Staff recommends that funding be limited to the amount necessary to cover existing ACAP system lease-purchase payments and does not recommend any additional appropriated monies to the Judiciary to finish uncompleted phases of ACAP or to further develop an integrated Judicial Information System.

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

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

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**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Included in the Lump Sum appropriation is \$1,000 for the purchase of mementos and items for visiting officials.

**Other Issues for Legislative Consideration**

**Executive Recommendation**

The Executive did not provide a recommendation or estimate, but displays the division's FY 1997 appropriation in the recommendation column. Pursuant to A.R.S. s 35-116B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of their budgets.

**Other Appropriated Funds Source Detail**

	<u>FY 1998 JLBC Rec.</u>
Judicial Collection Enhancement Fund	\$4,961,700

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Judiciary - Supreme Court  
 PROG: Foster Care Review Board

JLBC: Karen Bock/Brad Regens  
 House Sub: Cooley

OSPB: Christine Sato  
 Senate Sub: Cirillo

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	52.0	52.0	50.0	52.0	46.5
Personal Services	993,700	1,093,800	1,144,100	1,093,800	1,114,800
Employee Related Expenditures	190,000	211,900	222,800	211,900	216,700
All Other Operating Expenditures:					
Professional and Outside Services	248,700	74,600	80,600	74,600	74,600
Travel	45,900	53,500	55,900	53,500	53,500
Other Operating Expenditures	271,500	229,000	246,200	229,000	234,200
Equipment	92,300	10,000	42,500	10,000	10,000
<b>OPERATING SUBTOTAL</b>	<b>1,842,100</b>	<b>1,672,800</b>	<b>1,792,100</b>	<b>1,672,800</b>	<b>1,703,800</b>
<b>SPECIAL LINE ITEMS</b>					
Court Appointed Special Advocate	1,180,800	1,468,900	1,652,700	1,468,400	1,548,800
Confidential Intermediary	145,800	150,000	150,000	0	150,000
<b>PROGRAM TOTAL</b>	<b>3,168,700</b>	<b>3,291,700</b>	<b>3,594,800</b>	<b>3,141,200</b>	<b>3,402,600</b>
<b>BY FUND SOURCE</b>					
General Fund	1,842,100	1,672,800	1,792,100	1,672,800	1,703,800
Other Appropriated Funds	1,326,600	1,618,900	1,802,700	1,468,400	1,698,800
<b>TOTAL - ALL SOURCES</b>	<b>3,168,700</b>	<b>3,291,700</b>	<b>3,594,800</b>	<b>3,141,200</b>	<b>3,402,600</b>

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

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$ 31,000	1.9%
Other Appropriated Funds	79,900	4.9
<b>Total Appropriated Funds</b>	<b>\$110,900</b>	<b>3.4%</b>

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$22,500 OF	\$23,500 GF
ERE Rates	-0- OF	2,300 GF
Rent	-0- OF	5,200 GF

**Court Appointed Special Advocate (CASA) 57,400 OF**  
 The CASA program trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings. It is entirely supported by the CASA Fund, which consists of 30% of state lottery unclaimed prize money. The JLBC Staff recommends adding 1 FTE Position and \$57,400 for this program. The FTE Position would provide training, outreach, and support for CASA volunteers and for county-level program coordinators. There are currently 520 CASA

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

volunteers serving over 1,100 children, but there are 4 times that number of children in foster care who do not have a CASA volunteer to support them and represent their needs to the Court. The additional trainer/outreach position is intended to enable the program to provide the recruiting and support needed to expand the number of CASA volunteers who join and stay with the program.

The FTE Position count for this program formerly included CASA field staff, who are paid through pass-through grants to the counties not through the operating budget. These 6.5 FTE Positions have been deleted to avoid confusion and to conform to the counting of staff in other judicial agencies.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Deletion of Prior Year Footnotes*

The JLBC Staff recommends removing the footnote which restricts CASA program expenditures to the level of receipts. The CASA fund has a carry-forward balance of over \$1,000,000 to cushion the program should revenue fall short in a given year. The appropriations amount could be adjusted during the budget process in the future if a downward trend in revenue occurs.

**Other Issues for Legislative Consideration**

**Executive Recommendation**

The Executive did not provide a recommendation or estimate, but displays the division's FY 1997 appropriation in the recommendation column. Pursuant to A.R.S. § 35-116B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of their budgets.

**Other Appropriated Fund Source Detail**

	FY 1998 Rec.
Court Appointed Special Advocate Fund	\$1,548,800
Confidential Intermediary Fund	150,000
TOTAL	\$1,698,800



**DEPARTMENT OF  
JUVENILE CORRECTIONS  
(DJC)**

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Juvenile Corrections  
Agency Summary

JLBC: Phil Case/Lorenzo Martinez  
House Sub: Cooley

OSPB: Tara Tessaro  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	4,595,900	4,469,600	4,589,900	4,324,200	4,409,300
Secure Care	22,691,000	27,119,600	33,159,500	31,301,100	31,525,900
Community Care	12,816,300	13,507,900	13,654,700	13,596,500	13,587,100
Education	3,409,600	3,859,700	4,196,400	4,263,500	4,341,900
<b>AGENCY TOTAL</b>	<b>43,512,800</b>	<b>48,956,800</b>	<b>55,600,500</b>	<b>53,485,300</b>	<b>53,864,200</b>
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	798.0	847.5	1,062.5	1,041.5	918.0
Personal Services	19,147,900	21,552,700	24,711,600	24,132,600	24,128,500
Employee Related Expenditures	5,519,000	6,103,400	7,280,800	6,945,800	6,760,100
All Other Operating Expenditures:					
Professional and Outside Services	1,170,600	695,600	908,800	718,900	718,400
Travel - In State	366,700	368,200	372,100	370,200	368,200
Travel - Out of State	26,400	16,300	16,300	0	16,300
Other Operating Expenditures	4,460,500	5,232,100	6,258,600	5,781,500	5,892,300
Equipment	140,800	103,400	671,900	232,100	609,100
<b>OPERATING SUBTOTAL</b>	<b>30,831,900</b>	<b>34,071,700</b>	<b>40,220,100</b>	<b>38,181,100</b>	<b>38,492,900</b>
<b>SPECIAL LINE ITEMS</b>					
Due Process	282,800	304,800	310,900	297,600	307,100
Youth Rights	256,500	262,900	266,200	256,100	261,000
Court Monitors	76,200	90,000	0	0	0
Classification/Risk Assessment	77,000	77,000	77,000	77,000	77,000
Staff Training and Certification	97,100	103,200	103,200	103,200	103,200
Management Information Systems	203,500	0	0	0	0
Food	427,100	462,700	599,000	553,000	584,000
Special Treatment Programs	297,400	397,300	397,300	397,300	397,300
Program Evaluation	26,100	0	0	0	0
WIPP	138,400	137,700	164,800	155,600	175,200
Boot Camp	987,900	2,761,800	3,174,300	3,174,300	3,174,300
Outcome Evaluations	0	110,000	110,000	110,000	110,000
Community Services Contracts	9,499,000	9,854,800	9,854,800	9,854,800	9,854,800
Family Transition	104,100	125,900	125,900	125,600	128,300
Community Work Program	172,200	197,000	197,000	199,700	199,100
Vocation and Transition Services	35,600	0	0	0	0
<b>AGENCY TOTAL</b>	<b>43,512,800</b>	<b>48,956,800</b>	<b>55,600,500</b>	<b>53,485,300</b>	<b>53,864,200</b>
<b>BY FUND SOURCE</b>					
General Fund	41,710,000	46,918,200	52,915,900	51,145,500	51,292,200
Other Appropriated Funds	1,802,800	2,038,600	2,684,600	2,339,800	2,572,000
Other Non-Appropriated Funds	23,000	23,000	23,000	23,000	23,000
Federal Funds	1,965,900	1,769,000	1,286,000	1,286,000	1,286,000
<b>TOTAL - ALL SOURCES</b>	<b>45,501,700</b>	<b>50,748,800</b>	<b>56,909,500</b>	<b>54,794,300</b>	<b>55,173,200</b>

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

DEPT: Department of Juvenile Corrections  
 Agency Summary

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$4,374,000	9.3%
Other Appropriated Funds	533,400	26.2%
<b>Total Appropriated Funds</b>	<b>\$4,907,400</b>	<b>10.0%</b>

### FY 1998 — Recommended Changes from FY 1997

<b>Standard Changes</b>	
Pay Annualization	\$ 568,500 GF
ERE Rates	(55,600) GF
Risk Management	(130,500) GF
Rent	147,000 GF
Eliminate One-time Equipment	(55,200) GF

#### Eliminate Court Monitor SLI Funding (90,000) GF

The JLBC Staff recommends eliminating the Special Line Item funding for the 3 court-appointed consultants who oversee the state's compliance with the provisions of the *Johnson v. Upchurch (J v. U)* consent decree, which DJC signed in May 1993. Court monitoring is scheduled to expire in May 1997. (See Other Issues for Legislative Consideration for more detail on *J v. U*.) The Executive concurs.

#### Add 48 New Beds 2,088,300 GF

The number of juveniles annually committed to DJC has remained constant for the past decade; however, the need for secure care beds has grown in recent years. (See Other Issues for Legislative Consideration.) To address the continued growth in its secure care population, DJC sought permission from the *J v. U* Committee of Consultants to open 34 new mental health beds at the Arizona State Hospital (ASH) and to "re-open" 14 beds at Catalina Mountain School (CMS). The *J v. U* consent decree population limits had been set below the institutional design capacity at CMS, resulting in 14 vacant beds. The department received permission to open the 14 CMS beds but only 24 beds at ASH under its original staffing plan.

DJC has transferred 4th quarter FY 1997 monies to use in the first 3 quarters to operate these 38 new beds. The department has also requested a supplemental appropriation to restore the

4th quarter monies and to open the additional 10 beds at ASH. The JLBC Staff recommends \$1,810,100 and 43 FTE Positions as a FY 1997 supplemental appropriation to repay the re-allocated monies and to open the additional 10 beds. (See Other Issues for Legislative Consideration.) Additionally, the JLBC Staff recommends \$2,088,300 and 48 FTE Positions in FY 1998 for the full-year costs of operating the 48 new beds.

The table below shows the FY 1998 staffing and funding recommended for the new beds. The cost per bed for the new ASH beds would be \$49,200, approximately equal to the department-wide \$50,500 per bed average. The cost per bed for the new CMS beds would be \$29,700, reflecting the lower marginal cost of adding beds to existing facilities rather than new ones such as ASH. The table divides costs between the department's Secure Care and Education divisions.

FY 1998 Operating Costs - 48 New Beds			
	ASH-34	CMS-14	Total
Youth Correctional Officer I's	17.0	4.0	21.0
Youth Correctional Officer II's	8.0	2.0	10.0
Other Cottage Staff	4.0	3.0	7.0
Other Secure Care Staff	5.0	0.0	5.0
Education Staff	4.0	1.0	5.0
<b>Total FTE</b>	<b>38.0</b>	<b>10.0</b>	<b>48.0</b>
Operating - Secure Care	\$1,398,100	\$341,900	\$1,740,000
Food SLI	93,400	12,000	105,400
WIPP SLI	17,700	7,300	25,000
Operating - Education	163,800	54,100	217,900

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

The Executive recommends \$1,635,000 and 41 FTE Positions for the 14 beds at CMS but only 24 beds at ASH. Based on the department's request for funding, the Executive believes that the additional 10 beds at ASH are too costly to operate. However, the JLBC Staff recommendation reduces the annual cost of the beds to the department-wide average cost per bed, thereby providing 10 more Secure Care beds than the Executive.

**Annualize Funding for 48 BCS Beds 625,000 GF**  
 For FY 1997, the department received funding to open 48 new beds at Black Canyon School (BCS) on January 1, 1997. The recommended increase annualizes the cost of operating the beds and accounts for the elimination of one-time start-up costs. Of this amount, \$506,100 is for the department's Secure Care Division and \$118,900 is for the Education Division. The Executive concurs. The JLBC Staff also recommends a FY 1997 supplemental appropriation of \$126,900 to fund the early opening of the beds in mid-October 1996. (See Other Issues for Legislative Consideration.)

**Start-up Costs for New Complex 1,397,400 GF**  
 The Legislature appropriated \$800,000 in FY 1996 for the design of a 400-bed juvenile secure care complex and \$13,200,000 over FY 1997 and FY 1998 to construct the first 200 beds. When complete, the complex will consist of a 100-bed violent offenders unit and a 300-bed general population unit. The complex will be constructed in conjunction with the Southwest Regional Prison Complex and will share some infrastructure with the prison.

The department requested \$2,083,400 and 164 FTE Positions to staff, equip, and operate the first 100 beds of the new complex in FY 1998. This request was based on opening 50 beds on April 30, 1998 and 50 more on May 30, 1998. Since the department submitted its request, the estimated completion date for the first 200 beds has been revised to May 31, 1998. The JLBC Staff recommends \$1,397,400 and 22.5 FTE Positions to staff the first 100 beds, based on a projected opening date of July 1, 1998 for the first 50 beds. The recommended amount also includes one-time funding of \$191,500 in Other Operating Expenditures and \$560,900 in Equipment to supply and equip the first 200 beds.

The following table shows the staffing and funding recommended for the new complex. Costs are divided between the department's Secure Care and Education divisions. The FY 1998 recommendation is based on the annual requirement to operate the first 100 beds and one-time start-up costs for the first 200 beds. The hiring and training of staff would be phased-in over 6 months, with the majority of hires occurring in the 8 weeks immediately prior to opening. The annual requirement is based on the estimated full-year operating costs for the first 100 beds of the new facility. The annual operating cost per bed for the first 100

beds would be \$56,400. This cost should approach the department-wide average cost per bed of \$50,500 as the second 100 beds are added.

New Complex Operating Costs - First 100 Beds		
	Annual Requirement	FY 1998 Recommendation
Youth Correctional Officer I's	43.0	7.0
Youth Correctional Officer II's	29.0	4.5
Education Staff	22.0	2.5
Other Staff	<u>59.0</u>	<u>8.5</u>
<b>Total FTE</b>	<b>153.0</b>	<b>22.5</b>
Operating - Secure Care	\$4,722,300	\$584,400
One-time Costs	-0-	752,400
Food SLI	78,300	-0-
WIPP SLI	52,000	-0-
Operating - Education	<u>790,700</u>	<u>60,600</u>
<b>Total Funding</b>	<b>\$5,643,300</b>	<b>\$1,397,400</b>

The Executive recommends \$1,427,100 and 153 FTE Positions for the new complex. This recommendation assumes that the first 50 beds will open on June 1, 1998 and does not provide one-time start-up costs for the second 100 beds. The JLBC Staff recommendation allows an extra month for construction schedule slippage or on-site training and provides full funding to purchase equipment and supplies for the first 200 beds. The Executive recommendation of 153 FTE Positions reflects the full-year requirement for the first 100 beds, while the JLBC Staff recommendation of 22.5 FTE Positions limits the hiring to the actual hours required in FY 1998.

**Annualize Funding for Boot Camp 412,500 GF**  
 The Boot Camp program (24 beds and 72 aftercare slots) will be fully operational in February 1997. The recommended increase would fund the program's first full-year of operations in FY 1998. The annualization requirement is based on the terms of the agreement with the contractor who operates the Boot Camp. The Executive concurs.

**Equalization Assistance 550,400 OF (550,400) GF**  
 The estimated equalization assistance amount received through the Arizona Department of Education will increase by \$550,400 OF. The JLBC Staff recommends that this amount be used as an offset to the General Fund. However, a total of \$397,400 in education monies for new beds has been included elsewhere in the JLBC Staff recommendations. The Executive recommendation is \$65,400 GF higher because it includes 1 additional month of operating monies to open the new complex in June 1998.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

**Work Incentive**

**Pay Program (17,000) OF 17,000 GF**  
 The JLBC Staff recommends \$17,000 GF for the Work Incentive Pay Program (WIPP) Special Line Item to pay juveniles wages for required work programs. For FY 1997, these monies were appropriated from the Parental Assessment and Restitution (PAR) Fund, but the fund has been abolished. Court-ordered assessments from parents of committed youth are now deposited to the General Fund. The Executive does not recommend replacing the PAR Fund monies.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Twenty-five per cent of land earnings and interest from the State Charitable, Penal and Reformatories Land Fund shall be distributed to the Department of Juvenile Corrections, in compliance with Section 25 of the Enabling Act and with the Constitution, to be used for the support of state juvenile institutions and reformatories.

Prior to the expenditure of any Juvenile Education Fund receipts in excess of the appropriated amount shown above, the Department of Juvenile Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee.

*Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the one-time footnote relating to the design and initial presentation of outcome evaluation data.

**Other Issues for Legislative Consideration**

**FY 1997 Supplemental**

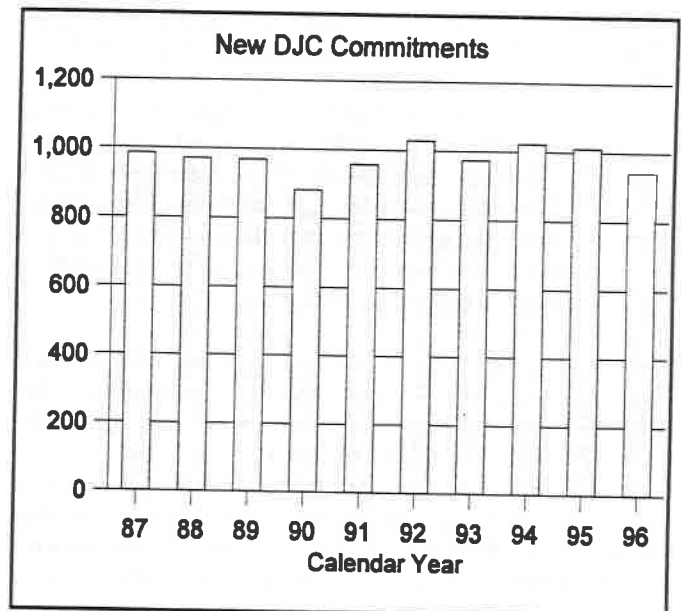
The department has requested a supplemental appropriation of \$2,617,100 and 95.5 FTE Positions to open 48 new beds (34 mental health beds at ASH and 14 beds at CMS) and to fund the early opening of 48 beds at BCS. The original FY 1997 appropriation does not include funding for the new beds and includes half-year funding for the BCS beds. The JLBC Staff recommends \$1,937,000 GF and 43 FTE Positions to fund the opening of the 48 new beds and the opening of the 48 BCS beds for an additional 2.5 months. The JLBC Staff also recommends \$15,900 GF for the Work Incentive Pay Program (WIPP) to pay juveniles wages for required work programs. These monies had been appropriated from the Parental Assessment and Restitution Fund, but the fund was subsequently abolished. The following table summarizes the JLBC Staff's FY 1997 supplemental recommendations.

	<u>Funding</u>	<u>FTE Positions</u>
ASH - 34	\$1,464,000	33.0
CMS - 10	<u>346,100</u>	<u>10.0</u>
Subtotal - New Beds	1,810,100	43.0
BCS - 48	126,900	0.0
WIPP	<u>15,900</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$1,952,900</b>	<b>43.0</b>

The Executive recommends \$1,681,600 and 65 FTE Positions as a FY 1997 supplemental appropriation. The Executive concurs with the JLBC Staff recommendations for the CMS and BCS beds, but does not recommend funding for the additional 10 beds at ASH nor the \$15,900 for the WIPP. Based on the department's request for funding, the Executive believes that the additional 10 beds at ASH are too costly to operate. However, the JLBC Staff recommendation reduces the annual cost of the beds to the department-wide average cost per bed, thereby allowing us to add the additional 10 beds.

**DJC Commitments and Bed Needs**

Despite increasing overall juvenile arrest rates and a growing juvenile population, commitments of juveniles to the Department of Juvenile Corrections have remained stable for the past decade (see graph below). This fact may be explained by a leveling off of violent juvenile crime rates and by an increase in juveniles being placed on probation by the courts. An increase in the transfer of juveniles to the adult court system may also contribute to this fact.



**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Even though commitment rates have remained stable, the need for secure care beds has grown. The need for beds is driven not only by total commitments, but by length of stay, which has been increasing. Laws 1994, Chapter 201 has played a major role in increasing the need for beds by allowing the Juvenile Courts to give sentences of specific lengths and by requiring DJC to use length-of-stay guidelines for youth committed without specific sentences. The implementation of Proposition 102 will also impact the need for beds. (See discussion which follows.) Community care for youths on parole has not been impacted by the increase in length of stay; therefore, the JLBC Staff recommendation does not include funding for additional community care slots (except for the annualization of the Boot Camp aftercare program). The following table summarizes the average daily population (ADP) for various DJC placements.

	<b>FY 1996</b>	<b>FY 1997</b>	<b>FY 1998</b>
	<u>Actual</u>	<u>Revised</u> <sup>1/</sup>	<u>Estimate</u>
Adobe Mtn. School	329	324	312
Black Canyon School	107	145	168
Catalina Mtn. School	120	121	124
Arizona State Hospital	2	27	34
Boot Camp	<u>1</u>	<u>23</u>	<u>24</u>
Secure Care ADP	559	640	662
Boot Camp - Aftercare	0	36	72
Case Management	<u>1,244</u>	<u>1,224</u>	<u>1,244</u>
Non-Institution ADP	<u>1,244</u>	<u>1,260</u>	<u>1,316</u>
<b>TOTAL DJC YOUTH</b>	<u><b>1,803</b></u>	<u><b>1,900</b></u>	<u><b>1,978</b></u>

<sup>1/</sup> Reflects the original budgeted ADP, plus the additional beds supported by the recommended supplemental appropriation.

**Johnson v. Upchurch Status**

Since May 1993, DJC has been under a consent decree, which it signed to resolve a federal class action lawsuit known as *Johnson v. Upchurch (J v. U)*. The lawsuit addressed issues of education, health care, due process, population, discipline, and treatment services for youth in state custody. The consent decree requires increased staffing ratios, increased treatment programs and community services, improved physical facilities, and added staff to protect youths' legal rights. The decree also places limits on the number of youth that DJC may house in each institution.

DJC has continued to meet most of the consent decree requirements. The court-appointed committee of consultants released its sixth semi-annual report in June 1996. (The seventh report will be released some time after this recommendation is published.) The committee indicated that DJC has continued to respond to the committee's concerns regarding safety and security of the secure facilities and the adequacy of programs to meet youths' needs. However, the

committee also noted the department's continued problems in meeting the provisions regarding population limitations and staffing ratios. The consent decree is scheduled to expire in May 1997 but may be extended on a provision by provision basis by the presiding federal judge. In anticipation of the consent decree's end, the JLBC Staff recommends the elimination of \$(90,000) GF to pay the court monitors expenses.

**Proposition 102/Juvenile Justice Reform**

By a margin of 2 to 1, Arizona voters approved Proposition 102 in the November election. The proposition amends the Constitution to repeal the jurisdiction of the Superior Court over juvenile offenders and grants the Legislature the authority to determine the court's jurisdiction. It also requires the automatic transfer to adult court of juveniles 15 years of age or older who are accused of murder, rape, or armed robbery. In addition, juveniles 15 years of age or older who are accused of "other violent crimes" or are deemed "chronic offenders" could be prosecuted as adults. Other provisions relate to restitution, community-based alternatives to incarceration for non-violent offenders, and public access to criminal records.

The impact of Proposition 102 on DJC is unknown at this time. The Legislature must implement the proposition by defining certain terms such as "other violent crime" and "chronic offender," and determining the court's jurisdiction. The Joint Committee on Juvenile Justice Reform has begun to address these issues and has expressed a willingness to consider other juvenile justice reform measures. The automatic transfer of juveniles to the adult courts will reduce the bed needs for DJC, while increasing the need for minors beds at the Department of Corrections (DOC). A preliminary estimate by DOC suggests that it might receive an additional 400 minors by the year 2000 above what it would receive under current law. However, other juvenile justice reform measures being considered would have the impact of increasing the number of youth sent to DJC or increasing their length of stay.

**Other Appropriated Fund Source Detail**

	<b>FY 1998</b>
	<b>JLBC Rec</b>
State Charitable, Penal, and Reformatories Land Earnings	\$ 300,000
Criminal Justice Enhancement Fund	300,000
Juvenile Education Fund	<u>1,972,000</u>
<b>TOTAL</b>	<b>\$2,572,000</b>

**DEPARTMENT OF TRANSPORTATION  
(DOT)**

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Transportation  
Agency Summary

JLBC: Bob Hull  
House Sub: Cooley

OSPB: Tom Betlach  
Senate Sub: Cirillo

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	41,549,400	43,049,700	45,941,700	44,560,200	42,708,000
Highways	38,858,800	41,338,000	44,229,200	40,038,600	40,127,600
Highway Maintenance	67,892,000	72,037,500	74,949,900	75,676,200	75,741,100
Motor Vehicle Division	59,954,500	61,481,600	64,960,300	58,165,700	58,455,500
Aeronautics Division	1,406,600	1,626,700	1,662,300	1,647,800	1,627,800
<b>AGENCY TOTAL</b>	<b>209,661,300</b>	<b>219,533,500</b>	<b>231,743,400</b>	<b>220,088,500</b>	<b>218,660,000</b>

**OPERATING BUDGET**

<i>Full Time Equivalent Positions</i>	3,637.0	3,687.0	3,718.0	3,669.0	3,657.0
Personal Services	92,225,400	99,763,200	103,995,000	99,256,500	100,533,100
Employee Related Expenditures	24,241,100	25,149,300	28,773,200	25,446,000	25,668,400
All Other Operating Expenditures:					
Professional and Outside Services	2,743,700	2,722,600	2,746,400	2,483,500	2,749,300
Travel - In State	1,925,600	1,759,200	1,830,300	1,751,100	1,759,500
Travel - Out of State	151,800	155,100	156,100	146,900	153,800
Other Operating Expenditures	31,388,100	31,172,700	33,933,000	30,837,200	30,827,700
Equipment	2,244,600	1,941,600	2,185,400	1,129,300	1,629,000
<b>OPERATING SUBTOTAL</b>	<b>154,920,300</b>	<b>162,663,700</b>	<b>173,619,400</b>	<b>161,050,500</b>	<b>163,320,800</b>
Special Line Items	54,741,000	56,869,800	58,124,000	59,038,000	55,339,200
<b>AGENCY TOTAL</b>	<b>209,661,300</b>	<b>219,533,500</b>	<b>231,743,400</b>	<b>220,088,500</b>	<b>218,660,000</b>

**BY FUND SOURCE**

General Fund	73,500	300,000	77,200	76,400	76,400
Other Appropriated Funds	209,587,800	219,233,500	231,666,200	220,012,100	218,583,600
Other Non-Appropriated Funds	294,249,000	309,617,700	336,426,100	336,426,100	336,426,100
Federal Funds	273,470,700	214,018,500	232,132,700	232,132,700	232,132,700
<b>TOTAL - ALL SOURCES</b>	<b>777,381,000</b>	<b>743,169,700</b>	<b>800,302,200</b>	<b>788,647,300</b>	<b>787,218,800</b>

**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.*



**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$(223,600)	(74.5)%
Other Appropriated Funds	(649,900)	(0.3)%
Total Appropriated Funds	\$(873,500)	(0.4)%

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$2,538,400 OF	\$1,400 GF
ERE Rates	402,700 OF	-0- GF
Risk Management	(1,138,300) OF	-0- GF
Rent	3,100 OF	-0- GF
<b>Eliminate One-time</b>		
Equipment	(2,459,100) OF	-0- GF
Other	29,900 OF	-0- GF
<b>New Equipment</b>		1,619,000 OF
New Rent		778,400 OF
<b>Consolidate and</b>		
Appropriate 5 Funds		-0- OF
Auto Salvage,		
Theft Prevention		(225,000) GF
Personal Services		
Adjustment		(336,600) OF
Safety Enforcement and Infrastructure		(1,000,000) OF
Mainframe Computer Costs		(1,109,300) OF
Workload Reduction		(1,478,100) OF

**1 Program Authorization Review — Level of Highway Maintenance 1,500,000 OF**

The JLBC and OSPB Staffs conducted a Program Authorization Review of the Highway Maintenance program during the last year. As a result of that review, the JLBC Staff recommends retaining the program, and an increase of \$1,500,000 for Materials, so that state highway conditions do not deteriorate. The JLBC Staff further recommends that the department develop performance measures for Highway Maintenance which directly tie different funding levels to the quantities and quality of maintenance to be delivered. When the department is able to do this, and to monitor and report the actual results, then the question of increased funding for Highway Maintenance can be addressed based on specific benefits to be derived therefrom. For further information regarding this Program Authorization Review, please see Highway Maintenance.

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**JLBC Staff Recommended Format** — Varies by Program. (For FY 1997, the department has an Operating Lump Sum for the Non-Motor Vehicle divisions with Special Line Items, and an Operating Lump Sum for the Motor Vehicle Division with

*Special Line Items. The JLBC Staff recommended format is by program, to provide for greater legislative oversight and to better match how the department operates.)*

**Other Issues for Legislative Consideration**

**Overview of Departmental Budget**

The JLBC Staff recommends consolidation into the State Highway Fund and appropriation of 5 formerly Non-Appropriated Funds as specified by Laws 1996, Chapter 335. This adds a recommended 653 FTE Positions and \$29,546,100 to the department's FY 1998 appropriated budget. For comparability purposes, these 5 funds are also included in the various tables for FY 1996 and FY 1997. For more information on these 5 specific funds, please see Motor Vehicle Division.

**FTE Position Changes**

The JLBC Staff recommends a decrease of (30) FTE Positions for the department, including decreases of (28) FTE Positions in Administration and (2) FTE Positions in Motor Vehicle Division. In addition, 25 audit, accounting, data processing and clerical FTE Positions and related expenditures are transferred from Motor Vehicle Division to Administration to align with the current management structure. For more information, please see Administration and Motor Vehicle Division.

**Year 2000**

The JLBC Staff recommends that the Government Information Technology Agency (GITA) review and oversee the Department's major Year 2000 computer projects, and that funding be appropriated to GITA for these projects. "Year 2000" refers to the need to alter computer functions that use only a 2-digit code for the year. The JLBC Staff has earmarked a \$5,000,000 contingency set aside from the State Highway Fund for Year 2000 projects. No additional funding has been included in the department's operating budget for Year 2000 computer projects.

**Other Appropriated Fund Source Detail**

Fund	FY 1998 JLBC Rec
State Highway	\$215,439,100
Dealer Enforcement	275,000
Abandoned Vehicle	454,800

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

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Safety Enforcement & Transportation	
Infrastructure	750,000
State Aviation	1,627,800
Air Quality	<u>36,900</u>
TOTAL	\$218,583,600

**Highway Construction**

The State Transportation Board oversees the department's highway construction program. The Five-Year Highway Construction Program adopted by the Board on June 21, 1996 includes monies from the State Highway Fund, Federal Funds, Maricopa Regional Area Road Fund, Highway User Revenue Fund for controlled access roads, and bond revenues. Estimated expenditures are \$677,434,000 for FY 1998, including \$442,335,000 for construction and maintenance and \$235,099,000 for debt service, as follows:

**FY 1998 Highway Construction Program Adopted by State Transportation Board**

Construction	\$155,854,000
Urban Controlled Access <sup>1/</sup>	149,484,000
Pavement Preservation Maintenance	86,653,000
Other <sup>2/</sup>	50,344,000
Debt Service <sup>3/</sup>	<u>235,099,000</u>
TOTAL	\$677,434,000

- <sup>1/</sup> Includes expenditures from the Highway User Revenue Fund for controlled access and from the Maricopa Regional Area Road Fund.
- <sup>2/</sup> Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.
- <sup>3/</sup> Provided by the department.

**Highway User Revenue Fund Analysis**

The Highway User Revenue Fund (HURF) consists of monies received in the state from transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver's license, and others. HURF is the primary source of monies for the department's operating budget. The last line of the table on the next page, which shows Net State Highway Fund Monies Available for Statewide Highway Construction, does not include Maricopa County and Pima County Controlled Access Funds, Bond Funds, Federal Funds, Carryover Funds, and Miscellaneous Funds available for construction. Rather, the last line represents the amount that is available from the State Highway Fund to fund the State Transportation Board's 5-Year Plan.

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

HIGHWAY USER REVENUE FUND ANALYSIS					
(In Thousands)					
	FY 1996	FY 1997	FY 1998	FY 1998	FY 1998
	<u>Actual</u>	<u>Estimate</u>	<u>Request</u>	<u>Exec Rec</u>	<u>JLBC Rec</u>
Total HURF Collections <sup>1/</sup>	\$859,575	\$868,078	\$891,516	\$891,516	\$891,516
Less: Economic Strength Fund <sup>2/</sup>	1,000	1,000	1,000	1,000	1,000
Dept of Public Safety Transfer from HURF	20,000	17,500	17,500 <sup>3/</sup>	17,500 <sup>3/</sup>	15,000 <sup>4/</sup>
Traffic Signal Synchronization	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,300</u>	<u>0</u>
Net HURF Collections	\$838,575	\$849,578	\$873,016	\$869,716	\$875,516
Less: Cities <sup>5/</sup>	256,988	259,121	266,270	265,263	267,032
Counties <sup>6/</sup>	151,762	160,648	165,873	165,246	166,348
Controlled Access <sup>7/</sup>	<u>64,809</u>	<u>65,331</u>	<u>67,013</u>	<u>66,760</u>	<u>67,205</u>
Net State Highway Fund (Discretionary)	\$365,016	\$364,478	\$373,860	\$372,447	\$374,931
Plus: Other Income <sup>8/</sup>	19,700	20,000	21,707	21,707	21,707
JCCR Ordered Revertments	1,184	0	0	0	0
5 Formerly Non-Appropriated Funds	26,375	29,756	30,412	30,412	30,412
Less: Operating Budget	207,885	213,752	225,200	216,547	215,439
Non-Lapsing Operating Carryovers and Adjustments	5,441	1,734	0	0	0
Capital Outlay and Building Renewal	2,658	2,478	24,447	7,765	7,014
Non-Lapsing Capital Carryovers and Adjustments	630	16,335	0	0	0
Dept of Public Safety Transfer from Highway Fund	25,000 <sup>9/</sup>	19,600 <sup>9/</sup>	19,600 <sup>10/</sup>	19,600 <sup>10/</sup>	15,000 <sup>4/</sup>
FY 1997 Capital Outlay Supplementals	0	0	0	3,100	2,800
FY 1998 Contingency	0	0	0	8,000 <sup>11/</sup>	5,000 <sup>12/</sup>
Debt Service <sup>13/</sup>	31,631	31,595	43,225	43,225	43,225
Dept of Emergency and Military Affairs - 1993 Flood Relief	<u>0</u>	<u>574</u>	<u>800</u>	<u>800</u>	<u>800</u>
Net Highway Fund Available for Statewide Highway Construction <sup>14/</sup> (5-Year Plan)	<u>\$139,030</u>	<u>\$128,166</u>	<u>\$112,707</u>	<u>\$125,529</u>	<u>\$137,772</u>

- <sup>1/</sup> Includes 2% distribution of vehicle license tax to State Highway Fund.
- <sup>2/</sup> Provides monies for economic strength highway projects recommended by the Commerce and Economic Development Commission and approved by the State Transportation Board.
- <sup>3/</sup> Assumes transfer of \$17,500,000 to DPS.
- <sup>4/</sup> Assumes transfer of \$15,000,000 to DPS as required by statute.
- <sup>5/</sup> A statutorily defined distribution for acquisition and construction of streets or highways.
- <sup>6/</sup> A statutorily defined distribution for design, acquisition and construction of controlled access highways. The monies are divided 75% for Maricopa County and 25% for Pima County.
- <sup>7/</sup> Includes interest and rental income, transfers including from the Public Roads Fund, 2% of the vehicle license tax beginning FY 1997, and miscellaneous sales and other income.
- <sup>8/</sup> Includes an additional \$5,000,000 transfer to DPS as partial payment for Maricopa County's title and registration facilities.
- <sup>9/</sup> Includes an additional \$2,100,000 transfer to DPS as final partial payment for Maricopa County's title and registration facilities.
- <sup>10/</sup> Assumes transfer of \$19,600,000 to DPS.
- <sup>11/</sup> Includes \$4,000,000 for Year 2000 computer projects and \$4,000,000 for pay plan.
- <sup>12/</sup> Year 2000 computer projects.
- <sup>13/</sup> Debt service on highway revenue bonds does not include debt service payable from Maricopa and Pima County controlled access funds.
- <sup>14/</sup> Excludes Maricopa and Pima County controlled access funds, and bond, federal, carryover, and miscellaneous funds available for construction.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Transportation  
 PROG: Administration

JLBC: Bob Hull  
 House Sub: Cooley

OSPB: Tom Betlach  
 Senate Sub: Cirillo

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	475.0	475.0	510.0	476.0	472.0
Personal Services	14,846,200	15,181,300	16,592,800	15,180,900	16,293,200
Employee Related Expenditures	3,445,200	3,566,100	4,513,000	3,572,100	3,800,900
All Other Operating Expenditures:					
Professional and Outside Services	1,070,100	906,200	978,700	901,200	990,600
Travel - In State	157,600	146,200	182,500	154,800	159,300
Travel - Out of State	70,900	41,400	41,400	39,400	41,400
Other Operating Expenditures	12,436,100	13,219,200	14,216,700	13,095,000	12,938,600
Equipment	516,900	66,300	140,300	66,300	218,000
<b>OPERATING SUBTOTAL</b>	<b>32,543,000</b>	<b>33,126,700</b>	<b>36,665,400</b>	<b>33,009,700</b>	<b>34,442,000</b>
<b>SPECIAL LINE ITEMS</b>					
Regional Area Road Fund Rent	774,800	646,700	0	452,700	0
Risk Management Premium	8,231,600	9,276,300	9,276,300	8,266,000	8,266,000
Year 2000 TRACS Upgrade	0	0	0	1,259,000	0
Attorney General Legal Services	0	0	0	1,572,800	0
<b>PROGRAM TOTAL</b>	<b>41,549,400</b>	<b>43,049,700</b>	<b>45,941,700</b>	<b>44,560,200</b>	<b>42,708,000</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	41,549,400	43,049,700	45,941,700	44,560,200	42,708,000
Other Non-Appropriated Funds	12,296,700	12,603,200	12,695,300	12,695,300	12,695,300
Federal Funds	272,464,100	212,808,500	230,022,700	230,022,700	230,022,700
<b>TOTAL - ALL SOURCES</b>	<b>326,310,200</b>	<b>268,461,400</b>	<b>288,659,700</b>	<b>287,278,200</b>	<b>285,426,000</b>

**Program Description** — Administration establishes and provides policy, guidance and overall direction to the department. It provides financial, data processing and administrative support for the department, including audit and analysis, community relations, affirmative action, and legal assistance.

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
Other Appropriated Funds	(341,700)	(0.8)%

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes  
 Pay Annualization                   **\$366,100 OF**  
 ERE Rates                               **6,300 OF**  
 Risk Management                   **(1,010,400) OF**  
 Rent                                       **3,100 OF**

**Eliminate One-time  
 Equipment**

**(218,000) OF**

**New Equipment**

**218,000 OF**

Reflects an increase of \$218,000 for replacement office and personal computer equipment. The Executive recommends an increase of \$66,300 for equipment.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

**Revenue Auditing Transfer** **914,600 OF**  
 Reflects a transfer-in of 21 FTE Positions and \$914,600 to Administration from Motor Vehicle Division. The transfer includes 14 revenue auditors, 4 supervisors, 1 manager and 2 clerical positions who are currently operating under the direction of Administration. The Executive recommends a transfer-in of 21 FTE Positions and \$914,000.

**FTE Position Transfer** **166,600 OF**  
 Reflects a transfer-in of 4 FTE Positions and \$166,600 to Administration from Motor Vehicle Division. The transfer includes 2 data processing positions and 2 accounting positions, which after the Motor Vehicle Division's merger with Maricopa County have department level rather than division level functions. The Executive recommends a transfer-in of 4 FTE Positions and \$166,500.

**Attorney General Computer Support** **15,500 OF**  
 Reflects an increase of \$15,500 for the Department's proportional share of additional Attorney General computer operating expenses related to its legal services section.

**Attorney General Legal Services** **-0- OF**  
 The JLBC Staff recommendation reflects a reduction of (26) FTE Positions. These are attorneys and related staff which are supervised by the Attorney General. The FTE Positions and funding, however, have historically been included in this budget. In FY 1998, this funding totals \$1,572,800. Laws 1996, Chapter 335 requires the appropriation of the Attorney General intergovernmental service agreements (ISA). Consistent with that legislation, the JLBC Staff recommends appropriating these amounts and the 26 FTE Positions in the Attorney General's ISA Fund. Rather than appropriate Highway Fund directly to the Attorney General, these amounts would continue to be appropriated to ADOT and then transferred to the Attorney General via an ISA. The Executive concurs with the FTE Position issue, but moves the related appropriated dollars into an Attorney General Legal Services Special Line Item in this budget unit.

**Employee Assistance** **(2,400) OF**  
 Reflects decreases of (2) FTE Positions and \$(2,400) due to the department contracting out its employee assistance program, and includes the transfer of \$68,900 from Personal Services and Employee Related Expenditures to Professional and Outside Services to pay for the contract. The Executive does not address this issue.

**Rent and Utilities Transfer** **(801,100) OF**  
 Reflects the transfer-out of \$(801,100) from Administration to Motor Vehicle Division, in order to align the expenditures with the user. The Executive does not address this issue.

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Program. *(In the FY 1997 budget, Administration had an Operating Lump Sum for the Non-Motor Vehicle Divisions with Special Line Items format. The JLBC Staff recommended format reflects the major programs of the department.)*

**Other Issues for Legislative Consideration**

**Year 2000**

The JLBC Staff recommends that the Government Information Technology Agency (GITA) oversee the Department's major Year 2000 projects, including the Transportation Accounting System (TRACS), and that funding be appropriated to GITA for these projects.

The Executive recommends increases of 2 FTE Positions and \$1,259,000 for FY 1998 for TRACS Year 2000 development costs and system upgrades, contingent on GITA approval and JLBC review. The Executive estimates an FY 1999 cost of \$1,337,000, including \$1,039,000 to complete system development and \$298,000 for ongoing operational costs.

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec
State Highway	<u>\$42,671,100</u>
Air Quality	<u>36,900</u>
TOTAL	<u>\$42,708,000</u>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Transportation  
 PROG: Highways

JLBC: Bob Hull  
 House Sub: Cooley

OSP: Tom Betlach  
 Senate Sub: Cirillo

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSP	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	857.0	839.0	839.0	839.0	839.0
Personal Services	26,256,300	27,960,400	29,377,700	28,260,000	28,182,200
Employee Related Expenditures	6,222,000	6,465,100	7,989,000	6,533,700	6,522,900
All Other Operating Expenditures:					
Professional and Outside Services	37,400	110,500	110,500	110,500	110,500
Travel - In State	584,000	725,300	725,300	725,300	725,300
Travel - Out of State	37,400	73,500	73,500	73,500	73,500
Other Operating Expenditures	5,124,200	5,107,900	5,107,900	3,512,900	3,628,000
Equipment	211,400	422,600	422,600	400,000	462,500
<b>OPERATING SUBTOTAL</b>	<b>38,472,700</b>	<b>40,865,300</b>	<b>43,806,500</b>	<b>39,615,900</b>	<b>39,704,900</b>
<b>SPECIAL LINE ITEMS</b>					
Other Transit Planning	15,800	16,800	16,800	16,800	16,800
Radio Communications	370,300	405,900	405,900	405,900	405,900
Regional Public Transportation	0	50,000	0	0	0
<b>PROGRAM TOTAL</b>	<b>38,858,800</b>	<b>41,338,000</b>	<b>44,229,200</b>	<b>40,038,600</b>	<b>40,127,600</b>
<b>BY FUND SOURCE</b>					
General Fund	73,500	75,000	77,200	76,400	76,400
Other Appropriated Funds	38,785,300	41,263,000	44,152,000	39,962,200	40,051,200
Other Non-Appropriated Funds	281,222,700	295,262,800	322,010,000	322,010,000	322,010,000
<b>TOTAL - ALL SOURCES</b>	<b>320,081,500</b>	<b>336,600,800</b>	<b>366,239,200</b>	<b>362,048,600</b>	<b>362,137,600</b>

**Program Description** — Highways plans the statewide transportation system, including highways and airports. It is responsible for the location, design, right-of-way acquisition and construction of new highways for the state highway system. It coordinates a variety of services on a statewide basis, including: Federal Section 18 funds for general public transit services in rural areas; Federal Section 16 (b)(2) funds for elderly and handicapped transportation; technical transit planning and training to rural public bodies and social service agencies; and urban transit projects demonstrating potential air quality benefits.

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$1,400	1.9%
Other Appropriated Funds	(1,211,800)	(2.9)%
<b>Total Appropriated Funds</b>	<b>\$(1,210,400)</b>	<b>(2.9)%</b>

Performance Measure	FY 96 Actual	FY 97 Estimate
% of Highway Design Costs Contracted to Consultants	81%	80%

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
 Pay Annualization                      **\$588,200 OF**                      **\$1,400 GF**

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

<b>ERE Rates</b>	<b>26,600 OF</b>	<b>-0- GF</b>
<b>Eliminate One-time Equipment</b>	<b>(462,500) OF</b>	<b>-0- GF</b>

**New Equipment** **462,500 OF**  
Reflects an increase of \$462,500 for replacement office and personal computer equipment. The Executive recommends an increase of \$400,000 for equipment.

**Regional Public Transportation Authority** **(50,000) OF**  
Reflects a decrease of \$(50,000) from a one-time appropriation from the Arizona Clean Air Fund to the Department for FY 1997 by Laws 1996, 7th Special Session, Chapter 6, for distribution to the Regional Public Transportation Authority to provide mass transportation services to cities and towns meeting certain criteria. The Executive does not address this issue.

**Personal Services Adjustment** **(336,600) OF**  
Reflects a decrease of \$(336,600) for Personal Services and Employee Related Expenditures to adjust overtime to the level of previous years. The Executive recommends a decrease of \$(247,900).

**Electricity Transfer** **(1,440,000) OF**  
Reflects the transfer-out of \$(1,440,000) from Highways to Highway Maintenance for electricity used for freeway lighting which is a Highway Maintenance function. The Executive recommends a transfer of \$(1,595,000).

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Program. *(In the FY 1997 budget, Highways had an Operating Lump Sum for the Non-Motor Vehicle Divisions with Special Line Items format. The JLBC Staff recommended format reflects the major programs of the department.)*

**Other Appropriated Fund Source Detail**

	FY 1998
	JLBC Rec
State Highway Fund	<u>\$40,051,200</u>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Transportation  
 PROG: Highway Maintenance

JLBC: Bob Hull  
 House Sub: Cooley

OSPB: Tom Betlach  
 Senate Sub: Cirillo

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	933.0	951.0	965.0	951.0	951.0
Personal Services	20,794,000	21,744,200	22,396,800	22,374,900	22,374,900
Employee Related Expenditures	6,057,500	6,014,100	6,089,700	6,057,000	6,147,000
All Other Operating Expenditures:					
Professional and Outside Services	120,400	20,000	20,000	20,000	20,000
Travel - In State	649,300	340,000	340,000	340,000	340,000
Other Operating Expenditures	2,857,200	2,278,800	2,278,800	3,873,800	3,718,800
<b>OPERATING SUBTOTAL</b>	<b>30,478,400</b>	<b>30,397,100</b>	<b>31,125,300</b>	<b>32,665,700</b>	<b>32,600,700</b>
<b>SPECIAL LINE ITEMS</b>					
Central Maintenance	1,057,200	1,274,900	1,274,900	1,274,900	1,274,900
Contract Maintenance	5,684,500	10,600,000	8,000,000	8,600,000	8,600,000
Materials	14,126,800	12,832,800	17,246,900	15,832,800	15,962,700
Equipment Rentals	16,545,100	16,082,700	16,452,800	16,452,800	16,452,800
Right of Way Vegetative Treatment	0	850,000	850,000	850,000	850,000
<b>PROGRAM TOTAL</b>	<b>67,892,000</b>	<b>72,037,500</b>	<b>74,949,900</b>	<b>75,676,200</b>	<b>75,741,100</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	67,892,000	72,037,500	74,949,900	75,676,200	75,741,100
<b>TOTAL - ALL SOURCES</b>	<b>67,892,000</b>	<b>72,037,500</b>	<b>74,949,900</b>	<b>75,676,200</b>	<b>75,741,100</b>

**Program Description** — *Highway Maintenance is responsible for the management and maintenance of the state highway system.*

<b>Change in Funding Summary:</b>	<b>FY 1997 to FY 1998 JLBC</b>	
	<u>\$ Change</u>	<u>% Change</u>
Other Appropriated Funds	3,703,600	5.1%

<b>Performance Measure</b>	<b>FY 96</b>	<b>FY 97</b>
	<u>Actual</u>	<u>Estimate</u>
Expenditures Per Lane Mile	\$2.690	\$2.820

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** \$719,400 OF  
**ERE Rates** 44,200 OF

**1 Program Authorization Review — Level of Highway Maintenance 1,500,000 OF**  
 The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the Highway Maintenance program during the last year. As a result of that review, the JLBC Staff recommends retaining the program.

Highway Maintenance is responsible for managing and maintaining the state highway system. In addition to the monies appropriated in the operating budget for Highway Maintenance, the department includes in its 5-Year Highway Construction Program amounts increasing from \$76,024,000



**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

in FY 1997 to \$98,000,000 in FY 2001 for system maintenance pavement preservation work. This work is of a more extensive roadway rebuilding nature than the more routine maintenance handled through the operating budget, and is bid out to private contractors through the construction budget.

The PAR found that Arizona highways are above average in terms of their physical condition when compared to national averages, based on Federal Highway Administration data. In addition, the roads have earned a "good" rating in each of the department's 4 annual roadway self-assessments, which were begun in FY 1993.

The PAR recognizes that highway maintenance needs will increase with increasing lane miles and levels of traffic, and that construction funded pavement preservation system maintenance is also increasing. However, there is no apparent connection between how the department justifies its requests for more funding which are based on new lane miles of highways, and how the Highway Districts actually spend the added monies which is based on each District's perception of its most pressing needs when it receives the monies. The department has been unable to quantify either an optimal level of Highway Maintenance Operating Budget funding, or what specific benefits will be derived from increased funding.

The JLBC Staff recommends an increase of \$1,500,000, including increases of \$1,129,900 for Materials and \$370,100 for Equipment Rentals, so that state highway conditions do not deteriorate.

In addition, a transfer of \$2,000,000 to the Materials Special Line Item from the Contract Maintenance Special Line Item is recommended, to better reflect planned maintenance activity. The JLBC Staff further recommends that the department develop performance measures for Highway Maintenance which directly tie different funding levels to the quantities and quality of maintenance to be delivered. When the department is able to do this, and to monitor and report the actual results, then the question of increased funding for Highway Maintenance can be addressed based on specific benefits to be derived therefrom.

The Executive recommends an increase of \$1,370,100 and that the program be modified to strengthen its performance measures and to encourage the department to contract for more inmate labor from the Department of Corrections.

**Right-of-Way Vegetative Treatment 850,000 OF**  
Provides \$850,000 for multiple vegetative treatment along state highways, such as tree thinning, underbrush removal, pruning, chipping of scrap material, seeding and approved harvesting. Funding is shown as a Special Line Item, and was already appropriated for FY 1998 by Laws 1996,

Chapter 365, and does not need to be included in the FY 1998 General Appropriation Act. The Executive concurs.

**Electricity Transfer 1,440,000 OF**  
Reflects the transfer-in of \$1,440,000 to Highway Maintenance from Highways for electricity used for freeway lighting which is a Highway Maintenance function. The Executive recommends a transfer of \$1,595,000.

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**JLBC Staff Recommended Format** — Lump Sum for the Program. *(In the FY 1997 budget, Highway Maintenance had an Operating Lump Sum for the Non-Motor Vehicle Divisions with Special Line Items format. The JLBC Staff Recommended Format better reflects how Highway Maintenance actually operates.)*

**JLBC Staff Recommended Footnotes**

*Modification of Prior Year Footnotes*

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, 1997. *(Each year Highway Maintenance delays spending some of its appropriation due to uncertain maintenance needs caused by inclement winter weather. This footnote allows them 2 additional months to spend their remaining FY 1998 appropriation, before reverting unexpended and unencumbered monies to the State Highway Fund.)*

**Other Issues for Legislative Consideration**

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec
State Highway Fund	\$75,741,100

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Transportation  
 PROG: Motor Vehicle Division

JLBC: Bob Hull  
 House Sub: Cooley

OSPB: Tom Betlach  
 Senate Sub: Cirillo

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	1,339.0	1,389.0	1,371.0	1,370.0	1,362.0
Personal Services	29,611,300	34,028,300	34,760,100	32,573,100	32,815,200
Employee Related Expenditures	8,326,100	8,882,900	9,943,400	9,057,100	8,971,500
All Other Operating Expenditures:					
Professional and Outside Services	1,464,000	1,627,300	1,578,600	1,393,200	1,569,600
Travel - In State	513,200	517,800	552,600	501,100	505,000
Travel - Out of State	31,000	29,200	30,200	23,000	27,900
Other Operating Expenditures	10,557,700	10,142,700	11,905,500	9,933,900	10,127,300
Equipment	1,516,300	1,449,700	1,619,500	660,000	938,900
<b>OPERATING SUBTOTAL</b>	<b>52,019,600</b>	<b>56,677,900</b>	<b>60,389,900</b>	<b>54,141,400</b>	<b>54,955,400</b>
<b>SPECIAL LINE ITEMS</b>					
Abandoned Vehicle Administration	109,500	380,600	525,100	519,800	454,800
Auto Salvage, Theft Prevention	0	225,000	0	0	0
Enterprise Computer System	5,414,900	0	0	0	0
New License Plates and Tabs	1,271,700	1,275,300	1,275,300	1,275,300	1,275,300
Medical Advisory Board	79,100	85,600	0	0	0
Mobile Home Administration	116,900	117,200	0	0	0
Safety Enforcement and Infrastructure	0	1,750,000	1,750,000	985,600	750,000
License Plate Replacement	942,800	970,000	1,020,000	1,127,200	1,020,000
Attorney General Legal Services	0	0	0	116,400	0
<b>PROGRAM TOTAL</b>	<b>59,954,500</b>	<b>61,481,600</b>	<b>64,960,300</b>	<b>58,165,700</b>	<b>58,455,500</b>
<b>BY FUND SOURCE</b>					
General Fund	0	225,000	0	0	0
Other Appropriated Funds	59,954,500	61,256,600	64,960,300	58,165,700	58,455,500
Other Non-Appropriated Funds	729,600	1,751,700	1,720,800	1,720,800	1,720,800
<b>TOTAL - ALL SOURCES</b>	<b>60,684,100</b>	<b>63,233,300</b>	<b>66,681,100</b>	<b>59,886,500</b>	<b>60,176,300</b>

**Program Description** — *The Motor Vehicle Division (MVD) regulates vehicular operations within the state through the issuance and control of various permits, registrations and licenses.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$(225,000)	(100.0)%
Other Appropriated Funds	(2,801,100)	(4.6)%
<b>Total Appropriated Funds</b>	<b>\$(3,026,100)</b>	<b>(4.9)%</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Performance Measures	FY 96	FY 97
	Actual	Estimate
% of Registrations Renewed by Mail	51%	55%
Field Office Wait (Minutes)	30	25

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
Pay Annualization	<b>\$843,500 OF</b>
ERE Rates	<b>323,200 OF</b>
Risk Management	<b>(125,400) OF</b>
Eliminate One-time Equipment	<b>(1,769,000) OF</b>
Other	<b>(1,500) OF</b>

**New Equipment 928,900 OF**  
Reflects an increase of \$928,900 for replacement office and personal computer equipment. The Executive recommends an increase of \$650,000 for equipment.

**Rent and Utilities Transfer 801,100 OF**  
Reflects the transfer-in of \$801,100 to MVD from Administration, in order to align the expenditures with the user. The Executive does not address this issue.

**New Rent 778,400 OF**  
Reflects an increase of \$778,400 for rent, including \$312,500 for 2 facilities in Scottsdale and 1 at 26th Avenue and Beardsley in Phoenix, which the MVD currently occupies but which are owned by Maricopa County, and \$465,900 for a central facility still to be identified. The Executive does not address this issue.

**Dealer Enforcement 90,400 OF**  
Reflects increases of 2 FTE Positions and \$90,400 for increased enforcement and follow-up on complaints regarding car sales by illegal dealers. The Executive concurs.

**Microfilm Machine 65,000 OF**  
Reflects an increase of \$65,000 for a microfilm machine to film abandoned vehicle records, which are currently stored as hard copies in boxes. The Executive recommends an increase of \$130,000 for 2 microfiche machines.

**Consolidate and Appropriate 5 Funds -0- OF**  
Includes 653 FTE Positions and \$29,546,100 from the consolidation into the State Highway Fund and appropriation of 5 formerly non-appropriated funds as specified by Laws 1996, Chapter 335. The total includes the following:

Fund	FTE Positions	FY 1998 Recommendation
Commercial Drivers License	23	\$866,800
County Auto License	618	27,182,900
Criminal Background Investigation	6	205,300
Motorcycle Education	2	67,900
Number Plate Replacement	4	1,223,200
<b>TOTAL</b>	<b>653</b>	<b>\$29,546,100</b>

The 653 FTE Positions and \$28,526,100 are recommended for inclusion in the operating budget. The remaining \$1,020,000 from the Number Plate Replacement Fund is recommended as a Special Line, since these monies provide for the purchase of plates to replace license plates that are no longer readable. The Executive concurs and recommends the same number of FTE Positions and a total of \$29,268,400, including \$902,900 for Commercial Drivers License, \$26,989,900 for County Auto License, \$180,400 for Criminal Background Investigation, \$68,000 for Motorcycle Education, and \$1,127,200 for Number Plate Replacement.

**Budget Simplification -0- OF**  
Reflects the transfer of 7 FTE Positions and \$207,200 from 2 Special Lines to the operating budget for no change division-wide, including 2 FTE Positions and \$87,000 from the Medical Advisory Board Special Line and 5 FTE Positions and \$120,200 from the Mobile Home Administration Special Line. Expenditures from the Special Lines have been stable and the transfer will simplify the budgeting process. The Executive concurs.

**FTE Position Decrease (12,600) OF**  
Reflects decreases of (4) FTE Positions and \$(12,600) of related Employee Related Expenditures. The department used the Personal Services from the 4 FTE Positions to fund employee reclassifications. The Executive does not address this issue.

**Adjust to Revenue (54,500) OF**  
Reflects a decrease of \$(54,500) to adjust 2 funds to projected revenues, including decreases of \$(36,500) for the Motorcycle Education Fund and \$(18,000) for the Commercial Drivers License Fund. The Executive does not address this issue.

**FTE Position Transfer (166,600) OF**  
Reflects a transfer-out of (4) FTE Positions and \$(166,600) from MVD to Administration. The transfer includes 2 data processing positions and 2 accounting positions, which after the MVD's merger with Maricopa County have department level rather than division level functions. The Executive

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

recommends a transfer-out of (4) FTE Positions and \$(166,400) from MVD to Administration.

**Auto Salvage, Theft Prevention (225,000) GF**  
Reflects a decrease of \$(225,000) for elimination of one-time seed money to conduct more detailed inspections of vehicle identification numbers appropriated by Laws 1996, Chapter 263. A non-appropriated Vehicle Inspection and Title Enforcement Fund was also established by Chapter 263 to carry forth this function. The Executive concurs.

**Revenue Auditing Transfer (914,600) OF**  
Reflects a transfer-out of (21) FTE Positions and \$(914,600) from MVD to Administration. The transfer includes 14 revenue auditors, 4 supervisors, 1 manager and 2 clerical positions who are currently operating under the direction of Administration. The Executive recommends a transfer-out of (21) FTE Positions and \$(913,600) from MVD to Administration.

**Safety Enforcement and Infrastructure (1,000,000) OF**  
Reflects a decrease of \$(1,000,000) from the Safety Enforcement and Transportation Infrastructure Fund for capital projects. This leaves an FY 1998 appropriation to the MVD of \$750,000 and 13 FTE Positions for a total of 23 FTE MVD Enforcement Positions at the Mexican border. This maintains the funding breakout envisioned in Laws 1996, Chapter 345, which appropriated up to \$1,500,000 for FY 1997 for the enforcement of vehicle safety requirements at the border. The Department of Transportation and the Department of Public Safety agreed to equally divide this amount. Chapter 345 also appropriated up to a total of an additional \$1,000,000 for 2 categories of capital projects. The Executive recommends an increase of 4 FTE Positions and a decrease of \$(764,400) leaving a FY 1998 appropriation to MVD of \$985,600, which includes \$300,000 for scales and equipment for the ports-of-entry.

JLBC Staff recommends that any monies to the Department of Public Safety for this purpose, be appropriated in that department's operating budget to enhance legislative oversight. JLBC Staff further recommends that any appropriations for capital projects be included in the Capital Outlay Bill.

**Mainframe Computer Costs (1,109,300) OF**  
Reflects a decrease of \$(1,109,300) for one-time partial year mainframe computer lease and software costs which was paid from the non-appropriated County Auto License Fund for FY 1996, before an additional \$1,651,100 was appropriated for FY 1997 from the State Highway Fund for these costs. The Executive does not address this issue.

**Workload Reduction (1,478,100) OF**  
Reflects a decrease of \$(1,478,100) for an estimated 30% workload reduction in MVD offices due to the extended drivers license and biennial registration. The decrease includes 30% of Personal Services and Employee Related Expenditures for overtime, seasonal/temporary, limited positions, and additional expenditures to improve customer service. No decrease is recommended in the number of FTE Positions and their associated Personal Services, even though the workload reduction will affect them also, so that MVD can use this savings to further improve customer service and reduce customer wait times. The Executive does not address this issue

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

### JLBC Staff Recommended Footnotes

#### *Modification of Prior Year Footnotes*

The department shall provide a written report not later than ~~November 30~~ SEPTEMBER 30, 1996 to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the House of Representatives and Senate Appropriations Committees, and the Director of the Joint Legislative Budget Committee detailing its efforts to increase the number and percent of vehicle registrations renewed by mail, BY USE OF THE WORLDWIDE WEB OR BY OTHER NON-WALK-IN MEANS, and documenting its success and any savings IN EACH AREA. (*Non-walk-in vehicle registration renewals are a savings to MVD, which should be documented.*)

The department shall ~~appear before~~ PROVIDE A WRITTEN REPORT NOT LATER THAN SEPTEMBER 30, 1997 TO THE SPEAKER OF THE HOUSE OF REPRESENTATIVES, THE PRESIDENT OF THE SENATE, THE CHAIRMEN OF THE HOUSE OF REPRESENTATIVES AND SENATE APPROPRIATIONS COMMITTEES, AND THE DIRECTOR OF the Joint Legislative Budget Committee ~~not later than November 30, 1996, to report on the status of its new customer service enhancement initiatives including, but not limited to: (1) expansion~~ DOCUMENTING THE COSTS AND RESULTS of EXPANDING the ITS PERFORMANCE-BASED incentive PAY program from 3 to 234 offices; (*MVD reported at the December 4, 1996 JLBC meeting that it would implement its expanded incentive pay program in 24 offices, but not before February 1, 1997.*)

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

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

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 Q-MATIC ELECTRONIC CUSTOMER MONITORING DEVICES, AND THE REASONS FOR CHANGES THEREIN ~~(2) full staffing demonstration project at 9 offices; and (3) overall progress in implementing dual function operations.~~ *(Customer wait times and service levels continue to be a concern of the Legislature.)*

**Deletion of Prior Year Footnotes**

The JLBC Staff recommends deleting the footnote concerning quarterly progress reports on the Enterprise computer system, since the department has put this project on-hold. Please see Other Issues for Legislative Consideration for further information.

The JLBC Staff recommends deleting the one-time footnote concerning a report on the status of integrating Maricopa County facilities and operations into MVD, since MVD appears to be moving in the right direction in this area.

The JLBC Staff recommends deleting the one-time footnote concerning a report on the feasibility of privatizing a MVD field office as a pilot project. MVD's report was non-responsive to the footnote. Instead, MVD discussed its preference for and move toward using third parties to handle MVD transactions. An independent privatization of field offices feasibility study, perhaps by the Office for Excellence in Government, might be in order if the question of privatizing MVD field offices is to be pursued further.

**Other Issues for Legislative Consideration**

**Enterprise Computer System**

A 6 member Joint Legislative Enterprise Project Review Committee met this past summer to review the status of the Enterprise Project and to provide clear legislative intent regarding the future of Enterprise. Much discussion of options followed in both the Legislative and Executive Branches. In a November 5, 1996 status report on Enterprise, the department states that it plans to put its Enterprise computer system efforts on hold pending the outcome of its litigation with the vendor who was developing the Enterprise software. In the meantime, the department will work on the Year 2000 problem, implement enhancements to the drivers license and title and registration legacy computer systems, and explore the possibility of acquiring and adapting computer systems being developed by other states.

**Attorney General Legal Services**

The Executive moves funding for an Attorney General intergovernmental service agreement from the operating budget to an Attorney General Legal Services Special Line.

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec
State Highway Fund	\$56,975,700
Dealer Enforcement	275,000
Abandoned Vehicle	454,800
Safety Enforcement & Transportation Infrastructure	<u>750,000</u>
<b>TOTAL</b>	<b>\$58,455,500</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Department of Transportation  
 PROG: Aeronautics Division

JLBC: Bob Hull  
 House Sub: Cooley

OSPB: Tom Betlach  
 Senate Sub: Cirillo

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	33.0	33.0	33.0	33.0	33.0
Personal Services	717,600	849,000	867,600	867,600	867,600
Employee Related Expenditures	190,300	221,100	238,100	226,100	226,100
All Other Operating Expenditures:					
Professional and Outside Services	51,800	58,600	58,600	58,600	58,600
Travel - In State	21,500	29,900	29,900	29,900	29,900
Travel - Out of State	12,500	11,000	11,000	11,000	11,000
Other Operating Expenditures	412,900	424,100	424,100	421,600	415,000
Equipment	0	3,000	3,000	3,000	9,600
<b>OPERATING SUBTOTAL</b>	<b>1,406,600</b>	<b>1,596,700</b>	<b>1,632,300</b>	<b>1,617,800</b>	<b>1,617,800</b>
<b>SPECIAL LINE ITEMS</b>					
Reimbursement to Highway Fund	0	30,000	30,000	30,000	10,000
<b>PROGRAM TOTAL</b>	<b>1,406,600</b>	<b>1,626,700</b>	<b>1,662,300</b>	<b>1,647,800</b>	<b>1,627,800</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	1,406,600	1,626,700	1,662,300	1,647,800	1,627,800
Federal Funds	1,006,600	1,210,000	2,110,000	2,110,000	2,110,000
<b>TOTAL - ALL SOURCES</b>	<b>2,413,200</b>	<b>2,836,700</b>	<b>3,772,300</b>	<b>1,647,800</b>	<b>3,737,800</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
Other Appropriated Funds	\$1,100	0.1%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Registration Turnaround (Days)	5	4

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes  
 Pay Annualization **\$21,200 OF**  
 ERE Rates **2,400 OF**  
 Risk Management **(2,500) OF**  
 Eliminate One-time

**Equipment (9,600) OF**

**New Equipment 9,600 OF**  
 Reflects an increase of \$9,600 for replacement office and personal computer equipment. The Executive recommends an increase of \$3,000 for equipment.

**Reimbursement to Highway Fund (20,000) OF**  
 Reflects a decrease of \$(20,000) to better represent actual expenditures, which have been less than \$10,000 for the last 4 fiscal years. The Executive does not address this issue.

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**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Program. *(In the FY 1997 budget, Aeronautics had an Operating Lump Sum for the Non-Motor Vehicle Divisions with Special Line Items format. The JLBC Staff Recommended Format reflects that Aeronautics is the only program funded by the State Aviation Fund.)*

**Other Issues for Legislative Consideration**

**Privatization of Grand Canyon 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. The Director of the Aeronautics Division is preparing a request for proposal to implement the recommendation. The proposed timeline envisions completion by the end of FY 1998, including finalizing the request for proposal, awarding the bid and coordinating the transition.

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec
State Aviation	<u>\$1,627,800</u>

**UNIVERSITIES  
(UNI)**



**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Arizona Board of Regents

JLBC: John Lee/Bruce Groll  
House Sub: Knaperek

OSPB: Anne Barton  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	28.1	28.1	28.1	424.8	28.6
Personal Services	1,276,900	1,296,900	1,318,700	1,296,900	1,318,500
Employee Related Expenditures	261,000	248,000	276,400	248,000	262,200
All Other Operating Expenditures:					
Professional and Outside Services	42,600	37,500	37,500	37,500	37,500
Travel - In State	2,700	11,400	12,500	11,400	11,400
Other Operating Expenditures	201,500	220,900	227,800	234,100	226,300
<b>OPERATING SUBTOTAL</b>	<b>1,784,700</b>	<b>1,814,700</b>	<b>1,872,900</b>	<b>1,827,900</b>	<b>1,855,900</b>
<b>SPECIAL LINE ITEMS</b>					
Western Interstate Commission Office	79,000	79,000	81,000	79,000	81,000
WICHE Student Subsidies	2,341,300	2,580,200	2,634,400	2,580,200	2,634,400
Student Financial Aid Trust Fund	1,526,100	1,638,400	1,761,100	1,638,400	1,761,100
Teacher Loan Forgiveness Fund for Deaf & Blind	95,000	95,000	95,000	95,000	95,000
State Student Incentive Grant (SSIG)	0	0	0	1,220,800	3,662,400
Course Equivalency Guide (CEG)	0	0	0	0	13,200
Faculty Teaching Incentive Program (TIP) Fund	0	0	0	0	8,200,000
University Programs	0	0	0	29,462,700	0
<b>AGENCY TOTAL</b>	<b>5,826,100</b>	<b>6,207,300</b>	<b>6,444,400</b>	<b>36,904,000</b>	<b>18,303,000</b>
<b>BY FUND SOURCE</b>					
General Fund	5,826,100	6,207,300	6,444,400	34,542,800	15,861,400
Other Appropriated Funds	0	0	0	2,361,200	2,441,600
Other Non-Appropriated Funds	559,900	692,100	677,600	1,898,400	677,600
Federal Funds	778,800	650,100	650,100	1,870,900	650,100
<b>TOTAL - ALL SOURCES</b>	<b>7,164,800</b>	<b>7,549,500</b>	<b>7,772,100</b>	<b>40,673,300</b>	<b>19,630,700</b>

**Agency Description** — *The board governs the 3 state universities, appoints presidents of the universities, sets the tuition and fees, establishes curricula, awards degrees, prescribes qualifications for admission of all students to the universities. The board also adopts personnel rules and controls the university finances and expenditures including bonding, budget and all non-appropriated funds.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$9,654,100	155.5%
Other Appropriated Funds	2,441,600	N/A
<b>Total Appropriated Funds</b>	<b>\$12,095,700</b>	<b>194.9%</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Performance Measure	FY 96	FY 97
	Actual	Estimate
Average Overall Response		
Rate to Information Requests (Scale 1% Low - 100% High)	98%	100%

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

Pay Annualization	\$ 24,600 GF
ERE Rates	11,200 GF
Risk Management	(1,500) GF
Rent	6,900 GF

**WICHE Interstate Commission Office** 2,000 GF

The JLBC Staff recommends a \$2,000 increase to provide Arizona's share of WICHE (Western Interstate Commission on Higher Education) administrative costs as a membership fee in accordance with A.R.S. § 15-1742. The Executive recommends no additional funding.

**WICHE Student Subsidy** 54,200 GF

The JLBC Staff recommends a \$54,200, or 2.1%, fee adjustment increase to fund 177 student subsidies that provide partial financial support and preferential access for Arizona residents at universities outside of Arizona. Arizona students participating in the WICHE-Professional Student Exchange Program choose careers in certain health care professions for which education is not offered in the state universities of Arizona. All WICHE participants are required to practice in Arizona 1 year for each year of support or repay the state one-half of all funds expended on their behalf, plus interest. Alternatively, participants may practice in an underserved Arizona community and receive 1 year of state service credit for each 6 months of practice. The following table shows the projected geographic distribution of WICHE students by field of study. The Executive recommends an unspecified amount in the university programs.

**Student Financial Aid Trust Fund** 122,700 GF

The JLBC Staff recommends a \$122,700 increase over the

FY 1997 funding level of \$1,638,400 for state appropriated matching fund based upon actual student surcharge fees collected during FY 1996 in accordance with the provisions of A.R.S. § 15-1642. The fund is used to provide immediate aid to students with verifiable financial need or unique need due to their special circumstances and to create an endowment for future financial aid. The Executive recommends an unspecified amount in the university programs.

**State Student Incentive**

**Grant (SSIG) Transfer-In** 2,441,600 OF 1,220,800 GF

The JLBC Staff recommends a transfer of 0.5 FTE Position and \$3,662,400 from the Commission for Postsecondary Education to continue the federal matching requirement. The transfer of \$3,662,400 includes \$1,220,800 from the General Fund, \$1,220,800 from the Federal Fund, and \$1,220,800 from the institutional matching fund. The SSIG program provides grants to Arizona residents who demonstrate financial need and who are attending, on at least a half-time basis, an approved program at a properly accredited Arizona postsecondary educational institution.

The transfer of funds is necessary because the JLBC Staff recommends eliminating all funding for the Commission for Postsecondary Education and repealing the commission's enabling statutes, A.R.S. §15-1851 through A.R.S. § 15-1854. The principal purpose for which the commission was established is no longer applicable. Specifically, the federal State Postsecondary Review Entity (SPRE) program was repealed and federal funding discontinued last federal fiscal year.

The Executive concurs with the JLBC Staff recommendation except for the Federal and Institutional SSIG Funds recommended as Non-Appropriated Funds.

**Course Equivalency Guide (CEG) Transfer-In** 13,200 GF

The JLBC Staff recommends a transfer of \$13,200 from the Commission for Postsecondary Education to continue publication of the Course Equivalency Guide, as the commission is being recommended for elimination. The

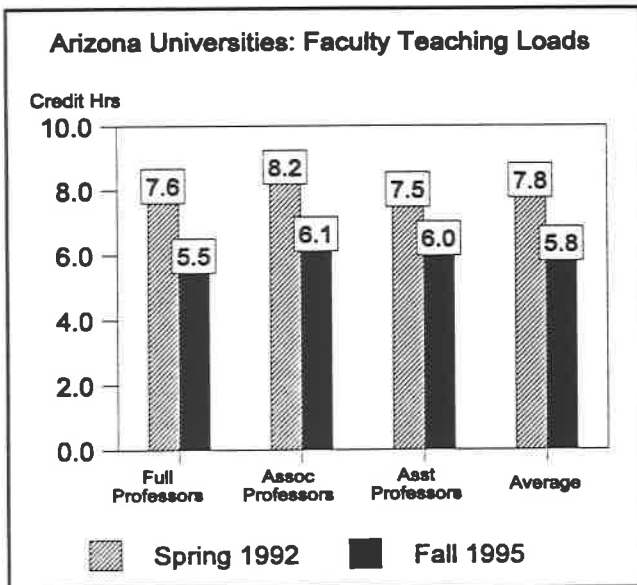
Field of Study	California		Colorado		Missouri		Oregon		Washington		Total
	Public	Private	Public	Private	Public	Private	Public	Private	Public	Private	
Dentistry	6	12	15				11		4		48
Occupational Therapy		3	4					3	4	2	16
Optometry		9						7			16
Osteopathy		11			9						20
Physician Assistant	4	3	2						1		10
Veterinary Medicine	—	—	55	—	—	—	3	—	9	—	67
<b>Total</b>	<u>10</u>	<u>38</u>	<u>76</u>	<u>0</u>	<u>0</u>	<u>9</u>	<u>14</u>	<u>10</u>	<u>18</u>	<u>2</u>	<u>177</u>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Executive recommends \$13,200 in the Other Operating Expenditures line item.

**Faculty Teaching Incentive Program Fund 8,200,000 GF**

The JLBC Staff report, Faculty Workload Study for Arizona Universities, found that faculty at Arizona universities spent an average of 26.1 hours per week performing instructional activities; and of this, only 7.8 hours per week were spent in regularly scheduled direct classroom instruction during the spring semester of 1992. The study also found that 58.5% of faculty taught 6 or fewer hours in the classroom a week. Since the 1992 study, the faculty teaching load situation has worsened as the recent data of the fall semester of 1995 show that the systemwide faculty teaching load declined by 25% from 7.8 hours to 5.8 hours per week. These recent data also indicate that approximately 71% of the ranked faculty taught 6 or fewer hours in the classroom a week. The teaching load comparison is shown below:



The quality of our university education would be greatly improved by increasing student contact with faculty. For example, an increased teaching load by ranked faculty will provide a higher quality education, increase course offerings, help students find more available courses, and ultimately provide students with an opportunity to complete their degree programs in a shorter time span.

Should the Arizona Board of Regents and universities fail to improve the teaching load situation in the near future, the Legislature must consider a statutory mandate requiring the university faculty to teach a certain number of hours a week in the classroom. A second option that the Legislature should consider would be a reduction in the number of faculty by 25% at a minimum so that the remaining faculty must increase their teaching load at least up to the level of the spring semester of 1992

However, in view of the 2 options available, as mentioned above, the JLBC Staff at this time recommends that the Arizona Board of Regents, in cooperation with the JLBC Staff, implement a Faculty Teaching Incentive Program to provide salary bonuses or base salary adjustments to full-time tenure track faculty to promote an increased teaching effort by ranked faculty according to the following schedule:

Semester Teaching Load (Classroom Hours Per Week)	Semester Bonus (% of Academic Year Salary)
9.0	2.50
9.5	2.75
10.0	3.00
10.5	3.25
11.0	3.50
11.5	3.75
12.0	4.00
12.5	4.25
13.0	4.50
13.5	4.75
14.0	5.00
Above 14.0	5.00

The Arizona Board of Regents may award teaching incentive bonuses to qualifying faculty of each university, based on the 10th week faculty teaching audit for each semester beginning in the fall of 1997. The board's allocation of incentive bonuses shall be subject to the board's presentation of such allocation and review by the Director of the Joint Legislative Budget Committee. The JLBC Staff recommends \$8,200,000 for the 3 universities, including the College of Medicine, and a reasonable administrative cost to monitor and audit the faculty teaching load data base for the purpose of providing faculty teaching incentive bonuses for FY 1998, and the JLBC Staff further recommends that this incentive fund be exempt from A.R.S. § 35-190, relating to lapsing of appropriations.

**Executive Recommendation for University Programs**

The Executive recommendation provides an increase of \$29,462,700 and 396.7 new FTE Positions for university programs, which includes \$27,101,500 from the General Fund and \$2,361,200 from the University Collections Fund.

The Executive recommendation further provides that the increased funding be appropriated to the Arizona Board of Regents for distribution to the campuses according to the board's higher education priorities.

Without specifying detailed funding allocations to individual campuses, the Executive determined that the increased amount would provide funding for pay annualization, new facilities support, Risk Management, Employee Related Expenditures, enrollment funding, the Air Quality Act compliance, WICHE Student Subsidies, Student Financial Aid Trust, and program enhancements such as improving undergraduate education, library acquisition and technology,

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

academic program development, clinical rural rotations, and the Western Governors University program.

\* \* \*

**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items by Agency. (*The Executive recommends a Lump Sum appropriation to the Board of Regents with special line items.*)

### **JLBC Staff Recommended Footnotes**

#### *New Footnotes*

The \$1,220,800 appropriated from the General Fund and \$2,441,600 appropriated from the federal and institutional funds for the State Student Incentive Grant is to be used to make grants under the Arizona State Incentive Grant program administered by the Arizona Board of Regents. 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 education institution.

Each participating institution, public or private, in order to be eligible to receive state matching funds under the State Student Incentive Grant program for grants to students, shall provide an amount of institutional matching funds which shall be equal to the amount of funds provided by the state to the institution for the State Student Incentive Grant program. Administrative expenses incurred by the Arizona Board of Regents shall be paid from the Institutional Matching Fund and shall not exceed 6% of the fund. (*The preceding 2 footnotes are being transferred from the Commission for Postsecondary Education, due to its proposed elimination.*)

The \$8,200,000 appropriated for the Faculty Teaching Incentive Program Fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations. The incentive teaching bonuses shall be awarded to qualifying faculty of each university, based on the 10th week faculty teaching audit for each semester, beginning in the fall of 1997. The Arizona Board of Regents shall determine the bonus award methodology, based on direct classroom teaching load and classroom performance, and present its proposed allocation to the Director of the JLBC Staff for review prior to its implementation.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Arizona State University - Main Campus

JLBC: John Lee/Bruce Groll  
House Sub: Knaperek

OSPB: Anne Barton  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	5,203.6	5,231.6	5,552.4	5,231.6	5,452.9
Personal Services	183,450,900	202,100,400	213,678,800	202,100,400	209,240,200
Employee Related Expenditures	34,595,600	36,486,400	38,351,400	36,486,400	35,940,800
All Other Operating Expenditures:					
Professional and Outside Services	3,409,200	1,369,900	2,220,700	1,369,900	1,429,900
Travel - In State	124,800	363,800	398,200	363,800	381,800
Travel - Out of State	1,646,300	804,800	913,800	804,800	846,800
Library Acquisitions	5,720,700	5,892,000	6,002,700	5,892,000	5,892,000
Other Operating Expenditures	39,479,500	39,298,800	40,177,500	35,347,400	39,570,600
Equipment	17,729,700	9,250,900	10,892,100	9,250,900	9,699,700
<b>AGENCY TOTAL</b>	<b>286,156,700</b>	<b>295,567,000</b>	<b>312,635,200</b>	<b>291,615,600</b>	<b>303,001,800</b>
<b>BY FUND SOURCE</b>					
General Fund	209,999,300	216,693,100	232,978,800	216,693,100	220,784,600
Other Appropriated Funds	76,157,400	78,873,900	79,656,400	74,922,500	82,217,200
Other Non-Appropriated Funds	135,446,400	143,884,200	149,892,800	149,892,800	149,892,800
Federal Funds	65,896,800	66,037,400	68,507,400	68,507,400	68,507,400
<b>TOTAL - ALL SOURCES</b>	<b>487,499,900</b>	<b>505,488,600</b>	<b>531,035,400</b>	<b>510,015,800</b>	<b>521,402,000</b>

**Agency Description** — Established in 1885, Arizona State University is one of the 3 state universities governed by the Arizona Board of Regents. As a Research I institution, Arizona State University - Main Campus offers over 250 degree programs to approximately 42,000 students in 13 colleges and schools, and also provides academic courses at the Downtown Center in Phoenix.

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$4,091,500	1.9%
Other Appropriated Funds	3,343,300	4.2%
Total Appropriated Funds	\$7,434,800	2.5%

Performance Measure	FY 92 (Spring 92)	FY 96 (Fall 95)
Average Teaching Load		
Hours Per Week:		
Full Professor	7.2	5.7
Associate Professor	7.9	6.1
Assistant Professor	7.9	5.5
Average	7.6	5.8

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	\$ 4,052,300 GF
ERE Rates	1,436,000 GF
Risk Management	(33,200) GF

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

The JLBC Staff recommendation provides a \$(3,166,800) reduction for the ERE base adjustment to reflect an estimated savings of \$3,116,800 from the budgeted ERE rate approved for FY 1997.

### Enrollment Growth **2,973,300 OF** **1,824,400 GF**

The JLBC Staff recommendation provides an increase of \$4,797,700 and 90 FTE Positions for student enrollment growth of 1,320 FTE students in accordance with the funding formula of 22:1:0.5 (student to faculty to support positions). The 90 FTE Positions recommended include 60 faculty positions and 30 secretary and support staff positions. The JLBC Staff recommendation further provides that the additional secretary and staff positions be maintained as recommended to support the enrollment formula. The Executive recommends an unspecified amount for enrollment funding to the Arizona Board of Regents (ABOR).

The JLBC Staff recommends that student enrollment growth for FY 1998 be partially funded from the University Collections Fund, consisting of any balance carry-forward surplus, additional tuition and fee revenues due to an increased enrollment, and the "full paying equivalent (FPE)" mix between resident and non-resident students. The University Collections Fund approved by the Legislature was \$60,166,500 for FY 1995, \$67,884,800 for FY 1996, and \$71,170,400 for FY 1997. The actual revenues for the University Collections Fund were \$67,542,900 for FY 1995 and \$76,157,400 for FY 1996. The projected revenues for FY 1997 are estimated at \$78,873,900. Thus, for the 3-year period between FY 1995 and FY 1997, the realized revenues for the University Collections Fund have been \$23,352,500 more than the approved amount by the Legislature.

### Air Quality Act Compliance (Alternative Fuels) **178,800 GF**

Laws 1993, Chapter 1, 6th Special Session requires the state agencies and universities to convert their motor pool fleet to alternative fuels. Laws 1995, Chapter 3, 1st Special Session mandates a 90% conversion of the state motor vehicle fleet in Maricopa County to alternative fuels by December 31, 1997. The JLBC Staff recommendation provides \$178,800 to convert 60 vehicles to compressed natural gas (CNG) at a conversion cost of \$4,500 per unit, along with the current base funding amount of \$235,200 which was approved in FY 1996. The Executive recommends an unspecified amount to the Arizona Board of Regents.

### Instruction Enhancement **-0- GF**

The university revised its FY 1997 state operating budget (expenditure authority) for an increase of \$7,703,500 and 131.3 FTE Positions, with additional tuition and fee revenues of \$7,703,500. The JLBC Staff recommendation provides the line item adjustments to reflect the FY 1997 revised budget. The additional 131.3 FTE Positions are reflected in the FY 1998 recommendation.



### Program Authorization Review — Tuition Increase and Program Enhancement

**370,000 OF** **(200,000) GF**

The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Colleges of Law programs at Arizona State University (ASU) and the University of Arizona (UA) during the last year. As a result of that review, the JLBC Staff recommends modifying the program. The JLBC Staff recommends that both Colleges of Law, under the direction of the Arizona Board of Regents, increase the resident tuition by \$1,000 and non-resident tuition by \$2,000 per academic year beginning in the fall semester of 1997. For ASU's College of Law, the recommended tuition increase will generate an additional tuition revenue of approximately \$535,000, which includes \$415,000 from the resident students and \$120,000 from the non-resident students. The JLBC Staff further recommends that of the \$535,000, \$165,000 be set aside for student financial aid based on student need and scholarship, \$170,000 be used for law program enhancement in areas of legal writing, research and clinical training, and \$200,000 be used to offset the General Fund requirement for the operation of the College of Law.

One of the major conclusions of the PAR Report indicated that "tuition for the Arizona Colleges of Law programs is significantly lower than the averages of national, peer institution, and 10 Western States."

	1995-1996	
	Resident	Non-Resident
UA/ASU	\$3,950	\$ 9,978
UA Peer Average	6,495	14,005
ASU Peer Average	6,071	13,264
Western States Average	5,687	12,330
National Average	5,264	11,227

As shown above, for the 1995-96 academic year, resident tuition was \$3,950 and non-resident tuition was \$9,978 (both including a \$2,000 special fee). Both colleges' resident and non-resident tuition is less than the national averages of these tuitions at public law schools. The colleges' resident tuition was \$1,314, or 25% less than the national average and their non-resident tuition was \$1,249, or 11.1% less than the national average. UA's 1995-96 resident tuition was \$2,545, or 39.2% less and its non-resident tuition was \$4,027, or 28.8% less than its peer institutions. The data show that ASU's 1995-96 resident tuition was \$2,121, or 34.9% less and its non-resident tuition was \$3,286, or 24.8% less than its peers.

As a result of the state's lower non-resident tuition, demand from out-of-state applications remains high at these 2 colleges. In 1995, about 72% of the total 3,700 applications received by the 2 colleges were from out of state (UA -

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

71.9% and ASU - 71.6%). To ensure that Arizona residents receive priority, ABOR revised its non-resident admissions policy in 1993 to require that at least 75% of the entering first-year class must be Arizona residents and no more than 25% may be non-residents. The ABOR mandated this change beginning with the first-year class for fall 1994.

For the 1995-96 academic year, the cost of education per law student at ASU and the UA were \$13,944 and \$12,716 respectively, excluding indirect costs. Although both Arizona law programs are an "exceptional value" to students, an alternative perspective is that tuition is too low and the state's share of the full cost of a public law education is too high.

\* \* \*

**JLBC Staff Recommended Format** — Lump Sum by Agency.  
(*The Executive recommends a Modified Lump Sum appropriation by cost center.*)

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

Any unencumbered balances remaining in the collections account on June 30, 1997, and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation shall be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.

The appropriated monies are not to be used for scholarships.

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.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Arizona State University - East Campus

JLBC: John Lee/Bruce Groll  
House Sub: Knaperek

OSPB: Anne Barton  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	20.0	112.0	156.0	112.0	112.0
Personal Services	888,400	4,951,400	6,395,100	4,951,400	5,034,300
Employee Related Expenditures	144,700	890,800	1,152,700	890,800	834,700
All Other Operating Expenditures:					
Professional and Outside Services	750,500	173,300	247,900	173,300	173,300
Travel - In State	4,800	8,300	10,400	8,300	8,300
Travel - Out of State	7,300	23,700	30,700	23,700	23,700
Library Acquisitions	0	32,500	103,100	32,500	32,500
Other Operating Expenditures	377,600	1,396,500	1,465,100	1,396,500	1,396,500
Equipment	283,100	341,400	547,700	341,400	341,400
<b>AGENCY TOTAL</b>	<b>2,456,400</b>	<b>7,817,900</b>	<b>9,952,700</b>	<b>7,817,900</b>	<b>7,844,700</b>
<b>BY FUND SOURCE</b>					
General Fund	1,842,700	5,023,600	7,519,500	5,023,600	5,411,500
Other Appropriated Funds	613,700	2,794,300	2,433,200	2,794,300	2,433,200
Other Non-Appropriated Funds	7,600	1,375,600	1,476,000	1,476,000	1,476,000
Federal Funds	0	1,087,000	1,150,000	1,150,000	1,150,000
<b>TOTAL - ALL SOURCES</b>	<b>2,464,000</b>	<b>10,280,500</b>	<b>12,578,700</b>	<b>10,443,900</b>	<b>10,470,700</b>

**Agency Description** — Laws 1994, Chapter 218 authorized the Arizona Board of Regents to maintain an Arizona State University campus in eastern Maricopa County. It is the intent of the Legislature that the Arizona State University-East Campus be located at the site of the former Williams Air Force Base. The facilities for the ASU-East include approximately 600 acres, 83 buildings, 656 single family residences and related personal property, and may accommodate 10,000 students by the year 2010 in order to meet Arizona's future enrollment demand.

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$ 387,900	7.7%
Other Appropriated Funds	(361,100)	(12.9)%
Total Appropriated Funds	\$ 26,800	0.3%

Performance Measure	FY 92 (Spring 92)	FY 96 (Fall 95)
Average Teaching Load		
Hours Per Week:		
Full Professor	7.2	5.7
Associate Professor	7.9	6.1
Assistant Professor	7.9	5.5
Average	7.6	5.8

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** \$ 93,800 GF  
**ERE Rates** 5,900 GF



## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

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**ERE Base Adjustment** (72,900) GF  
The JLBC Staff recommendation provides a \$(72,900) reduction for the ERE base adjustment to reflect an estimated savings of \$72,900 from the budgeted ERE rate approved for FY 1997.

**Balance Carry-Forward** (361,100) OF 361,100 GF  
The JLBC Staff recommendation provides \$361,100 from the General Fund to replace the same amount from the University Collections Fund due to the anticipated depletion of the balance carry-forward during FY 1997.

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**JLBC Staff Recommended Format** — Lump Sum by Agency.  
(*The Executive recommends a Modified Lump Sum appropriation by cost center.*)

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

Any unencumbered balances remaining in the collections account on June 30, 1997, and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation shall be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.

The appropriated monies are not to be used for scholarships.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: Arizona State University - West Campus

JLBC: John Lee/Bruce Groll  
House Sub: Knaperek

OSPB: Anne Barton  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	627.4	634.4	657.9	634.4	634.4
Personal Services	20,302,200	23,115,600	24,273,200	23,115,600	23,539,500
Employee Related Expenditures	4,069,200	4,262,100	4,461,600	4,262,100	3,938,200
All Other Operating Expenditures:					
Professional and Outside Services	733,100	476,600	479,800	476,600	476,600
Travel - In State	42,900	97,700	100,100	97,700	97,700
Travel - Out of State	258,000	211,600	219,600	211,600	211,600
Library Acquisitions	1,207,400	1,212,000	1,212,000	1,212,000	1,212,000
Other Operating Expenditures	9,888,400	8,617,400	8,670,100	8,617,400	8,617,400
Equipment	3,055,900	2,106,000	2,257,800	2,106,000	2,118,000
<b>AGENCY TOTAL</b>	<b>39,557,100</b>	<b>40,099,000</b>	<b>41,674,200</b>	<b>40,099,000</b>	<b>40,211,000</b>
<b>BY FUND SOURCE</b>					
General Fund	33,438,800	34,354,000	35,845,200	34,354,000	34,382,000
Other Appropriated Funds	6,118,300	5,745,000	5,829,000	5,745,000	5,829,000
Other Non-Appropriated Funds	2,336,900	2,567,400	2,754,100	2,754,100	2,754,100
Federal Funds	662,700	678,400	705,500	705,500	705,500
<b>TOTAL - ALL SOURCES</b>	<b>42,556,700</b>	<b>43,344,800</b>	<b>45,133,800</b>	<b>43,558,600</b>	<b>43,670,600</b>

**Agency Description** — Established as a separate budget unit in 1984, Arizona State University-West Campus offers upper division baccalaureate and selective masters' programs to approximately 5,000 students at the 300-acre site in northwestern Phoenix.

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$28,000	0.1%
Other Appropriated Funds	84,000	1.5%
Total Appropriated Funds	\$112,000	0.3%

Performance Measure	FY 92 (Spring 92)	FY 96 (Fall 95)
Average Teaching Load Hours Per Week:		
Full Professor	7.2	6.0
Associate Professor	7.9	6.1
Assistant Professor	7.9	5.8
Average	7.6	6.0

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** \$479,100 GF  
**ERE Rates** 353,900 GF

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

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**ERE Base Adjustment** (733,000) GF  
The JLBC Staff recommendation provides a \$(733,000) reduction for the ERE base adjustment to reflect an estimated savings of \$733,000 from the budgeted ERE rate approved for 1997.

**Air Quality Act Compliance (Alternative Fuels)** 12,000 GF  
Laws 1993, Chapter 1, 6th Special Session requires the state agencies and universities to convert their motor pool fleet to alternative fuels. Laws 1995, Chapter 3, 1st Special Session mandates a 90% conversion of the state motor vehicle fleet in Maricopa County to alternative fuels by December 31, 1997. The Executive recommends an unspecified amount to the Arizona Board of Regents.

The JLBC Staff recommendation provides \$12,000 to convert 8 vehicles to compressed natural gas (CNG) at a conversion cost of \$4,500 per unit, along with the current base funding amount of \$24,000, which was approved in FY 1996.

**The University Collections**  
**Fund** 84,000 OF (84,000) GF  
A small increase in enrollment provides additional tuition and fee revenues which decrease the General Fund requirement by the same amount.

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**JLBC Staff Recommended Format** — Lump Sum by Agency.  
*(The Executive recommends a Modified Lump Sum appropriation by cost center.)*

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*  
Any unencumbered balances remaining in the collections account on June 30, 1997, and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation shall be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.

The appropriated monies are not to be used for scholarships.

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

DEPT: Northern Arizona University

JLBC: John Lee/Bruce Groll

OSPB: Anne Barton

House Sub: Knaperek

Senate Sub: Huppenthal

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	2,068.6	2,194.3	2,234.2	2,194.3	2,187.7
Personal Services	68,422,400	74,912,100	77,754,300	74,912,100	76,070,300
Employee Related Expenditures	14,787,400	16,449,500	16,836,700	16,449,500	15,770,500
All Other Operating Expenditures:					
Professional and Outside Services	1,171,500	589,800	613,000	589,800	585,400
Travel - In State	476,400	677,600	729,600	677,600	676,300
Travel - Out of State	643,400	418,900	438,900	418,900	415,800
Library Acquisitions	2,304,200	2,565,100	2,595,100	2,565,100	2,565,100
Other Operating Expenditures	14,739,900	15,460,800	16,399,100	15,460,800	15,358,600
Equipment	6,620,000	5,339,500	7,195,500	5,339,500	5,319,700
<b>OPERATING SUBTOTAL</b>	<b>109,165,200</b>	<b>116,413,300</b>	<b>122,562,200</b>	<b>116,413,300</b>	<b>116,761,700</b>
<b>SPECIAL LINE ITEMS</b>					
NAU - Yuma	1,743,900	2,571,500	2,672,100	2,571,500	2,693,600
<b>AGENCY TOTAL</b>	<b>110,909,100</b>	<b>118,984,800</b>	<b>125,234,300</b>	<b>118,984,800</b>	<b>119,455,300</b>
<b>BY FUND SOURCE</b>					
General Fund	86,473,300	90,922,200	97,158,500	90,922,200	91,379,500
Other Appropriated Funds	24,435,800	28,062,600	28,075,800	28,062,600	28,075,800
Other Non-Appropriated Funds	69,429,700	71,699,800	74,310,400	74,310,400	74,310,400
Federal Funds	19,880,400	20,799,000	21,474,800	21,474,800	21,474,800
<b>TOTAL - ALL SOURCES</b>	<b>200,219,200</b>	<b>211,483,600</b>	<b>221,019,500</b>	<b>214,770,000</b>	<b>215,240,500</b>

**Agency Description** — Established in 1899, Northern Arizona University is one of 3 state universities governed by the Arizona Board of Regents. The university offers 137 degree programs to approximately 20,000 students in 9 colleges, schools and 1 center, and provides academic programs at many instructional sites throughout the state and at the Yuma Campus that operates in conjunction with Arizona Western College.

**Change in Funding Summary:**

	<u>FY 1997 to FY 1998 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$457,300	0.5%
Other Appropriated Funds	13,200	0.0%
<b>Total Appropriated Funds</b>	<b>\$470,500</b>	<b>0.4%</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

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Performance Measure	FY 92 (Spring 92)	FY 96 (Fall 95)
Average Teaching Load Hours Per Week:		
Full Professor	11.5	8.2
Associate Professor	11.0	8.4
Assistant Professor	<u>9.8</u>	<u>8.7</u>
Average	10.8	8.5

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unencumbered balances remaining in the collections account on June 30, 1997, and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation shall be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.

The appropriated monies are not to be used for scholarships.

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

<b>Pay Annualization</b>	<b>\$ 1,633,700 GF</b>
<b>ERE Rates</b>	<b>(636,300) GF</b>
<b>Risk Management</b>	<b>(92,300) GF</b>

**ERE Base Adjustment** **(151,300) GF**

The JLBC Staff recommendation provides a \$(151,300) reduction for the ERE base adjustment to reflect an estimated savings of \$151,300 from the budgeted ERE rate approved for FY 1997.

**Enrollment Decline** **13,200 OF** **(370,300) GF**

The JLBC Staff recommendation provides decreases of \$(357,100) and (6.6) FTE Positions for student enrollment decline of (98) FTE students in accordance with the funding formula of 22:1:0.5 (student to faculty to support positions). The reduction of (6.6) FTE Positions recommended includes (4.4) faculty positions and (2.2) secretary and staff positions. The Executive recommends an unspecified amount to the Arizona Board of Regents.

**NAU-Yuma New Facilities Support Annualization** **73,800 GF**

The JLBC Staff recommendation provides \$73,800 for new facilities annualization to support the NAU-Yuma Learning Facility, which opened in October 1996. The JLBC Staff recommendation for NAU-Yuma provides a total funding of \$2,559,900, which includes \$27,100 for Pay Annualization and a \$(112,500) decrease for ERE Rates. The Pay Annualization and ERE Rates are shown in the universitywide totals. The Executive recommends an unspecified amount to the Arizona Board of Regents.

\* \* \*

**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items by Agency. *(The Executive recommends a Modified Lump Sum appropriation by cost center with special line items.)*

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

DEPT: University of Arizona - Main Campus

JLBC: John Lee/Bruce Groll  
House Sub: Knaperek

OSPB: Anne Barton  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	5,354.2	5,374.3	5,489.1	5,374.3	5,316.9
Personal Services	162,957,400	171,187,800	174,929,900	200,742,300	171,505,400
Employee Related Expenditures	30,280,400	29,915,000	30,419,000	35,714,800	30,693,400
All Other Operating Expenditures:					
Professional and Outside Services	2,040,600	1,930,300	1,930,300	2,274,500	1,880,100
Travel - In State	155,800	367,400	436,900	951,200	352,300
Travel - Out of State	549,200	418,800	438,800	542,000	383,700
Library Acquisitions	6,192,900	6,025,100	6,925,100	6,025,100	6,025,100
Other Operating Expenditures	37,656,300	34,750,300	35,770,400	39,095,700	35,716,200
Equipment	5,931,500	4,672,700	5,677,900	5,776,000	4,734,900
<b>OPERATING SUBTOTAL</b>	<b>245,764,100</b>	<b>249,267,400</b>	<b>256,528,300</b>	<b>291,121,600</b>	<b>251,291,100</b>
<b>SPECIAL LINE ITEMS</b>					
Agriculture	39,859,700	40,718,500	41,643,500	0	41,490,600
Pima County Campus	1,372,600	2,731,800	3,456,600	2,731,800	2,194,900
Sierra Vista Campus	798,100	1,409,500	1,682,000	1,409,500	1,430,000
<b>AGENCY TOTAL</b>	<b>287,794,500</b>	<b>294,127,200</b>	<b>303,310,400</b>	<b>295,262,900</b>	<b>296,406,600</b>
<b>BY FUND SOURCE</b>					
General Fund	225,182,800	232,910,100	243,140,100	232,910,100	235,290,400
Other Appropriated Funds	62,611,700	61,217,100	60,170,300	62,352,800	61,116,200
Other Non-Appropriated Funds	234,662,400	247,312,900	253,732,400	253,732,400	253,732,400
Federal Funds	132,254,900	136,235,500	126,545,300	126,545,300	126,545,300
<b>TOTAL - ALL SOURCES</b>	<b>654,711,800</b>	<b>677,675,600</b>	<b>683,588,100</b>	<b>675,540,600</b>	<b>676,684,300</b>

**Agency Description** — *Established in 1885 as a land grant institution, the University of Arizona is one of the 3 state universities governed by the Arizona Board of Regents. As a land grant Research I institution, the university offers 377 degree programs to approximately 35,000 students in 15 colleges, schools and divisions, and provides academic programs at Sierra Vista 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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$2,380,300	1.0%
Other Appropriated Funds	(100,900)	(0.2)%
<b>Total Appropriated Funds</b>	<b>\$2,279,400</b>	<b>0.8%</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Performance Measure	FY 92 (Spring 92)	FY 96 (Fall 95)
Average Teaching Load Hours Per Week:		
Full Professor	7.0	4.3
Associate Professor	7.1	4.9
Assistant Professor	6.1	4.6
Average	6.8	4.6

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

Pay Annualization	\$ 4,163,600 GF
ERE Rates	1,550,300 GF
Risk Management	506,600 GF

**ERE Base Adjustment (511,100) GF**

The JLBC Staff recommendation provides a \$(511,100) reduction for the ERE base adjustment to reflect an estimated savings of \$511,100 from the budgeted ERE rate approved for FY 1997.

**Enrollment Decline (499,900) OF (3,489,400) GF**

The JLBC Staff recommendation provides decreases of \$(3,989,300) and (75.2) FTE Positions for student enrollment decline of 1,105 FTE students in accordance with the funding formula of 22:1:0.5 (student to faculty to support positions). The reduction of (75.2) FTE Positions recommended include (50.2) faculty positions and (25) secretary and support staff positions. The Executive recommends an unspecified amount to the Arizona Board of Regents.

**Annualization of New Facilities Support 641,400 GF**

The JLBC Staff recommendation provided \$641,400 and 17.8 FTE Positions for operational costs of 3 new facilities, which include the Aerospace Mechanical Engineering Building, the Law College Addition, and shell space completion of the Marley Building. The Executive recommends an unspecified amount to the Arizona Board of Regents.

**Air Quality Act Compliance (Alternative Fuels) 270,000 GF**

Laws 1993, Chapter 1, 6th Special Session requires the state agencies and universities to convert their motor pool fleet to alternative fuels.

Laws 1995, Chapter 3, 1st Special Session mandates a 90% conversion of the state motor vehicle fleet in Maricopa County to alternative fuels by December 31, 1997. However, the Pima County Board of Supervisors passed an ordinance requiring county employers to comply with the state law by establishing the Alternative Transportation Modes requirement in Pima County.

The JLBC Staff recommendation provides \$270,000 to convert 60 vehicles to compressed natural gas (CNG) at a conversion cost of \$4,500 per unit. The 60 vehicles represent 40% of 149 economically feasible units of the university's Pima County fleet of 648 vehicles.

**Agriculture (52,700) OF 52,700 GF**

The JLBC Staff recommendation provides a total funding of \$41,490,600 for the Agriculture Program, which includes \$35,851,600 from the General Fund and \$5,639,000 from the University Collections Fund. The total amount recommended includes \$620,400 for Pay Annualization, \$151,700 for ERE Rate adjustment, and a \$52,700 increase of the General Fund to replace a decreased amount of the Collections Fund. The amounts for Pay Annualization and ERE Rate adjustment are included in the universitywide totals.

**Sierra Vista Campus**

**Collections Fund 489,900 OF (489,900) GF**

The JLBC Staff recommendation provides a total funding of \$1,430,000 for Sierra Vista Campus, which includes \$940,100 from the General Fund and \$489,900 from the University Collections Fund. The total amount recommended includes \$21,200 for Pay Annualization, a \$(700) decrease for ERE Rate adjustment, and \$(489,900) decrease of the General Fund due to a new allocation of the Collections Fund. The amounts for Pay Annualization and ERE Rate adjustment are included in the universitywide totals.

**Pima County Campus Balance Carry-Forward**

**and Tuition Revenues (438,200) OF (113,900) GF**

The JLBC Staff recommendation provides a total funding of \$2,194,900 for Pima County Campus, also known as Arizona International Campus, which includes \$1,064,900 from the General Fund and \$1,130,000 from the University Collections Fund. The total amount recommended includes \$19,500 for Pay Annualization and an \$(4,300) decrease for ERE Rate adjustment, which are shown in the universitywide totals.

The recommended amount includes decreases of \$(164,500) for Professional and Outside Services and \$(387,600) for Other Operating Expenditures through a General Fund increase of \$470,200 and a Collections Fund decrease of \$(1,022,300).

The recommended amount also includes a \$584,100 Collections Fund increase from tuition and fee revenues, which decrease the General Fund requirement by the same amount. The detailed adjustments for FY 1998 are as follows:

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

Pay Annualization	\$ -0- OF	\$ 19,500 GF
ERE Rates	-0- OF	(4,300) GF
Professional and Outside Services	(164,500) OF	-0- GF
Other Operating Expenditures	(387,600) OF	-0- GF
Reduction in Balance Carry-Forward	(470,200) OF	470,200 GF
Tuition and Fee Revenues	<u>584,100 OF</u>	<u>(584,100) GF</u>
Total Adjustments	\$ (438,200) OF	\$ (98,700) GF

The JLBC Staff recognizes that the new campus's mission encompasses several worthwhile goals. Among its guiding principles are: (a) an emphasis on measurable student learning outcomes, (b) personal integrity of students and employees, (c) contribution to the well-being of the community, (d) the promotion of "healthy lifestyles" for students and employees, (e) encouragement of global awareness and cultural diversity, and (f) "realization of the human potential." The long-term potential is significant in that the new campus focuses on quality undergraduate education, and faculty are not offered tenure and are expected to teach 4 classes each semester. As the campus matures, the long-term cost of education per student would be substantially lower than the 3 main university campuses in the state. Therefore, the JLBC Staff recommends that the campus be statutorily established, like ASU-West and ASU-East, for the future funding consideration, and an ideal location of the campus be selected to ensure an optimum enrollment for the campus, as well as for the state.

However, it is important to note that after 2 years of planning for a new campus and spending almost \$2,000,000, the campus opened at the University of Arizona Research and Technology Park (formerly known as IMB Site) in the fall of 1996 with an enrollment of just 46 students and an estimated annual expenditure of \$2,731,800.

The JLBC Staff further recommends that if there are fewer than 300 full-time students at the new campus on October 1, 1997, the operation of Pima County Campus shall be terminated and the General Fund portion of the operating funds shall be reverted to the General Fund on or before October 15, 1997. Any other funds including the University Collections Fund shall be transferred to the University Main Campus upon the termination of the new campus operation.

### 1 Program Authorization Review — Tuition Increase and Program Enhancement

400,000 OF (200,000) GF

The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Colleges of Law programs at Arizona State University (ASU) and the University of Arizona (UA) during the last year. As a result of that review, the JLBC Staff recommends modifying the

program. The JLBC Staff recommends that both Colleges of Law, under the direction of the Arizona Board of Regents (ABOR), increase the resident tuition by \$1,000 and non-resident tuition by \$2,000 per academic year beginning in the fall semester of 1997. For the UA College of Law, the recommended tuition increase will generate an additional tuition revenue of approximately \$565,000, which includes \$385,000 from the resident students and \$180,000 from the non-resident students. The JLBC Staff further recommends that of the \$565,000, \$165,000 be set aside for student financial aid based on student need and scholarship, \$200,000 be used for law program enhancement in areas of legal writing, research and clinical training, and \$200,000 be used to offset the General Fund requirement for the operation of the College of Law.

One of the major conclusions of the PAR Report indicated that "tuition for the Arizona Colleges of Law programs is significantly lower than the averages of national, peer institution, and 10 Western States."

	1995-1996	
	Resident	Non-Resident
UA/ASU	\$3,950	\$9,978
UA Peer Average	6,495	14,005
ASU Peer Average	6,071	13,264
Western States Average	5,687	12,330
National Average	5,264	11,227

As shown above, for the 1995-96 academic year, resident tuition was \$3,950 and non-resident tuition was \$9,978 (both including a \$2,000 special fee). Both colleges' resident and non-resident tuition is less than the national averages of these tuitions at public law schools. The colleges' resident tuition was \$1,314, or 25% less than the national average and their non-resident tuition was \$1,249, or 11.1% less than the national average. UA's 1995-96 resident tuition was \$2,545, or 39.2% less and its non-resident tuition was \$4,027, or 28.8% less than its peer institutions. The data show that ASU's 1995-96 resident tuition was \$2,121, or 34.9% less and its non-resident tuition was \$3,286, or 24.8% less than its peers.

As a result of the state's lower non-resident tuition, demand from out-of-state applications remains high at these 2 colleges. In 1995, about 72% of the total 3,700 applications received by the 2 colleges were from out of state (UA - 71.9% and ASU - 71.6%). To ensure that Arizona residents receive priority, ABOR revised its non-resident admissions policy in 1993 to require that at least 75% of the entering first-year class must be Arizona residents and no more than 25% may be non-residents. The ABOR mandated this change beginning with the first-year class for fall 1994.



## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

For the 1995-96 academic year, the cost of education per law student at ASU and the UA were \$13,944 and \$12,716 respectively, excluding indirect costs. Although both Arizona law programs are an "exceptional value" to students, an alternative perspective is that tuition is too low and the state's share of the full cost of a public law education is too high.

\* \* \*

**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items by Agency. (*The Executive recommends a Modified Lump Sum appropriation by cost center with special line items.*)

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

Any unencumbered balances remaining in the collections account on June 30, 1997, and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation shall be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.

The appropriated monies are not to be used for scholarships.

#### *New Footnotes*

If there are fewer than 300 full-time students at the new campus on October 1, 1997, the operation of Pima County Campus, also known as Arizona International Campus, shall be terminated during the fall semester of 1997 and the General Fund portion of the operating funds shall be reverted to the General Fund on or before October 15, 1997. Any other funds including the University Collections Fund shall be transferred to the University Main Campus upon the termination of the new campus operation.

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

DEPT: University of Arizona - Health Sciences Center

JLBC: John Lee/Bruce Groll  
House Sub: Knaperek

OSP: Anne Barton  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		
			REQUEST	OSP	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	694.6	709.5	678.3	709.5	666.8
Personal Services	32,774,700	34,010,100	35,490,900	34,010,100	34,902,900
Employee Related Expenditures	5,357,100	5,913,600	6,157,800	5,913,600	5,969,900
All Other Operating Expenditures:					
Professional and Outside Services	122,600	347,800	352,700	347,800	350,900
Travel - In State	18,900	67,700	95,400	67,700	70,600
Travel - Out of State	41,700	26,600	34,700	26,600	31,300
Library Acquisitions	828,200	726,500	861,500	726,500	726,500
Other Operating Expenditures	2,615,700	2,197,800	2,348,700	2,186,800	2,244,400
Equipment	910,500	599,900	690,200	599,900	620,000
<b>OPERATING SUBTOTAL</b>	<b>42,669,400</b>	<b>43,890,000</b>	<b>46,031,900</b>	<b>43,879,000</b>	<b>44,916,500</b>
<b>SPECIAL LINE ITEMS</b>					
Clinical Teaching Support	8,903,700	8,980,600	8,980,600	8,980,600	9,122,100
Telemedicine Network	0	1,236,000	1,236,000	1,236,000	1,240,900
<b>AGENCY TOTAL</b>	<b>51,573,100</b>	<b>54,106,600</b>	<b>56,248,500</b>	<b>54,095,600</b>	<b>55,279,500</b>
<b>BY FUND SOURCE</b>					
General Fund	46,407,700	48,543,100	50,622,300	48,543,100	49,642,400
Other Appropriated Funds	5,165,400	5,563,500	5,626,200	5,552,500	5,637,100
Other Non-Appropriated Funds	37,033,700	34,663,500	35,703,400	35,703,400	35,703,400
Federal Funds	52,983,900	54,473,400	55,689,900	55,689,900	55,689,900
<b>TOTAL - ALL SOURCES</b>	<b>141,590,700</b>	<b>143,243,500</b>	<b>147,641,800</b>	<b>145,488,900</b>	<b>146,672,800</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 407 medical students. As a separate budget unit of the University of Arizona, AHSC is governed by the Arizona Board of Regents.*

**Change in Funding Summary:**

	FY 1997 to FY 1998 JLBC	
	\$ Change	% Change
General Fund	\$1,099,300	2.3%
Other Appropriated Funds	73,600	1.3%
<b>Total Appropriated Funds</b>	<b>\$1,172,900</b>	<b>2.2%</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations**

Performance Measure	FY 96	FY 97
	Actual	Estimate
% of First Year Resident Positions in Primary Care at the College of Medicine	55%	60%

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

Pay Annualization	\$ 733,000 GF
ERE Rates	82,100 GF
Eliminate 50 FTE Vacant Positions	-0- GF

**ERE Base Adjustment (125,600) GF**

The JLBC Staff recommendation provides a \$(125,600) reduction for the ERE base adjustment to reflect an estimated savings of \$125,600 from the budgeted ERE rate approved for FY 1997.

**Enrollment Growth 73,600 OF 173,200 GF**

The JLBC Staff recommendation provides an increase of \$246,800 and 4.7 FTE Positions for student enrollment growth of 22 FTE students in accordance with the funding formula of 22:1:0.5 (student to faculty to support position). The 4.7 FTE Positions recommended include 3.1 faculty positions and 1.6 secretary and support staff positions. The JLBC Staff recommendation further provides that the additional secretary and staff positions be maintained as recommended to support the enrollment formula. The Executive recommends an unspecified amount to the Arizona Board of Regents.

**Telemedicine Network -0- GF**

The JLBC Staff recommendation provides a total budget for Telemedicine of \$1,240,100 and 4.4 FTE Positions to develop and fund an 8-site Arizona Rural Telemedicine Network. This total includes a \$4,100 increase for salary annualization and Classification Maintenance Review. Telemedicine is the use of computers, video imaging, fiber optics, and telecommunications for diagnosis and treatment of persons in rural, geographically isolated communities and state institutions. A telemedicine network can improve rural health care in Arizona, particularly with the rising costs of health care leading to closure of critically needed hospitals and clinics in rural Arizona communities. Additionally, the rapidly decreasing cost of telemedicine may offer a cost-

effective alternative to expensive transportation and time delays due to outside referrals from secure state institutions. Rural medical sites under development for telemedicine services include Cottonwood, Holbrook, Parker, Payson, Sierra Vista, Springerville, Tuba City, and Yuma (to serve the state prisons). The University of Health Sciences Center and University Medical Center in Tucson serve as the telemedicine hub. The specific estimated cost distributions among the AHSC and the rural sites, as revised for FY 1998, (the second year) are shown below.

First year (FY 1997) development and implementation costs include the Payson, Springerville, Tuba City, and Yuma telemedicine sites; second year (FY 1998) costs reflected the estimated expenses of bringing Cottonwood, Holbrook, Parker, and Sierra Vista sites on-line. These amounts include adequate funding for personnel, hardware, software, and networking requirements to serve 8 demonstration sites and establish an infrastructure foundation at AHSC for additional sites. Based on the JLBC Staff recommendation, telemedicine services to each site will include the following:

- Teleconsultation using x-rays, x-ray explanatory notes, and interactive voice
- Patient vital sign monitoring, storage, and transfer for monitoring a patient live
- X-ray monitoring and storage for medical specialties that are image oriented
- Live digital video conferencing for physician/physician or physician/patient teleconsultations, and for resident and medical student training; where available, 2-way broadcast-quality video conferencing via the NAUNet will be utilized
- Diagnosis session recording and playback for the patient information records

Nationally, telemedicine networks have been established in more than 35 states; 17 states have passed legislation applying to telemedicine. These systems are designed to provide quality primary care and specialty medical services, irrespective of geographic location, at affordable costs and in a timely manner. The potential qualitative benefits of a telemedicine network to rural and underserved Arizona communities are many, including:

**Rural Telemedicine Network: Eight-Site Program Estimated Costs**

	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>	<u>Fourth Year</u>	<u>4-Year Total</u>
AHSC Costs	\$456,900	\$432,400	\$406,300	\$438,800	\$1,734,400
Rural Site Costs	779,100	807,700	322,400	326,400	2,235,600
<b>TOTAL</b>	<b>\$1,236,000</b>	<b>\$1,240,100</b>	<b>\$728,700</b>	<b>\$765,200</b>	<b>\$3,970,000</b>

## Joint Legislative Budget Committee - Fiscal Year 1998 Budget - Analysis and Recommendations

- Patients receive care at rural hospitals, thus helping rural hospitals keep their doors open and reducing the need for costly out-of-area transportation
- Patients have access to specialists who can "examine, diagnose, and treat" them in a timely and efficient manner
- Health care professionals can interact with their peers and receive advanced education and training, thus minimizing professional isolation and improving recruitment and retention

On September 15, 1997, following the first fiscal year of implementation, the JLBC shall receive an annual report from AHSC detailing the development and applications of the telemedicine network. Subsequent annual reports are due to the JLBC by September 15, each year. Also, beginning in FY 2000 and every 3 years thereafter, the JLBC shall conduct a cost-benefit analysis of the telemedicine network to determine whether to retain, eliminate, or modify the program. The Executive concurs with the JLBC Staff recommendation.

### **Clinical Teaching Support**

**-0- GF**

The JLBC Staff recommendation provides a total budget of \$9,095,000 for the Clinical Teaching Special Line Item. This total includes a \$114,400 increase for salary annualization and Classification Maintenance Review.

### **Graduate Program in Public Health (GPPH) 236,600 GF**

The JLBC Staff recommends an additional \$236,600 and 2.6 FTE Positions to fund AHSC's enrollment management initiative to offer a graduate program in public health. The recommended amount includes: Personal Services, \$160,100; Employee Related Expenditures, \$26,400; Travel, \$4,500; Other Operating Expenditures, \$39,600; and Equipment, \$6,000. These resources will be focused primarily on meeting the education and instruction needs of geographically diverse and time-constrained learners (most of whom are working professionals) in rural Arizona communities through distance-learning technology. Combined with this technology, the program emphasizes hands-on service to communities through required internships. The GPPH is a multi-university, multi-disciplinary program with course work offered by faculty at all 3 public universities, and broadcasts to students at several sites using NAUNet communications technology. During the fall (1996) semester, 132 students were enrolled in the program: 92 at the UA; 28 at ASU; and 12 at NAU. The Executive recommends an unspecified amount to the Arizona Board of Regents.

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items by Agency. (*The Executive*

*recommends a Modified Lump Sum appropriation by cost center with special line items.)*

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

Any unencumbered balances remaining in the collections account on June 30, 1997 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation shall be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.

The appropriated monies are not to be used for scholarships.

**BIENNIAL BUDGET UNITS  
(B)**

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Board of Accountancy

JLBC: Lisa Cotter  
House Sub: Cooley

OSP: Bill Greeney  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	10.0	10.0	10.0	10.0	10.0	10.0
Personal Services	233,700	249,800	255,500	255,500	255,500	255,500
Employee Related Expenditures	48,700	54,100	56,000	55,200	56,500	55,700
All Other Operating Expenditures:						
Professional and Outside Services	301,400	352,000	352,000	352,000	352,000	352,000
Travel - In State	10,000	10,000	10,000	10,000	10,000	10,000
Travel - Out of State	7,000	6,300	6,300	6,300	6,300	6,300
Other Operating Expenditures	137,800	175,400	210,700	210,700	211,700	211,700
Equipment	6,900	6,000	5,000	0	5,000	0
<b>OPERATING SUBTOTAL</b>	<b>745,500</b>	<b>853,600</b>	<b>895,500</b>	<b>889,700</b>	<b>897,000</b>	<b>891,200</b>
<b>SPECIAL LINE ITEMS</b>						
Special Investigations	16,100	117,500	150,000	150,000	150,000	150,000
Legal Services	76,800	82,500	180,000	180,000	180,000	180,000
<b>AGENCY TOTAL</b>	<b>838,400</b>	<b>1,053,600</b>	<b>1,225,500</b>	<b>1,219,700</b>	<b>1,227,000</b>	<b>1,221,200</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	838,400	1,053,600	1,225,500	1,219,700	1,227,000	1,221,200
<b>TOTAL - ALL SOURCES</b>	<b>838,400</b>	<b>1,053,600</b>	<b>1,225,500</b>	<b>1,219,700</b>	<b>1,227,000</b>	<b>1,221,200</b>

**Agency Description** — *The board licenses, investigates, and conducts examinations of certified public accountants and public accountants.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$166,100	15.8%	\$1,500	0.1%

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
Pay Annualization	<b>\$6,400 OF</b>
ERE Rates	<b>400 OF</b>
Eliminate One-time Equipment	<b>(6,000) OF</b>

**Rent 35,300 OF**

In FY 1997, the agency entered into a new private office lease, increasing its square footage from 3,112 square feet to 4,854 square feet. The Arizona Department of Administration's (ADOA's) Building and Planning Services Division selected the new site after the agency's previous

landlord refused to renew the prior lease. The agency absorbed the increased rent costs in FY 1997. The JLBC Staff recommends an increase of \$35,300 in FY 1998 to fully fund the agency's new lease. The Executive concurs.

**Major Investigations 130,000 OF**

Along with its normal investigation caseload, the agency periodically undertakes major investigations. Such investigations require significant time and money in order to be brought to closure. Since the agency is pursuing several major cases now, the JLBC Staff recommends an additional \$32,500 in the Special Investigations Special Line Item and \$97,500 in the Legal Services Special Line Item during FY 1998 and FY 1999 to pay for increased investigative

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

expenses and a full-time Assistant Attorney General. This increase should be reevaluated during the FY 2000 budget cycle to see if it is still necessary. The Executive concurs.

Performance Measure	FY 96 Actual	FY 97 Estimate
# of Complaints Processed	868	1,000

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

ERE Rates 500 OF

Rent 1,000 OF

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Office of Administrative Hearings

JLBC: Jeffrey Schmied  
House Sub: Cooley

OSPB: Christine Sato  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	10.0	22.0	22.0	22.0	22.0	22.0
Personal Services	365,400	859,800	874,200	874,200	874,200	874,200
Employee Related Expenditures	66,200	180,100	178,900	178,700	180,100	180,100
All Other Operating Expenditures:						
Professional and Outside Services	17,900	100,000	83,800	40,000	83,800	40,000
Travel - In State	600	21,700	21,700	21,700	21,700	21,700
Travel - Out of State	0	1,400	1,400	1,400	1,400	1,400
Other Operating Expenditures	151,900	182,900	185,500	185,500	188,400	188,100
Equipment	59,800	0	0	0	0	0
<b>AGENCY TOTAL</b>	<b>661,800</b>	<b>1,345,900</b>	<b>1,345,500</b>	<b>1,301,500</b>	<b>1,349,600</b>	<b>1,305,500</b>
<b>BY FUND SOURCE</b>						
General Fund	475,000	926,700	618,900	585,700	620,600	587,500
Other Appropriated Funds	186,800	419,200	726,600	715,800	729,000	718,000
<b>TOTAL - ALL SOURCES</b>	<b>661,800</b>	<b>1,345,900</b>	<b>1,345,500</b>	<b>1,301,500</b>	<b>1,349,600</b>	<b>1,305,500</b>

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$(341,000)	(36.8)%	\$1,800	0.3%
Other Appropriated Funds	296,600	70.8 %	2,200	0.3%
Total Appropriated Funds	\$(44,400)	(3.3)%	\$4,000	0.3%

Performance Measure	FY 96 Actual	FY 97 Estimate
% of Decisions Appealed	3.0%	6.0%

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$6,100 OF	\$10,100 GF
ERE Rates	(1,200) OF	(2,000) GF
Rent	-0- OF	2,600 GF

**Contract ALJ Funding Reduction (60,000) GF**  
Laws 1996, Chapter 324, appropriated \$60,000 to OAH for additional hearings involving the denial or revocation of child welfare agency licenses. Due to cross-training and the continuing legal education of existing ALJs, the additional funding for contract ALJs is unnecessary. The Executive does not recommend this change.

**Fund Source Adjustment 291,700 OF (291,700) GF**  
Since operations began in January 1996, through October 1996, a total of 2,710 cases have been filed with the OAH. Of the total cases filed, 1,496 cases, or 55%, were filed by



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

the Registrar of Contractors (ROC.) For FY 1997, approximately 31% of OAH operations were funded from the Registrar of Contractors' Fund, with the remaining 69% of funding coming from the State General Fund. The JLBC Staff recommends increasing the ROC share of funding the OAH to meet its utilization of ALJs and associated services. The Executive concurs and further recommends increasing the ROC contribution for travel to 100%.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>800 OF</b>	<b>600 GF</b>
<b>Rent</b>	<b>1,400 OF</b>	<b>1,200 GF</b>

\* \* \*

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

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Department of Agriculture

JLBC: Chris Earnest  
House Sub: Knaperek

OSP: Pam Scharon  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>BY PROGRAM/ORGANIZATION</b>						
Administration	1,528,600	1,616,300	1,651,600	1,633,800	1,658,400	1,640,000
Animal Services	3,660,800	3,806,100	3,904,900	3,845,000	3,916,200	3,855,700
Plant Services	4,136,500	5,239,200	5,338,000	4,763,400	5,313,500	4,771,000
Chemicals/Environmental	929,200	1,094,400	1,133,300	1,136,300	1,139,600	1,142,700
Laboratory	1,196,000	1,406,500	1,404,500	1,388,900	1,403,700	1,388,100
<b>AGENCY TOTAL</b>	<b>11,451,100</b>	<b>13,162,500</b>	<b>13,432,300</b>	<b>12,767,400</b>	<b>13,431,400</b>	<b>12,797,500</b>

**OPERATING BUDGET**

<i>Full Time Equivalent Positions</i>	277.3	282.8	285.4	283.9	71.5	283.9
Personal Services	6,122,500	6,308,300	6,516,900	6,465,200	6,516,900	6,465,200
Employee Related Expenditures	1,563,500	1,694,500	1,542,600	1,517,200	1,555,200	1,532,200
All Other Operating Expenditures:						
Professional and Outside Services	154,600	201,300	186,300	201,300	186,300	201,300
Travel - In State	557,800	520,700	604,600	534,700	604,600	534,700
Travel - Out of State	36,100	30,500	30,500	30,500	30,500	30,500
Other Operating Expenditures	1,429,500	1,490,300	1,506,900	1,483,000	1,518,100	1,493,800
Equipment	24,400	200,000	232,000	200,000	200,000	200,000
<b>OPERATING SUBTOTAL</b>	<b>9,888,400</b>	<b>10,445,600</b>	<b>10,619,800</b>	<b>10,431,900</b>	<b>10,611,600</b>	<b>10,457,700</b>

**SPECIAL LINE ITEMS**

Agricultural Consulting and Training	92,100	105,300	106,300	103,800	106,400	103,900
Agricultural Employment Relations Board	0	23,300	23,300	23,300	23,300	23,300
Arizona Grown Program	0	0	25,000	0	25,000	0
Aquaculture	7,700	10,300	2,800	9,600	2,500	9,600
Egg Inspection	240,300	272,300	277,100	272,400	278,200	273,300
Rattite Control	0	0	39,800	40,100	42,200	42,500
Citrus, Fruit & Vegetable Standardization	728,900	855,600	879,700	859,000	877,600	853,300
Dangerous Plants, Pests & Diseases	0	582,000	21,400	82,900	21,400	83,000
Organic Food Certification	0	12,500	13,200	13,200	13,300	13,300
Native Plant Program	0	207,200	206,300	216,200	206,800	217,300
Seed Law Program	0	66,400	96,800	96,800	98,600	98,600
Kamal Bunt	0	0	500,000	0	500,000	0
Commercial Feed Program	157,000	166,700	181,000	178,200	182,200	179,300
Fertilizer Materials Program	164,500	204,400	229,800	228,600	231,800	230,400
Pesticides Program	172,200	210,900	210,000	211,400	210,500	212,000
<b>AGENCY TOTAL</b>	<b>11,451,100</b>	<b>13,162,500</b>	<b>13,432,300</b>	<b>12,767,400</b>	<b>13,431,400</b>	<b>12,797,500</b>

**BY FUND SOURCE**

General Fund	9,946,400	10,511,100	11,211,100	10,557,600	11,203,000	10,583,400
Other Appropriated Funds	1,504,700	2,651,400	2,221,200	2,209,800	2,228,400	2,214,100
Other Non-Appropriated Funds	4,897,400	6,602,400	6,243,900	6,243,900	6,442,000	6,442,000
Federal Funds	1,721,600	889,400	452,500	452,500	452,500	452,500
<b>TOTAL - ALL SOURCES</b>	<b>18,070,100</b>	<b>20,654,300</b>	<b>20,128,700</b>	<b>19,463,800</b>	<b>20,325,900</b>	<b>19,692,000</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Department of Agriculture

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$ 46,500	0.4%	\$25,800	0.2%
Other Appropriated Funds	(441,600)	(16.7)%	4,300	0.2%
<b>Total Appropriated Funds</b>	<b>\$(395,100)</b>	<b>(3.0)%</b>	<b>\$30,100</b>	<b>0.2%</b>

Performance Measure	FY 96 Actual	FY 97 Estimate
% of Overall Customer Satisfaction with Agency	65%	65%

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$ 27,900 OF	\$ 154,000 GF
ERE Rates	(8,900) OF	(199,500) GF
Risk Management	(6,200) OF	(20,900) GF
Rent	500 OF	13,600 GF

**Animal Services: Travel - In State 14,000 GF**

The JLBC Staff recommends an increase of \$14,000 for Travel - In State for the Animal Services Division. The division administers all livestock, meat and poultry, dairy, and ratite inspections throughout the state. Due to the diverse and wide-spread nature of the agribusiness community, the division travels nearly 1,000,000 miles each year. Historically, Travel - In State appropriations have left the department with a funding shortfall. To address this issue, the Animal Services Division has reduced its number of extended dispatch vehicles from 62 to 57 and targeted a 5% reduction in costs through improved supervision and efficiency of travel. Incorporating these actions results in a projected need of \$14,000 for FY 1998 and FY 1999 based on actual miles driven in FY 1996. The JLBC Staff recommends an increase of \$14,000 for Travel - In State. The Executive concurs at a higher figure.

**Citrus Tristeza Virus 60,200 GF**

The Citrus Tristeza Virus (CTV) is a disease specific to citrus trees. The virus causes a tree's leaves to wither and its fruit to shrink and fall before eventually killing the tree. CTV is found in several citrus varieties; however, it cannot spread rapidly from tree to tree without a vector known as the

Brown Citrus Aphid (BCA). The BCA recently established itself in Florida and is beginning to spread west. At this point, Arizona is BCA free. Should the BCA arrive in Arizona, it would propel the spread of CTV throughout the state, potentially devastating the citrus industry. Estimated losses are \$268,700,000.

In anticipation of the aphid's arrival in Arizona, the citrus industry has already begun to collect leaf samples to identify CTV infected trees. By eradicating all CTV infected trees, the industry hopes to minimize losses when the aphid arrives. Many residential trees may also carry CTV, which could be spread to commercial fields with the arrival of the aphid. A preliminary sampling by the department located 10 CTV infected trees from just 800 leaf samples of residential trees.

The JLBC Staff recommends a General Fund appropriation of \$60,200 to the Dangerous Plants, Pests and Diseases Program. The recommendation also includes 1 FTE Position to survey for the BCA and to locate and abate citrus trees which are infected with the virus before the aphid establishes a significant presence in Arizona. The Executive recommends 2 FTE Positions and a \$122,600 increase for this program.

**Network Specialist 40,700 GF**

The JLBC Staff recommends an increase of \$40,700 and 1 FTE Position for funding an additional computer support position. The department currently has funding for only 1 FTE Position devoted to computer support. The additional position will allow the department to fund 2 FTE Positions to support the department's 278 FTE Positions. The Executive concurs.

**Agriculture Laboratory Privatization (15,600) GF**

As a result of the Program Authorization Review (PAR), funding for the State Agricultural Laboratory (SAL) was

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

adjusted in FY 1997 to accommodate privatization of the feed and fertilizer functions. Regulatory analysis of commercial feed and fertilizer products by a private laboratory under contract will begin January 1997. The FY 1997 appropriation reflected a decrease of (0.5) FTE Position and \$(16,000) in Personal Services and Employee Related Expenditures, which represented a half-year decrease of 1 staff position.

The JLBC Staff recommends that the FY 1997 reduction be annualized to FY 1998. This would lead to a further reduction of (0.5) FTE Position and (\$15,600) in Personal Services and Employee Related Expenditures for FY 1998. The Executive does not concur.

**Feed/Fertilizer Programs - Lab Privatization 37,300 OF**  
As noted above, regulatory analysis of commercial feed and fertilizer products by a private laboratory will begin January 1997. The FY 1997 appropriation increased Professional and Outside Services by \$37,300 for the department to contract with a private lab. Of this increase, \$12,300 was from the Commercial Feed Fund and \$25,000 was from the Fertilizer Materials Fund. The JLBC Staff recommends that \$12,300 from the Commercial Fund and \$25,000 from the Fertilizer Materials Fund be annualized in FY 1998 to reflect contract costs for an entire year. The Executive concurs.

**Karnal Bunt Emergency Funding (560,600) OF**  
In the spring of 1996, Governor Symington, by Emergency Proclamation, made \$795,000 available to the Arizona Department of Agriculture to combat Karnal Bunt—a wheat smut found in parts of the state's wheat crop. These funds were placed in the Dangerous Plants, Pests and Diseases Fund. Because the money was non-lapsing, it was available for use by the department in both FY 1996 and FY 1997. Of this money, the department spent \$234,400 in FY 1996 and anticipates spending \$560,600 in FY 1997. The recommended amount includes the reduction of the one-time funds used in FY 1997. The Executive recommends \$500,000 from the General Fund in FY 1998 to continue the Karnal Bunt program. See Other Issues for Legislative Consideration for more information.

**Aquaculture (1,100) OF**  
The Aquaculture program regulates approximately 65 aquaculture establishments in the state. The program has 0.4 FTE Position associated with it. Actual staffing for the program is provided through the State Veterinarian's Office. The JLBC Staff recommends eliminating the (0.4) FTE Position and allowing the Personal Services monies associated with it to be reallocated to cover more of the operational expenses associated with regulation of the aquaculture industry. The FTE Position reduction includes a \$(1,100) reduction in Employee Related Expenditures. The Executive concurs with eliminating the 0.4 FTE Position.

**Ratite 40,100 OF**  
The Ratite Control Fund was authorized in 1994 by A.R.S. § 3-1481 as an appropriated fund. The authorization directed the department to establish rules to protect the ratite industry from contagious diseases and parasites. (Ratite are large birds, including ostriches and emus.) In September 1996, the Governor's Regulatory Review Council approved rules submitted by the department for the governance of the ratite industry. Slaughter house and processing plant inspections will be initiated in FY 1998. The JLBC Staff recommends an increase of \$40,100 from the Ratite Fund for the department to initiate the program. The Executive concurs.

**Federal/State Inspection Program (17,900) OF**  
The recommended amount includes a reduction of \$(17,900) from the Citrus, Fruit and Vegetable Standardization Fund. This amount represents a portion of the program manager's salary, which will now be paid from the new Non-Appropriated Federal/State Inspection Fund. The Executive concurs.

**Citrus, Fruit and Vegetable Standardization 8,000 OF**  
The recommended amount includes a one-time increase of \$8,000 in other appropriated funds for replacement equipment in the Citrus, Fruit and Vegetable Standardization Program. The program will replace 1 copy machine that was purchased in 1989, 1 personal computer, and will purchase software upgrades. The Executive concurs.

**Seed Law Fund 26,400 OF**  
JLBC Staff recommends an increase of \$26,400 from the Seed Law Fund. This increase is based on increased revenues between FY 1996 and FY 1997. The Executive concurs with a similar increase.

**Administrative Assessments 12,900 OF**  
The department charges an assessment on each other appropriated and non-appropriated fund for departmental overhead costs. For FY 1997, the JLBC Staff set the assessment at 6% of the prior-year estimated expenditures from each fund, with the exception of the Citrus, Fruit and Vegetable Fund, which was set at 3%. The JLBC Staff recommends retaining these rates for FY 1998 and FY 1999. The Executive essentially concurs. The assessment increases over FY 1997 are as follows:

Consultation & Training	\$ 900
Egg Inspection	1,700
Fertilizer Materials	500
Citrus, Fruit & Vegetable	4,500
Native Plant	100
Dangerous Plants, Pests & Diseases	1,300
Aquaculture	(300)
Commercial Feed	(500)
Pesticides	-0-
Organic Foods	700
Seed Law	<u>4,000</u>
<b>TOTAL</b>	<b><u>\$12,900</u></b>

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

Note: The department's administrative functions are scheduled for a Program Authorization Review (PAR) by the JLBC and Governor's Office of Strategic Planning and Budgeting in FY 1998. The administrative assessments will be addressed as part of the PAR.

### FY 1999 — Recommended Changes from FY 1998

#### Standard Changes

<b>ERE Rates</b>	<b>100 OF</b>	<b>15,000 GF</b>
<b>Rent</b>	<b>2,100 OF</b>	<b>10,800 GF</b>
<b>Eliminate One-time Equipment</b>	<b>(8,000) OF</b>	<b>-0- GF</b>

#### Citrus, Fruit and Vegetable Standardization **3,000 OF**

The recommended amount includes a one-time increase of \$3,000 in other appropriated funds for replacement equipment in the Citrus, Fruit and Vegetable Standardization Program. The program will replace 1 personal computer. The Executive concurs.

#### Administrative Assessments **7,100 OF**

The recommended amount includes an increase of \$7,100 from various other appropriated funds for the department's administrative overhead. The increases are based on 6% of prior year expenditures as recommended by JLBC Staff. The Executive concurs.

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

#### JLBC Staff Recommended Footnotes

##### New Footnotes

Of the \$2,507,400 appropriated for All Other Operating Expenditures, the sum of \$25,000 is 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 General Fund. *(It was legislative intent to add this footnote to the FY 1997 General Appropriation Act, but it was inadvertently deleted. The footnote requires the private sector to provide a 50% match for all Arizona Grown Promotion expenditures by the department.)*

#### Other Issues for Legislative Consideration

##### Executive Recommendations

The Executive recommends a General Fund increase of \$500,000 as the state's portion of a federal/state cost share to combat Karnal Bunt. The JLBC Staff does not concur. The U.S. Department of Agriculture and the state have yet to enter into a cost share agreement. It is uncertain how much federal funding will actually be received. Without an

agreement, there is no basis for estimating the state's share. Due to these uncertainties, the JLBC Staff has not recommended an increase for Karnal Bunt purposes.

The Executive recommends moving the Arizona Grown Program to a Special Line Item to better track the program's expenditures. Given the already numerous Special Line Items in the department's budget, the JLBC Staff does not concur. The department has the ability to establish a separate sub-account to help in tracking the expenditures of the program.

The Executive recommends an increase of \$4,300 for Travel - In State for the Egg Inspection Program. The JLBC Staff does not concur.

The Executive recommends a decrease of \$(7,900) for Travel - In State from the Native Plant Fund. Based on increasing fund activity, the JLBC Staff does not concur.

The Executive also recommends eliminating the 90/10 status of 5 of the department's other appropriated funds. The Aquaculture, Commercial Feed, Fertilizer Materials, Pesticides, and Native Plant Funds continue to transfer 10% of all revenues collected to the General Fund. Before pursuing this recommendation, the JLBC Staff will await the results of a PAR to be done in FY 1998. The PAR will address the required administrative fees from these funds.

#### Other Appropriated Fund Source Detail

	FY 1998 JLBC Rec.	FY 1999 JLBC Rec.
Consultation & Training Fund	\$ 61,600	\$ 61,700
Aquaculture Fund	9,600	9,600
Egg Inspection Fund	272,400	273,300
Ratite Control Fund	40,100	42,500
Commercial Feed Fund	178,200	179,300
Fertilizer Materials Fund	228,600	230,400
Pesticides Fund	211,400	212,000
Citrus, Fruit & Vegetable Revolving Fund	859,000	853,300
Dangerous Plants, Pests & Diseases Fund	22,700	22,800
Organic Food Certification Fund	13,200	13,300
Arizona Protected Native Plant Fund	216,200	217,300
Seed Law Fund	96,800	98,600
TOTAL	<u>\$2,209,800</u>	<u>\$2,214,100</u>

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Board of Appraisal

JLBC: Brad Regens  
House Sub: Cooley

OSPB: Marcel Benberou  
Senate Sub: Cirillo

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0	4.0	4.0	4.0
Personal Services	122,500	136,200	146,000	138,900	146,000	138,900
Employee Related Expenditures	23,100	24,500	26,800	24,200	26,600	24,400
All Other Operating Expenditures:						
Professional and Outside Services	13,400	21,500	19,800	66,500	19,800	66,500
Travel - In State	2,800	21,500	7,600	21,500	7,600	21,500
Travel - Out of State	4,300	2,000	2,000	2,000	2,000	2,000
Other Operating Expenditures	48,700	46,000	46,700	46,700	46,700	47,400
Equipment	8,500	0	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>223,300</b>	<b>251,700</b>	<b>248,900</b>	<b>299,800</b>	<b>248,700</b>	<b>300,700</b>
<b>SPECIAL LINE ITEMS</b>						
Assistant Attorney General	0	0	30,000	0	30,000	0
<b>AGENCY TOTAL</b>	<b>223,300</b>	<b>251,700</b>	<b>278,900</b>	<b>299,800</b>	<b>278,700</b>	<b>300,700</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	223,300	251,700	278,900	299,800	278,700	300,700
<b>TOTAL - ALL SOURCES</b>	<b>223,300</b>	<b>251,700</b>	<b>278,900</b>	<b>299,800</b>	<b>278,700</b>	<b>300,700</b>

**Agency Description** — *The board licenses, certifies and regulates real estate appraisers. The board also registers property tax agents.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$48,100	19.1%	\$900	0.3%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Average Number of Days to Resolve a Complaint	120	120

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	\$ 3,000 OF
ERE Rates	(600) OF
Rent	700 OF

**Professional and Outside Services 45,000 OF**  
The JLBC Staff recommends an increase in Professional and Outside Services of \$45,000 to pay for 1 full-time Assistant Attorney General (AAG). The \$45,000 would cover the salary and ERE of the AAG. The AG office would provide secretary and support staff for the AAG. The board currently receives part-time AAG service, but this service has been insufficient to handle the increases in workload volume and complexity. In FY 1992, the board received 65 new complaints with 3 requiring litigation. In FY 1996, new complaints rose to 149 with 37 requiring litigation. At the end of FY 1996, the board had a backlog of 71 unclosed cases. The Executive recommends a Special Line Item appropriation of \$30,000.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>200 OF</b>
<b>Rent</b>	<b>700 OF</b>

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Commission on the Arts

JLBC: Jim Hillyard  
House Sub: Knaperek

OSPB: Shelli Silver  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	12.5	12.5	12.5	12.5	12.5	12.5
Personal Services	348,500	357,000	364,200	364,200	364,200	364,200
Employee Related Expenditures	78,300	83,200	82,700	82,700	83,400	83,400
All Other Operating Expenditures:						
Professional and Outside Services	500	0	0	0	0	0
Travel - In State	13,800	13,100	13,100	13,100	13,100	13,100
Travel - Out of State	700	800	800	800	800	800
Other Operating Expenditures	89,900	95,000	92,600	92,600	90,700	90,700
Equipment	2,200	2,000	9,800	9,200	0	0
<b>OPERATING SUBTOTAL</b>	<b>533,900</b>	<b>551,100</b>	<b>563,200</b>	<b>562,600</b>	<b>552,200</b>	<b>552,200</b>
<b>SPECIAL LINE ITEMS</b>						
Community Service Projects	975,000	975,000	1,775,000	975,000	2,575,000	975,000
Arts Endowment Fund	0	0	2,000,000	2,000,000	2,000,000	2,000,000
<b>AGENCY TOTAL</b>	<b>1,508,900</b>	<b>1,526,100</b>	<b>4,338,200</b>	<b>3,537,600</b>	<b>5,127,200</b>	<b>3,527,200</b>
<b>BY FUND SOURCE</b>						
General Fund	1,508,900	1,526,100	4,338,200	3,537,600	5,127,200	3,527,200
Other Non-Appropriated Funds	1,126,500	1,021,400	1,139,000	1,139,000	1,089,000	1,089,000
Federal Funds	827,000	590,800	418,600	418,600	418,600	418,600
<b>TOTAL - ALL SOURCES</b>	<b>3,462,400</b>	<b>3,138,300</b>	<b>5,895,800</b>	<b>5,095,200</b>	<b>6,634,800</b>	<b>5,034,800</b>

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$2,011,500	131.8%	\$(10,400)	(0.3)%

Performance Measure	FY 96 Actual	FY 97 Estimate
Customer Satisfaction with Agency Programs (10 possible)	9.2	9.2

**Rent** (1,900) GF  
**Eliminate One-time Equipment** (2,000) GF

**Arts Endowment Fund** 2,000,000 GF  
The recommended amount would provide the first year of funding for the Arts Endowment Fund as created by Laws 1996, Chapter 186. Subject to appropriation, Chapter 186 designated all revenues collected by the Amusement Classification of the transaction privilege tax above the amounts collected in FY 1994 for deposit in the Arts Endowment Fund. This amount is limited to \$2,000,000 in

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
Pay Annualization \$8,100 GF  
ERE Rates (1,400) GF  
Risk Management (500) GF



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

each year and ends in FY 2007. Monies in the fund would be invested by the State Treasurer.

These General Fund deposits would create an "endowment" and the Arizona Commission on the Arts would receive the interest earned on these monies as a continuing appropriation. The interest earnings by the end of FY 1999 are expected to be \$110,000. In addition, in FY 1998, the commission would have a total of \$2,066,500 to expend for grants to local arts organizations. Of this amount, \$975,000 would come from the General Fund appropriation for Community Service Projects, \$991,100 would come from non-appropriated corporate filing fees collected by the Arizona Corporation Commission, and \$100,400 from other non-appropriated sources.

Laws 1996, Chapter 186 intended Arts Endowment funds to be matched by a "comparable commitment" of private funds. To this end, the commission is charged with annually reporting the receipt of private funds in comparison to the amounts appropriated.

**Replacement Copier 9,200 GF**

The recommended amount would replace the commission's photocopier. The commission's current copier was purchased in FY 1992 and has made more than 1,500,000 copies. Industry standards indicate that this copier has reached the end of its reliable life span. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>700 GF</b>
<b>Rent</b>	<b>(1,900) GF</b>
<b>Eliminate One-time Equipment</b>	<b>(9,200) GF</b>

\* \* \*

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

**Other Issues for Legislative Consideration**

**Executive Recommendation**

The Executive recommends an increase of \$800,000 for Community Service Project funding in FY 1998 and an additional \$800,000 increase in FY 1999. These monies are used to support artists and organizations across the state. The JLBC Staff has not recommended this increase.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Attorney General - Department of Law  
Agency Summary

JLBC: Karen Bock  
House Sub: Cooley

OSPB: Matt Gottheiner  
Senate Sub: Cirillo

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>						
Administration	5,724,600	5,490,100	4,954,600	4,934,400	5,004,500	4,991,200
Civil	17,224,800	17,433,700	23,116,400	19,139,600	23,131,800	19,197,500
Civil Rights	1,747,300	2,007,000	2,064,100	2,052,800	2,067,100	2,082,500
Criminal	11,497,600	12,689,300	13,023,700	13,063,100	12,982,000	13,079,000
Economic Security	10,668,700	11,132,200	13,241,200	11,835,700	13,245,900	11,852,900
<b>AGENCY TOTAL</b>	<b>46,863,000</b>	<b>48,752,300</b>	<b>56,400,000</b>	<b>51,025,600</b>	<b>56,431,300</b>	<b>51,203,100</b>

**OPERATING BUDGET**

<i>Full Time Equivalent Positions</i>	752.1	777.1	826.2	817.4	826.2	818.9
Personal Services	17,717,800	19,188,100	20,421,600	20,813,000	20,428,400	20,845,500
Employee Related Expenditures	3,572,700	3,966,500	3,989,800	4,042,200	3,964,400	4,106,000
All Other Operating Expenditures:						
Professional and Outside Services	1,340,400	1,085,100	465,000	1,114,300	465,000	1,114,300
Travel - In State	174,400	158,700	144,600	158,700	144,600	158,700
Travel - Out of State	66,300	69,500	56,400	69,500	56,400	69,500
Other Operating Expenditures	3,615,100	3,387,700	4,276,500	4,207,900	4,325,200	4,288,800
Equipment	695,100	540,200	4,000	91,300	0	91,300
<b>OPERATING SUBTOTAL</b>	<b>27,181,800</b>	<b>28,395,800</b>	<b>29,357,900</b>	<b>30,496,900</b>	<b>29,384,000</b>	<b>30,674,100</b>

**SPECIAL LINE ITEMS**

Cost Allocation/Indirect Costs	(218,000)	53,200	(62,100)	53,200	(62,100)	53,200
Capital Center Rent	828,700	836,600	836,600	0	841,700	0
ADOT ISA	1,599,600	1,590,600	1,572,800	1,624,800	1,572,800	1,624,800
Insurance Defense ISA	5,099,700	5,017,100	5,106,000	5,731,500	5,106,000	5,731,400
Risk Management Outside Counsel	0	0	4,931,400	0	4,931,400	0
State Grand Jury	158,100	150,000	150,000	150,000	150,000	150,000
Victims Rights Implementation Rev Fund	2,557,300	2,903,200	2,901,000	2,919,200	2,901,100	2,919,600
Ch 172 Victims Rights Implementation Revolving Fund	0	150,000	150,000	150,000	150,000	150,000
Economic Security—Other ISAs	9,655,800	9,655,800	11,456,400	9,900,000	11,456,400	9,900,000
<b>AGENCY TOTAL</b>	<b>46,863,000</b>	<b>48,752,300</b>	<b>56,400,000</b>	<b>51,025,600</b>	<b>56,431,300</b>	<b>51,203,100</b>

**BY FUND SOURCE**

General Fund	23,147,600	23,320,300	22,813,900	23,083,200	22,827,400	23,174,800
Other Appropriated Funds	23,715,400	25,432,000	33,586,100	27,942,400	33,603,900	28,028,300
Other Non-Appropriated Funds	10,632,500	8,005,100	7,134,200	7,134,200	7,281,400	7,281,400
Federal Funds	5,955,500	3,919,600	3,834,500	3,834,500	3,834,500	3,834,500
<b>TOTAL - ALL SOURCES</b>	<b>63,451,000</b>	<b>60,677,000</b>	<b>67,368,700</b>	<b>61,994,300</b>	<b>67,547,200</b>	<b>62,319,000</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Attorney General - Department of Law

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$ (237,100)	(0.1)%	\$ 91,600	0.4%
Other Appropriated Funds	2,510,400	9.9%	85,900	0.3%
<b>Total Appropriated Funds</b>	<b>\$2,273,300</b>	<b>4.7%</b>	<b>\$177,500</b>	<b>0.3%</b>

Performance Measure	FY 96	FY 97
	Actual	Estimate
Average Satisfaction Rating for Service Rendered	N/A	80%

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

Pay Annualization	\$ 299,300 OF	\$ 280,900 GF
ERE Rates	(138,000) OF	(71,100) GF
Risk Management	-0- OF	(42,900) GF
Rent	449,300 OF	(407,300) GF
Eliminate One-time Equipment	(140,200) OF	(400,000) GF

**Special Agent Equity Pay 180,100 GF**

The JLBC Staff recommends that funding be provided for the Attorney General Special Agent position class. These agents are certified peace officers with many years' specialized experience, yet their pay is below the average for police officers in other major, competing jurisdictions. The amount is sufficient to bring all Special Agents up to a salary of \$43,700 and all Special Agent Supervisors to \$52,300. The Executive does not address this issue.

**Rent; Space Expansion \$22,300 GF**

The JLBC Staff recommends an additional \$22,300 GF for the lease-purchase payment at 400 W. Congress in Tucson. The Executive concurs.

**Personal Services Base Adjustment (21,700) GF**

The JLBC Staff recommends adjusting the Attorney General budget downward due to an unexplained reallocation of monies into Personal Services and ERE. The JLBC Staff

generally does not support agency-initiated increases to these lines. The Executive recommends reductions of \$(99,800) GF and \$(96,400) OF related to Personal Services and ERE base adjustments made by the Attorney General. The Executive approach was to only reduce each cost center where Personal Services increases had been made. The JLBC Staff approach, on the other hand, was to address the entire agency budget as a whole, to bring the agencywide Personal Services amount back in line with the appropriated FY 1997 amount.

**Information Technology**

**Support 218,700 OF 222,600 GF**

For FY 1996 and FY 1997, the Legislature approved funding for the Attorney General (AG) Office to convert from its old Wang computer system to a personal-computer-based network system. The conversion will be essentially complete by the end of FY 1997, but system operating and maintenance costs will then be incurred. There are 3 categories of expense: staffing; upgrades, maintenance, and training; and replacement equipment. The new system is less centralized than the old one, so it requires more user support services (computer administrators and staff). Because it is an "open" system (not proprietary like the old Wang), it requires continual upgrading. The recommended amount includes a total of \$441,200 for 3 new FTE Positions and related expenses. Based on the number of FTE Positions in each fund, this amount is allocated 49%, or \$218,700 and 1.5 FTE Positions, to the General Fund and 51%, or \$222,600 and 1.5 FTE Positions, to all Other Appropriated Funds. This amount includes \$56,300 General Fund (GF) and \$57,500 Other Funds (OF) for one-time replacement equipment. The Executive does not add these amounts, but does add \$4,000 for 2 replacement printers.

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

### **Agency Representation and ISA's 1,627,400 OF**

The JLBC Staff recommends an increase of 29.1 FTE Positions and \$1,627,400 OF from the Interagency Services Fund for the Attorney General to provide legal services to state agencies. The Attorney General provides legal services to most state agencies, as well as to certain other political subdivisions. Over the years, funding for these legal services has been obtained increasingly through Interagency Service Agreements, or ISA's. The increases in FTE Positions and funding bring the base operating budget for ISA's in line with the total individual ISA's that were reported, insofar as we were able to verify them. Of the additional 29.1 FTE Positions, 7 are for the Insurance Defense Special Line Item, 9 are for the Economic Security Special Line Item, and the remaining 13.1 are for smaller ISA's related to various agencies. Laws 1996, Chapter 335 requires that such ISA funding be appropriated. Three of the ISA's bear special note.

The Special Line Item of \$9,900,000 for Economic Security has historically been appropriated to the Department of Economic Security (DES), and was then used to pay for attorneys who were DES employees but were supervised by the Attorney General. The associated 191 FTE Positions are recommended to be transferred to the Attorney General budget. To ensure that the state will continue to draw down related federal program monies, however, the funding amount will continue to be appropriated to DES and will now be transferred to the Attorney General via ISA. Another \$2,003,200, which has been transferred to the AG via ISA in the past, is recommended for appropriation pursuant to Chapter 335. The total FY 1998 ISA amount for DES is \$11,835,700. The Executive also recommends appropriating these amounts but also adds another 30 FTE Positions and \$1,800,000 for Severance and Dependency.

The Special Line Item amount for Department of Transportation (ADOT) has similarly been appropriated to the ADOT from the State Highway Fund and then was paid out directly for attorneys who were employees of ADOT but were supervised by the Attorney General. We recommend that the funding now be transferred to the Attorney General via ISA. The associated FTE Positions are moved from the ADOT budget to the Attorney General-ISA Fund budget. In addition to the \$1,677,800 shown in the Special Line Item for ADOT representation, there is another \$122,600 in the ISA Fund operating budget for Transportation Tax legal issues. This amount historically has been a regular ISA. The total amount for ADOT ISA's is \$1,800,400.

The amount from the Arizona Department of Administration (ADOA) for the Insurance Defense Section (IDS) has been, and would continue to be, transferred the Attorney General via ISA. The associated FTE Positions are moved from the ADOA budget to the Attorney General-ISA Fund budget. In addition to the IDS amount, there is an ISA for \$122,100 and

2 FTE Positions for Workers' Compensation. The total ADOA ISA amount is \$5,853,600, which includes an increase of \$400,600 to reduce the use of outside counsel and add 7 FTE Positions to handle Risk Management cases as recommended by the Joint Legislative Committee on Legal Representation of State Agencies. The ADOA Risk Management budget is reduced by \$(1,434,100) for outside counsel.

The Executive recommends similar changes, but also moves \$4,931,400 related to Risk Management Loss program from the ADOA budget to the Attorney General - ISA Fund budget. The JLBC Staff has not recommended this change pending further review. Overall, the JLBC Staff recommends \$24,327,400 in ISA's, while the Executive recommends \$30,014,300, a difference of \$(5,686,900).

### **Collection Enforcement and Tax Section 193,900 OF**

The recommended increase of \$193,900 will fund 4 new FTE Positions in Collection Enforcement Revolving Fund (CERF). Currently, the Attorney General has allocated 4 FTE Positions from the Tax Section, a General Fund section, to the CERF. By providing an appropriation and the 4 FTE Positions from CERF, those 4 General Fund positions will be able to return to doing regular Tax Section work. The Executive does not address this issue.

### **Victims' Rights**

**-0- GF**

Laws 1995, Chapter 197 as amended by Laws 1995, Chapter 4, 4th Special Session appropriated \$1,000,000 from the General Fund to the AG's Office for victim rights for FY 1996 and FY 1997. The JLBC Staff recommends that this appropriation be continued for FY 1998 and FY 1999. The other funding available to the Victims Rights Implementation Revolving Fund (VRIRF) is currently about \$1,900,000 per year. Even with the General Fund augmentation, VRIRF is able to fund less than 50% of the requests for assistance from state agencies and political subdivisions which are required to implement the new victims' rights procedures that were codified in 1995 and 1996.

The JLBC Staff also recommends adding 4.2 FTE Positions and reallocating monies within VRIRF to Personal Services and ERE from All Other Operating Expenditures. The Attorney General's victim-related programs have only 1 appropriated FTE Position authorized, but the programs have been operated with non-appropriated FTE Position authority. The appropriation should reflect actual staff used. The Executive also continues the \$1,000,000 GF appropriation for VRIRF, but does not add the FTE Position authority.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>14,700 OF</b>	<b>40,800 GF</b>
<b>Rent</b>	<b>12,000 OF</b>	<b>43,100 GF</b>
<b>Elimination of One-Time Equipment</b>	<b>(5,500) OF</b>	<b>(56,300) GF</b>

**Elected Officials Salary Adjustment 7,700 GF**

The JLBC Staff recommends half-year funding to increase the salary of the Attorney General from \$76,440 to \$90,000. With the exception of legislators, elected official salaries are determined by the recommendations of the Governor and the Commission on Salaries for State Elected Officials. At the beginning of the prior regular session, the Governor and Commission recommended the \$90,000 salary for the Attorney General. Since the Legislature took no action to disapprove of this recommendation, current law requires the salary adjustment to take place on January 1, 1999. The Executive concurs.

**Agency Representation and ISA's 59,200 OF**

The JLBC Staff recommends increases of 1.5 FTE Positions and \$59,200 for certain ISA's. The Executive does not address this issue.

**Computer Equipment 57,500 OF 56,300 GF**

The JLBC Staff recommends continuing the amounts for computer equipment that were recommended for FY 1998. These are one-time items. The Executive does not address this issue.

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

The Attorney General shall notify the President of the Senate, the Speaker of the House of Representatives, and the Joint Legislative Budget Committee before entering into a settlement of \$100,000 or more, which will result in the receipt of monies by the Attorney General or any other person on behalf of the State of Arizona. The Attorney General shall not allocate or expend such funds until the Joint Legislative Budget Committee reviews the allocations or expenditures. This footnote does not apply to actions under Title 13 of the Arizona Revised Statutes, or other criminal matters.

*Modification of Prior Year Footnotes*

The \$150,000 appropriated for State Grand Jury expenses is for costs incurred pursuant to A.R.S. § 21-428C. It is the

legislative intent OF THE LEGISLATURE that State Grand Jury expenses be limited to the amount appropriated and that a supplemental appropriation will not be provided. *(This change conforms the language to current convention.)*

*Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the one-time footnote concerning JLBC review of expenditures for computer system replacement. The system will have been replaced by the end of FY 1997. Current and future automation projects will be reviewed by the Government Information Technology Agency.

**Other Issues for Legislative Consideration**

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec.	FY 1999 JLBC Rec.
Collection Enforcement		
Revolving Fund	\$ 941,600	\$ 944,500
Antitrust Rev. Fund	627,400	628,600
Victim Rights Implementation Rev. Fund	2,064,800	2,065,200
Interagency Service Agreements Fund	24,308,600	24,390,000
<b>TOTAL</b>	<b>\$27,942,400</b>	<b>\$28,028,300</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Auto Theft Authority

JLBC: Jim Hillyard  
House Sub: Cooley

OSPB: Bill Greeney  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	0.0	2.0	2.0	2.0	2.0	2.0
Personal Services	10,100	72,100	97,600	97,600	97,600	97,600
Employee Related Expenditures	1,900	15,600	16,600	18,800	16,600	18,800
All Other Operating Expenditures:						
Travel - In State	0	6,000	0	0	0	0
Travel - Out of State	0	1,500	0	0	0	0
Other Operating Expenditures	500	28,000	0	600	0	600
Equipment	0	30,000	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>12,500</b>	<b>153,200</b>	<b>114,200</b>	<b>117,000</b>	<b>114,200</b>	<b>117,000</b>
<b>SPECIAL LINE ITEMS</b>						
Auto Theft Authority Grants	37,900	727,000	1,000,000	1,053,400	1,000,000	1,053,400
Unused General Fund Authority	0	152,400	0	0	0	0
<b>AGENCY TOTAL</b>	<b>50,400</b>	<b>1,032,600</b>	<b>1,114,200</b>	<b>1,170,400</b>	<b>1,114,200</b>	<b>1,170,400</b>
<b>BY FUND SOURCE</b>						
General Fund	0	225,000	0	0	0	0
Other Appropriated Funds	50,400	807,600	1,114,200	1,170,400	1,114,200	1,170,400
<b>TOTAL - ALL SOURCES</b>	<b>50,400</b>	<b>1,032,600</b>	<b>1,114,200</b>	<b>1,170,400</b>	<b>1,114,200</b>	<b>1,170,400</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$(225,000)	(100.0)%	\$-0-	0.0%
Other Appropriated Funds	362,800	44.9%	-0-	0.0%
Total Appropriated Funds	\$137,800	13.3%	\$-0-	0.0%

Performance Measure	FY 96 Actual	FY 97 Estimate
Auto Thefts Per 100,000 of Population	N/A	N/A

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes  
Pay Annualization **1,700 OF**  
ERE Rates **200 OF**

**Base Adjustment 361,300 OF (225,000) GF**  
The Auto Theft Authority was established by Laws 1992, Chapter 75 to provide assistance to law enforcement with funding and programs to reduce auto theft. These efforts were funded by donations from private insurance interests. Laws 1996, Chapter 263 reshaped the Auto Theft Authority, establishing an ongoing funding mechanism and a committee to evaluate the Authority's efforts. The Authority is now funded by an annual fee of 50 cents on each car year of automobile insurance sold. Of these monies, statute limits the Authority to the use of 10% for operating expenditures.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

Due to the effective date of Chapter 263, the Authority will receive less than a full year of insurance fee revenue in FY 1997. To make up for this shortfall, the Authority also received a non-lapsing General Fund appropriation of \$225,000.

Of this amount, the Authority plans to expend only \$72,600 in FY 1997. The remaining \$152,400 would remain as a carry-forward balance.

The 50 cent fee is projected to generate \$1,170,400 in FY 1998 revenue. This amount assumes 2,340,947 earned-car-years of insurance. The JLBC Staff recommends eliminating any new General Fund subsidy in FY 1998 given the level of revenues generated by the 50 cent fee.

Of the \$1,170,400, the Authority will set aside at least 90%, or \$1,053,400 for grants to local law enforcement in accordance with Laws 1996, Chapter 263. The remaining \$117,000 is available for administrative expenses. The JLBC Staff recommends combining \$37,600 of the Authority's remaining FY 1997 General Fund appropriation with the \$117,000 for a total FY 1998 administrative budget of \$154,600.

The Executive concurs with the JLBC Staff's base adjustment in the amount of \$306,600 Other Funds and \$(225,000) General Fund. The Executive would fund the Authority's FY 1998 operating budget with \$114,200 in Other Funds and \$40,900 in non-lapsing General Fund monies for a total of \$154,600. Please see "Other Issues for Legislative Consideration" for a discussion of this difference.

**FY 1999 — Recommended Changes from FY 1998**

**No Changes** **-0- OF**

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

**Other Issues for Legislative Consideration**

**Auto Theft Authority Long-Run Funding**

As noted in the JLBC Staff's FY 1998 recommendation, the Authority's operating expenditures are limited to 10% of its fund balance. At current insurance fee revenue levels, this equals \$117,000 per year. As a result, in FY 1998 and FY 1999, the Authority will supplement these monies with its remaining non-lapsing General Fund monies. The table below details the Authority's total operating expenditures for FY 1998 and FY 1999.

	Operating Expenditures	
	FY 1998	FY 1999
General Fund - Ch. 263	\$ 37,600	\$ 37,800
10 % of Fee Revenue	<u>117,000</u>	<u>117,000</u>
<b>Total</b>	<b>\$154,600</b>	<b>\$154,800</b>

The Authority's Chapter 263 General Fund subsidy is sufficient to allow the Authority to meet its operating expenditures through FY 2001 at current revenue and expenditure levels. The Staff anticipates growth in the insurance fee revenues between FY 1998 and FY 2001, and therefore recommends reassessing the Authority's funding at that time.

**Executive Recommendation**

In FY 1998 and FY 1999, the Executive recommends \$55,800 less in total insurance fee funding than the JLBC Staff. This difference is due to an alternate approach to long-term funding for the Authority. As noted above, the Authority's current operating expenditures total \$154,600. Given the Chapter 263 limit on the Authority's operating expenditures, a maximum of \$117,000 in Other Funds will be available for operating expenditures in FY 1998. The JLBC Staff's recommendation supplements this amount with a portion of the Authority's non-lapsing General Fund appropriation and provides the remaining 90% of revenues for auto theft grants. Under the Staff's recommendation, therefore, the Authority would utilize all of its available Other Fund revenue in each year for operating and auto theft grants and, through FY 2001, make-up any shortfall with its original non-lapsing General Fund appropriation. The Executive recommendation will hold back \$55,800 of the Authority's insurance fee revenues in each year in order to build a fund balance. By FY 2000, this balance would be large enough to allow the Authority to fund its operating expenditures from 10% of its fund balance without any additional funding. The JLBC Staff has not recommended this approach as the Executive would reduce the monies available for auto theft grants and assumes that there will be no growth in insurance fee revenue between FY 1998 and FY 2001.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Banking Department

JLBC: Brad Regens  
House Sub: Cooley

OSPB: Marcel Benberou  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	52.0	52.0	50.0	50.0	50.0	50.0
Personal Services	1,480,900	1,660,600	1,648,500	1,644,000	1,648,500	1,644,000
Employee Related Expenditures	320,800	344,800	350,200	349,600	353,000	352,400
All Other Operating Expenditures:						
Professional and Outside Services	44,300	8,400	23,400	23,400	23,400	23,400
Travel - In State	39,400	55,000	45,000	55,000	45,000	55,000
Travel - Out of State	20,800	18,000	18,000	18,000	18,000	18,000
Other Operating Expenditures	574,600	319,300	295,600	301,300	295,600	301,500
Equipment	81,200	52,000	0	6,500	0	15,000
<b>OPERATING SUBTOTAL</b>	<b>2,562,000</b>	<b>2,458,100</b>	<b>2,380,700</b>	<b>2,397,800</b>	<b>2,383,500</b>	<b>2,409,300</b>
<b>SPECIAL LINE ITEMS</b>						
Local Area Network	211,600	0	0	0	0	0
<b>AGENCY TOTAL</b>	<b>2,773,600</b>	<b>2,458,100</b>	<b>2,380,700</b>	<b>2,397,800</b>	<b>2,383,500</b>	<b>2,409,300</b>
<b>BY FUND SOURCE</b>						
General Fund	2,773,600	2,458,100	2,380,700	2,397,800	2,383,500	2,409,300
Other Non-Appropriated Funds	337,600	347,800	350,900	350,900	154,600	154,600
<b>TOTAL - ALL SOURCES</b>	<b>3,111,200</b>	<b>2,805,900</b>	<b>2,731,600</b>	<b>2,748,700</b>	<b>2,538,100</b>	<b>2,563,900</b>

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$(60,300)	(2.5)%	\$11,500	0.5%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Average Number of Days to Resolve a Complaint	20	21

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	\$35,500 GF
ERE Rates	12,600 GF
Risk Management	(18,500) GF
Rent	500 GF

**Eliminate One-time Equipment** (52,000) GF

**Re-classification of Superintendent Position** 19,100 GF  
The JLBC Staff recommends an increase of \$17,000 in Personal Services and \$2,100 in Employee Related Expenditures due to the Arizona Department of Administration re-classifying the State Superintendent of Banks position from a grade 26 to a grade 28. The Executive concurs.

**Eliminate 2 Vacant FTE Positions** (79,000) GF  
The JLBC Staff recommends a decrease of \$(79,000) and the elimination of (2) FTE Positions vacant since CY 1995. The



## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

decrease includes \$(65,100) in Personal Services and \$(13,900) in Employee Related Expenditures. The Executive concurs at a slightly lower amount.

### **Professional and Outside Services 15,000 GF**

The JLBC Staff recommends an increase of \$15,000 for an outside consultant to provide programming support and consultation for the department's new local area network (LAN) computer system. The Executive recommends funding this issue by transferring monies from Travel - In State and Other Operating Expenditures to Professional and Outside Services.

### **Equipment 6,500 GF**

The JLBC Staff recommends an increase of \$6,500 to add Internet capability. The Executive does not recommend this issue.

## **FY 1999 — Recommended Changes from FY 1998**

### **Standard Changes**

<b>ERE Rates</b>	<b>2,800 GF</b>
<b>Rent</b>	<b>200 GF</b>

### **Equipment 8,500 GF**

The JLBC Staff recommends an increase of \$8,500 to replace computer software. The Executive does not recommend this issue.

\* \* \*

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

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

The Banking Department shall assess and set fees to ensure that funds deposited to the General Fund will equal or exceed its expenditures from the General Fund for FY 1998 and FY 1999.

#### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote concerning the General Fund appropriation for the purchase and development of the department's LAN system.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Board of Barbers

JLBC: Chris Earnest  
House Sub: Weiers

OSPB: Bill Greeney  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0	3.0	3.0	3.0
Personal Services	91,900	93,200	95,300	95,000	95,300	95,000
Employee Related Expenditures	20,000	19,200	19,600	19,500	19,800	19,800
All Other Operating Expenditures:						
Professional and Outside Services	200	800	800	800	800	800
Travel - In State	10,600	14,100	14,100	15,300	14,100	15,300
Travel - Out of State	1,400	1,300	1,300	1,300	1,300	1,300
Other Operating Expenditures	18,800	27,600	22,700	23,300	23,100	23,700
<b>AGENCY TOTAL</b>	<b>142,900</b>	<b>156,200</b>	<b>153,800</b>	<b>155,200</b>	<b>154,400</b>	<b>155,900</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	142,900	156,200	153,800	155,200	154,400	155,900
<b>TOTAL - ALL SOURCES</b>	<b>142,900</b>	<b>156,200</b>	<b>153,800</b>	<b>155,200</b>	<b>154,400</b>	<b>155,900</b>

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$(1,000)	(0.6)%	\$700	0.5%

Performance Measure	FY 96 Actual	FY 97 Estimate
% of Licenses Issued Within 2 Weeks	100%	100%

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** \$ 2,000 OF  
**ERE Rates** 100 OF  
**Rent** (100) OF

**Travel - In State** 1,200 OF  
 The JLBC Staff recommends an increase of \$1,200 for Travel - In State to allow the board to meet monthly, rather than 7-8 times a year. This will give the board increased flexibility to address disciplinary problems in a timely manner. The Executive does not concur.

**Moving Costs** (4,200) OF  
 The FY 1997 appropriation included an increase for the cost of a move to a larger office. Because the move never occurred, the JLBC Staff recommends a decrease of \$(4,200) to return the board's budget back to its original base. Included in this decrease is a decrease of \$(600) for Rent, \$(1,400) for printing costs, and \$(2,200) for related moving costs. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**  
**ERE Rates** 300 OF  
**Rent** 400 OF

\* \* \*

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

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Board of Behavioral Health Examiners

JLBC: Jennifer Vermeer  
House Sub: Weiers

OSP: Melodie Jones  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0	7.0	7.0	7.0
Personal Services	174,300	188,500	192,400	192,400	192,400	192,400
Employee Related Expenditures	37,600	45,400	43,700	42,500	44,500	42,900
All Other Operating Expenditures:						
Professional and Outside Services	12,500	15,200	21,200	20,200	20,200	20,200
Travel - In State	9,000	11,000	23,200	23,000	23,200	23,000
Travel - Out of State	4,900	5,700	5,700	5,700	5,700	5,700
Other Operating Expenditures	86,000	76,700	87,600	87,700	86,000	87,600
Equipment	0	15,200	17,400	16,700	13,400	10,200
<b>AGENCY TOTAL</b>	<b>324,300</b>	<b>357,700</b>	<b>391,200</b>	<b>388,200</b>	<b>385,400</b>	<b>382,000</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	324,300	357,700	391,200	388,200	385,400	382,000
<b>TOTAL - ALL SOURCES</b>	<b>324,300</b>	<b>357,700</b>	<b>391,200</b>	<b>388,200</b>	<b>385,400</b>	<b>382,000</b>

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$30,500	8.5%	\$(6,200)	(1.6)%

Performance Measure	FY 96 Actual	FY 97 Estimate
Average Days to Dismiss a Complaint	105	80

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
Pay Annualization	\$ 4,400 OF
ERE Rates	(3,400) OF
Risk Management	100 OF
Rent	500 OF
Eliminate One-time Equipment	(16,900) OF

**Administrative Hearings** **5,000 OF**  
Due to increased applications and complaints, the board estimates that the number of administrative hearings will increase as well. An increase of \$5,000 is recommended to

provide 1 additional administrative hearing per year. Currently, the board holds 4 administrative hearings annually. The Executive concurs.

**Board Member Travel** **12,000 OF**  
An increase of \$12,000 is recommended to fully reimburse board members for their travel expenses. Board members currently are not able to claim their total travel costs for reimbursement. The Executive concurs but recommends \$12,200.

**Electronic File Storage** **7,300 OF**  
An increase of \$7,300 is recommended for the one-time costs of purchasing an electronic file storage and retrieval system. The recommended amount includes \$5,800 for electronic file storage equipment, \$1,000 for installation and set-up, and \$500 for system software. The use of electronic file storage rather than traditional file storage will allow the board to avoid annual requests for additional storage space and file

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

cabinets, and will save personnel time currently spent manually retrieving and refileing documents. The Executive concurs.

**Increased Rental Space 6,300 OF**

Includes 463 additional square feet of work space and 105 square feet storage space. The increased space is recommended to accommodate an additional FTE appropriated for FY 1996 and for file storage. The Executive concurs but recommends \$6,200.

**Newsletter Costs 2,600 OF**

An increase of \$2,600 is recommended for printing and postage costs required to publish one additional newsletter per year. The board currently publishes 2 to 3 newsletters per year. The newsletters are used to inform the public of their rights, educate professionals on standards of practice, and provide general information about the board and current disciplinary actions. The Executive concurs.

**Replacement Equipment 12,600 OF**

Includes \$8,300 for replacement computer equipment and \$4,300 for a letter folder machine. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>400 OF</b>
<b>Rent</b>	<b>700 OF</b>
<b>Eliminate One-time Equipment</b>	<b>(12,600) OF</b>

**Electronic File Storage (7,300) OF**

Elimination of one-time costs associated with an electronic file storage system purchased in FY 1998. The Executive concurs.

**Replacement Equipment 12,600 OF**

Includes \$6,200 for replacement computer equipment and \$5,600 for 2 computer workstations for a total increase of \$12,600. In addition, the agency has requested a reduction of \$(800) in non-capitalized equipment and corresponding increase of \$800 for replacement computer equipment, for a total change of \$0. The Executive concurs.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Department of Building and Fire Safety

JLBC: Chris Earnest  
House Sub: Cooley

OSP: Christine Sato  
Senate Sub: Cirillo

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	68.3	67.5	67.5	69.5	67.5	69.5
Personal Services	1,745,200	1,806,600	1,891,600	1,894,100	1,891,600	1,894,100
Employee Related Expenditures	479,100	490,500	476,800	483,000	480,700	487,000
All Other Operating Expenditures:						
Professional and Outside Services	12,200	0	0	0	0	0
Travel - In State	197,600	194,100	194,100	203,500	194,100	203,500
Travel - Out of State	1,100	6,000	6,000	6,000	6,000	6,000
Other Operating Expenditures	357,100	155,300	331,400	354,900	337,000	360,400
Equipment	0	0	0	21,400	0	0
<b>OPERATING SUBTOTAL</b>	<b>2,792,300</b>	<b>2,652,500</b>	<b>2,899,900</b>	<b>2,962,900</b>	<b>2,909,400</b>	<b>2,951,000</b>
<b>SPECIAL LINE ITEMS</b>						
Rent/Relocation	205,500	190,500	0	0	0	0
Fire Training School	30,000	30,000	30,000	30,000	30,000	30,000
<b>AGENCY TOTAL</b>	<b>3,027,800</b>	<b>2,873,000</b>	<b>2,929,900</b>	<b>2,992,900</b>	<b>2,939,400</b>	<b>2,981,000</b>
<b>BY FUND SOURCE</b>						
General Fund	3,027,800	2,873,000	2,929,900	2,992,900	2,939,400	2,981,000
Other Non-Appropriated Funds	277,500	372,800	362,000	362,000	358,500	358,500
Federal Funds	69,900	35,000	10,000	10,000	10,000	10,000
<b>TOTAL - ALL SOURCES</b>	<b>3,375,200</b>	<b>3,280,800</b>	<b>3,301,900</b>	<b>3,364,900</b>	<b>3,307,900</b>	<b>3,349,500</b>

**Agency Description** — *The agency enforces safety standards for manufactured homes, mobile homes, factory-build 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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$119,900	4.2%	\$(11,900)	(0.4)%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Manufactured Homes Inspected	8,286	9,114

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
Pay Annualization	\$ 44,400 GF
ERE Rates	(26,300) GF
Risk Management	(2,000) GF

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Rent 6,700 GF**

The approved amount includes an increase of \$6,700 for increased rent. The department recently relocated to central Phoenix. The JLBC Staff also recommends eliminating the Rent/Relocation Special Line Item and including rent costs in Other Operating Expenditures. The Executive concurs.

**Additional Manufactured Housing Inspectors 97,100 GF**

The department's Office of Manufactured Housing is required to inspect each manufactured housing unit built within the state. Production of manufactured homes in FY 1996 was 7,395. This amount represents a 141% increase over the 3,019 manufactured homes that were produced in FY 1990. There has been no increase in inspectors during this period. The production of units will continue to increase as 2 additional manufactured housing plants are scheduled to open in April 1997. JLBC Staff recommends adding 2 FTE Positions and \$97,100 to allow the department to hire additional inspectors. The increase consists of \$48,800 in Personal Services, \$13,100 in Employee Related Expenditures, \$9,400 for Travel - In State, \$4,400 in Other Operating Expenditures, and \$21,400 for Equipment. The Executive does not concur.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>4,000 GF</b>
<b>Rent</b>	<b>5,500 GF</b>
<b>Eliminate One-time Equipment</b>	<b>(21,400) GF</b>

\* \* \*

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



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Board of Chiropractic Examiners

JLBC: Brad Regens  
House Sub: Weiers

OSPB: Matt Gottheiner  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0	4.0	4.0	4.0
Personal Services	109,100	126,000	128,400	128,400	128,400	128,400
Employee Related Expenditures	22,400	23,800	28,100	26,900	28,300	27,100
All Other Operating Expenditures:						
Professional and Outside Services	21,700	26,300	26,300	26,300	26,300	26,300
Travel - In State	1,200	2,400	4,300	4,300	4,300	4,300
Travel - Out of State	4,200	5,000	4,000	4,000	4,000	4,000
Other Operating Expenditures	76,700	62,200	57,800	61,500	57,800	61,500
<b>AGENCY TOTAL</b>	<b>235,300</b>	<b>245,700</b>	<b>248,900</b>	<b>251,400</b>	<b>249,100</b>	<b>251,600</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	235,300	245,700	248,900	251,400	249,100	251,600
<b>TOTAL - ALL SOURCES</b>	<b>235,300</b>	<b>245,700</b>	<b>248,900</b>	<b>251,400</b>	<b>249,100</b>	<b>251,600</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$5,700	2.3%	\$200	0.1%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Average Number of Days to Resolve a Complaint	90	90

reimbursement and \$700 for lodging reimbursement. The JLBC Staff recommendation is based on board member attendance at 12 monthly meetings and 4 work days. The Executive concurs.

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	\$2,700 OF
ERE Rates	2,800 OF
Risk Management	(900) OF
Rent	(1,000) OF

**Travel - In State** 1,900 OF  
Reflects an increase of \$1,900 due to the appointment of a new board member who resides in Tucson. The recommended amount includes \$1,200 for travel

**Travel - Out of State** (1,000) OF  
Includes a reduction of \$(1,000) to reflect the actual requirements of the board. The Executive concurs.

**Other Operating Expenditures** 1,200 OF  
Reflects an increase of \$1,200 to produce and distribute informational and educational material to increase the public awareness of the board's services. Increasing public and professional awareness is one of the stated goals in the board's strategic plan. The Executive does not recommend this increase.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

**ERE Rates**

**\$200 OF**

**\* \* \***

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Coliseum and Exposition Center Board

JLBC: Jim Rounds  
House Sub: Weiers

OSPB: Bret Cloninger  
Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	212.0	193.0	175.0	175.0	175.0	175.0
Personal Services	4,580,900	3,705,100	3,370,400	3,370,400	3,500,000	3,500,000
Employee Related Expenditures	777,700	691,300	615,000	619,400	637,100	640,600
All Other Operating Expenditures:						
Professional and Outside Services	2,514,100	2,400,000	2,400,000	2,550,000	2,485,500	2,485,500
Travel - In State	11,800	9,700	12,700	12,700	13,100	13,100
Travel - Out of State	40,400	39,600	46,000	46,000	47,500	47,500
Other Operating Expenditures	5,620,900	5,947,600	5,419,200	5,420,800	5,577,300	5,579,800
Equipment	28,800	0	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>13,574,600</b>	<b>12,793,300</b>	<b>11,863,300</b>	<b>12,019,300</b>	<b>12,260,500</b>	<b>12,266,500</b>
<b>SPECIAL LINE ITEMS</b>						
Consulting Fees	0	0	150,000	0	0	0
County Reimbursement	0	0	6,000	0	6,000	0
<b>AGENCY TOTAL</b>	<b>13,574,600</b>	<b>12,793,300</b>	<b>12,019,300</b>	<b>12,019,300</b>	<b>12,266,500</b>	<b>12,266,500</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	13,574,600	12,793,300	12,019,300	12,019,300	12,266,500	12,266,500
Other Non-Appropriated Funds	218,000	400,000	400,000	400,000	400,000	400,000
<b>TOTAL - ALL SOURCES</b>	<b>13,792,600</b>	<b>13,193,300</b>	<b>12,419,300</b>	<b>12,419,300</b>	<b>12,666,500</b>	<b>12,666,500</b>

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

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$(774,000)	(6.1)%	\$247,200	2.1%

Performance Measure	FY 96 Actual	FY 97 Actual
Fair Attendance	1,007,500	900,000

**Travel - In State** 3,000 OF  
**Travel - Out of State** 6,400 OF  
**Other Operating Adjustments** 500 OF

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** \$ -0- OF  
**ERE Rates** 31,500 OF  
**Risk Management** 15,200 OF

**Coliseum Lease** (980,600) OF  
 The JLBC Staff recommends a decrease of \$(980,600) and a reduction of (18) FTE Positions due to reduced operating costs associated with the recent leasing of the Coliseum. The Executive recommends a reduction of \$(965,100).

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Consulting Fees 150,000 OF**

The JLBC Staff recommends an increase of \$150,000 in Professional and Outside Services for consultation concerning the development of a new fairgrounds. The Executive concurs, but includes funding for this issue in a Special Line Item along with monies reimbursed to counties. The JLBC Staff includes funding for the consulting fees within Professional and Outside Services and includes funding for county reimbursement within Other Operating Expenditures. See Footnote below.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

Travel - In State	400 OF
Travel - Out of State	1,500 OF
ERE Rates	2,600 OF
Other Operating Adjustments	3,000 OF

**Consulting Fees (150,000) OF**

This amount represents a decrease of \$(150,000) in Professional and Outside Services relating to the one-time consulting fee expense. The Executive concurs.

**State Fair Growth 389,700 OF**

The JLBC Staff recommends an increase of \$389,700 due to expected state fair growth. The Executive recommends an increase of \$391,600.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

All collections paid to the State Treasury 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 it is \$12,266,500.

*New Footnotes*

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. *(This will prevent the development of plans for a new fairgrounds prior to the selection of a new state fairgrounds site.)*

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

DEPT: Department of Commerce

JLBC: Lisa Cotter  
House Sub: Cooley

OSP: Marcel Benberou  
Senate Sub: Cirillo

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	83.5	85.5	89.5	88.5	89.5	88.5
Personal Services	2,288,700	2,512,500	2,663,000	2,592,300	2,663,000	2,592,300
Employee Related Expenditures	450,200	483,300	524,300	498,200	529,200	497,800
All Other Operating Expenditures:						
Professional and Outside Services	99,800	68,700	113,700	98,700	113,700	98,700
Travel - In State	53,500	61,100	67,100	61,800	67,100	61,800
Travel - Out of State	24,700	48,700	52,700	48,700	52,700	48,700
Other Operating Expenditures	805,900	927,900	926,500	910,900	924,200	910,900
Equipment	127,400	66,000	37,500	38,500	30,200	50,200
<b>OPERATING SUBTOTAL</b>	<b>3,850,200</b>	<b>4,168,200</b>	<b>4,384,800</b>	<b>4,249,100</b>	<b>4,380,100</b>	<b>4,260,400</b>
<b>SPECIAL LINE ITEMS</b>						
<b>International Trade Offices</b>	988,700	1,194,800	1,194,800	1,194,800	1,194,800	1,194,800
<b>Business Assistance Center</b>						
Minority and Women-Owned Business	100,400	103,700	108,500	108,800	108,700	108,800
Small Business Advocate	101,700	103,700	106,000	106,000	106,200	106,400
<b>Rural Community Assistance</b>						
Economic Development Matching Funds	104,000	104,000	104,000	104,000	104,000	104,000
Main Street	129,200	130,000	130,000	130,000	130,000	130,000
REDI Matching Grants	44,700	45,000	45,000	45,000	45,000	45,000
Rural Tourism	100,000	100,000	100,000	98,700	100,000	98,700
<b>National Marketing</b>						
Advertising and Promotion	520,300	495,200	659,200	495,200	659,200	495,200
Indian Economic Development	66,100	67,200	67,900	68,000	68,000	68,000
Motion Picture Development	610,400	609,800	610,900	610,100	611,100	611,100
Senior Living Office	0	200,300	191,800	198,000	191,800	198,000
Special Arizona Promotion - Major Sporting Events	1,978,500	0	0	0	0	0
<b>Strategic Finance</b>						
CEDC Support	0	0	2,000,000	0	0	0
CEDC Commission	190,800	197,200	204,400	205,200	204,600	205,400
Rural Development Bank Study	0	75,000	0	0	0	0
Workforce Recruitment and Job Training	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
<b>Mexico Projects</b>						
National Law Center/Free Trade	497,000	250,000	250,000	250,000	250,000	250,000
NAFTA Projects	198,100	0	0	0	0	0
AZ Sonora Economic Development Study	0	150,000	0	0	0	0
AZ Sonora Study Implementation	0	70,000	100,000	0	0	0
Border Infrastructure Finance Office	0	100,200	99,000	100,800	99,000	100,800
<b>Other</b>						
Clean Air Fund	0	0	1,000,000	1,000,000	1,000,000	1,000,000
Economic Development Incentive Policy	661,200	0	0	0	0	0

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

DEPT: Department of Commerce

JLBC: Lisa Cotter  
House Sub: Cooley

OSPB: Marcel Benberou  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
Oil Overcharge Administration	109,500	123,500	124,500	124,500	124,600	124,600
Special Needs Housing	0	0	70,000	70,100	70,100	70,200
Williams AFB Economic Development	350,000	350,000	350,000	350,000	350,000	350,000
<b>AGENCY TOTAL</b>	<b>15,100,800</b>	<b>13,137,800</b>	<b>16,400,800</b>	<b>14,008,300</b>	<b>14,297,200</b>	<b>14,021,400</b>
<b>BY FUND SOURCE</b>						
General Fund	10,011,600	9,665,900	13,080,200	11,679,600	10,982,800	11,694,800
Other Appropriated Funds	5,089,200	3,471,900	3,320,600	2,328,700	3,314,400	2,326,600
Other Non-Appropriated Funds	12,561,200	16,227,400	21,756,800	21,756,800	22,041,000	22,041,000
Federal Funds	13,086,000	15,082,400	17,158,500	17,158,500	17,158,500	17,158,500
<b>TOTAL - ALL SOURCES</b>	<b>40,748,000</b>	<b>44,447,600</b>	<b>55,316,100</b>	<b>52,923,600</b>	<b>53,496,700</b>	<b>53,220,900</b>

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

Change in Funding Summary:	<u>FY 1997 to FY 1998 JLBC</u>		<u>FY 1998 JLBC to FY 1999 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$2,013,700	20.2%	\$15,200	0.1%
Other Appropriated Funds	(1,143,200)	(32.9)%	(2,100)	(0.1)%
<b>Total Appropriated Funds</b>	<b>\$870,500</b>	<b>6.6%</b>	<b>\$13,100</b>	<b>0.1%</b>

### FY 1998 — Recommended Changes from FY 1997

**Standard Changes**

Pay Annualization	\$15,900 OF	\$47,400 GF
ERE Rates	4,800 OF	(2,800) GF
Risk Management	(1,000) OF	(3,900) GF
Eliminate One-time Equipment	-0- OF	(66,000) GF

**CEDC Fund Stabilization** (1,122,900) OF 1,122,900 GF  
The JLBC Staff recommends shifting \$1,122,900 in appropriations from the Commerce Economic Development Commission (CEDC) Fund to the General Fund to stabilize the non-appropriated CEDC Fund. Pursuant to A.R.S. § 41-1505.07A, the Commerce and Economic Development Commission is to establish business incentives and assistance procedures to retain,

expand, or locate businesses and other qualified projects within the state. Currently, CEDC Fund monies are used for both a non-appropriated business financial assistance program and for \$2,905,200 in appropriated operating costs and special line items. The appropriated amount of CEDC Fund monies has grown over the years as new economic development-related programs have been added to the responsibilities of the Department of Commerce during a period of General Fund constraints. As the table on the next page shows, projected CEDC Fund revenues during the next several years will not be able to sustain the current level of CEDC expenditures.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

<b>Projected CEDC Fund Revenues and Expenditures FY 1997 - FY 1999</b>			
	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>
Balance Forward	\$351,980	\$251,860	\$442,600
Lottery Revenue	3,200,000	2,362,500	2,362,500
Other Revenue	1,154,000	1,329,000	1,439,000
<b>Funds Available</b>	<b>\$4,705,980</b>	<b>\$3,943,360</b>	<b>\$4,244,100</b>
Loans	\$2,000,000	\$2,500,000	\$3,000,000
SBIR	450,000	450,000	450,000
Appropriations	2,905,200	2,817,500	2,818,500
<b>Funds Expended</b>	<b>\$5,355,200</b>	<b>\$5,767,500</b>	<b>\$6,268,500</b>
<b>Balance Forward</b>	<b>\$2,518,600</b>	<b>\$442,600</b>	<b>(\$2,024,400)</b>

To stabilize the CEDC Fund, the JLBC Staff recommends shifting the following appropriated amounts from the CEDC Fund to the General Fund:

Operating Costs

Administration	\$389,000
National Marketing	106,500
Sports Development	107,400

Special Line Items

International Trade Offices	170,000
Williams AFB Econ	350,000

**TOTAL SHIFTED** \$1,122,900

The recommended shift of \$1,122,900 in both FY 1998 and FY 1999 will reduce expected CEDC commitments by a total of \$2,245,800. As a result, the expected deficit of \$(2,024,400) will become a surplus of \$221,400 by the end of FY 1999. The Executive recommends a one-time General Fund appropriation of \$2,000,000 and shifting the \$350,000 Williams Air Force Base Special Line Item to the General Fund to help stabilize the CEDC Fund.

**Clean Air Fund** **1,000,000 GF**

Laws 1996, Chapter 6, 7th Special Session appropriated up to \$1,000,000 from the Farm and Home settlement to the Clean Air Fund in each fiscal year during which settlement deposits are made to the General Fund. Settlement deposits are expected to exceed \$1,000,000 per year in both FY 1998 and FY 1999. The Executive concurs.

**AZ Sonora Economic Development** **(150,000) GF**

The JLBC Staff recommends eliminating one-time funding for the continuation of the Arizona Sonora Economic Development Study Special Line Item. The one-time funding was used to examine ways of expanding trade

between Arizona's and Sonora's mining and agribusiness clusters. The Executive concurs.

**Rural Development Study** **(75,000) OF**

The JLBC Staff recommends eliminating one-time funding for the Rural Development Bank Study Special Line Item. The Executive concurs.

**AZ Sonora Study Implementation** **(70,000) GF**

The JLBC Staff recommends eliminating one-time funding for the Arizona Sonora Study Implementation Special Line Item. This amount was used to implement recommendations of the Arizona Sonora Economic Development Study originally funded by Laws 1994, Chapter 6, 8th Special Session. The Executive recommends increasing the Arizona Sonora Study Implementation Special Line Item by \$30,000 for continued one-year funding of \$100,000 in FY 1998.

**Special Needs Housing** **70,100 GF**

The JLBC Staff recommends an increase of \$70,100 and 1 new FTE Position for the transfer of special needs housing services from the Department of Health Services. The recommended increase follows the executive decision to consolidate all assisted housing and community development programs within the Department of Commerce. In order to complete this transfer, a \$(70,000) decrease and the elimination of 1 FTE Position is recommended by the JLBC Staff for the Department of Health Services' FY 1998 appropriation. These funds are to be used for administration of federal housing grants which serve homeless seriously mentally ill citizens. The Executive concurs.

**Housing Trust Fund Loan Officer** **49,600 OF**

The JLBC Staff recommends an increase of \$49,600 from the Housing Trust Fund for 1 new Grade 22 Loan Officer III FTE Position. Laws 1996, Chapter 355, appropriated 20% of the annual revenues from unclaimed property, in addition to the existing 35%, to the Housing Trust Fund beginning in FY 1998. The additional 20% of unclaimed property revenues must be used exclusively for the development of affordable housing in rural areas of the state. The department estimates that aid from the Housing Trust Fund will increase from \$4,000,000 to \$6,500,000 in FY 1998 as a result of the funding increase. The new loan officer will enable the department to effectively manage a larger number of contracts. The recommended amount includes increases of \$700 for Travel - In State, \$3,000 in Other Operating Expenditures, and \$2,500 for one-time Equipment associated with the new position. The Executive concurs with the new FTE Position and recommends a funding increase of \$55,700.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

Performance Measure	FY 96	FY 97
	Actual	Estimate
# of Households Served by the Office of Housing and Infrastructure Development	58,400	64,000

**Database Enhancement 30,000 GF**

The JLBC Staff recommends a Professional and Outside Services increase of \$30,000 per year for FY 1998 and FY 1999 to enable the Department to contract out for database enhancement and consolidation. The Executive recommends an increase of \$45,000 per year for FY 1998 and FY 1999.

**Rural Tourism/New Staff -0- GF**

The JLBC Staff recommends 1 new FTE Position and \$-0- for the Rural Tourism Special Line Item. In FY 1996, the Rural Tourism Special Line Item was created and appropriated \$100,000, \$50,000 of which was intended for administration. At the time, however, no FTE Position was included in the appropriation. The Executive does not address this issue.

**Solar Qualification Fund (14,600) OF**

Laws 1996, Chapter 182, transferred control of the Solar Qualification Assurance Fund from the Department of Commerce to the Registrar of Contractors. Laws 1996, Chapter 176, repealed the Solar Qualification Fund and the requirement to collect fees to place in the fund.

**Replacement Equipment 36,000 GF**

The JLBC Staff recommends \$36,000 in Equipment to service existing lease payments, replace/upgrade 5 workstations, and upgrade the Random Access Memory in LAN Servers. The Executive recommends \$27,000 for replacement equipment.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>400 OF</b>	<b>1,000 GF</b>
<b>Eliminate One-time Equipment</b>	<b>(2,500) OF</b>	<b>(36,000) GF</b>

**Equipment 50,200 GF**

The JLBC Staff recommends \$50,200 in replacement equipment to service existing lease payments, replace/upgrade 5 workstations, and replace 1 LAN Application Server. The Executive recommends \$30,200 for replacement equipment.

\* \* \*

**1 Program Authorization Review** — The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the International Trade and Investment Division during the last year. As a result of that review, the JLBC Staff recommends retaining the program. The Executive recommends modifying the program.

The mission of the International Trade and Investment Division is to stimulate the growth of Arizona's economy by promoting and facilitating export sales, international services and foreign investment. In 1987 the program's first foreign office opened in Japan. Since then, 3 other foreign offices have opened in Taiwan, Mexico City and London. In FY 1997 the Legislature appropriated \$1,650,000 (\$1,426,100 from the General Fund and \$227,100 from the Commerce and Economic Development Commission Fund) and 8 FTE Positions to operate the central office in Phoenix and the 4 foreign offices.

The International Trade and Investment PAR made 4 general conclusions with respect to the program's export, import and tourism services. First, based on a survey by JLBC/OSPB staff, it appears that customers are generally satisfied with the program's export assistance services. However, the department's data tracking system and performance measures could be improved to better evaluate program results and customer satisfaction. Second, although Arizona exports have increased dramatically in recent years, the extent to which the International Trade and Investment Program contributed to this result cannot be determined. Third, there is no evidence in the Agency's Self-Assessment that indicates that the program has increased foreign investments into Arizona. Finally, the program fails to oversee Arizona tourism activities in foreign markets as required by statute.

Based upon the PAR findings, the JLBC Staff recommends retaining the program. However, the staff of the International Trade and Investment Program should work to improve data tracking systems and performance measures in order to better gauge the effectiveness of the program. In addition, an opportunity exists to further clarify the tourism roles and responsibilities of the International Trade and Investment Program and the Arizona Office of Tourism. The Executive recommends a statutory change in A.R.S. § 41-1504 to eliminate the tourism responsibilities of the International Trade and Investment Program.

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

**Other Issues for Legislative Consideration**

**Greater Arizona Development Authority**

The Department of Commerce has requested \$20,000,000 to fund the Greater Arizona Development Authority (GADA).



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

The Executive is supporting GADA funding of \$5,200,000 in FY 1998, \$7,000,000 in FY 1999, and \$8,000,000 in FY 2000, but these amounts do not appear in the specific budget recommendation for the Department of Commerce.

**Executive Recommendation**

The Executive is recommending funding increases for the following programs in FY 1998: \$217,100 and 1 new FTE Position from the CEDC Fund for rural marketing and advertising, and \$56,600 and 1 new FTE Position from the General Fund for the Small Business Assistance Center.

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec	FY 1999 JLBC Rec
Bond Fund	\$ 94,100	\$ 94,100
CEDC Fund	1,694,800	1,694,800
Lottery Fund	205,200	205,400
Oil Overcharge Fund	124,500	124,600
Housing Trust Fund	210,100	207,700
TOTAL	\$2,328,700	\$2,326,600

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Constitutional Defense Council

JLBC: Bob Hull  
House Sub: Weiers

OSPB: Jim Cockerham  
Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
Lump Sum Appropriation	0	0	750,000	750,000	750,000	750,000
<b>AGENCY TOTAL</b>	<b>0</b>	<b>0</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>
<b>BY FUND SOURCE</b>						
General Fund	0 *	0	750,000	750,000	750,000	750,000
<b>TOTAL - ALL SOURCES</b>	<b>0</b>	<b>0</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>

\* 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. See below.

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$750,000	---%	\$-0-	0.0%

**FY 1998 — Recommended Changes from FY 1997**

**Constitutional Defense Council** **750,000 GF**  
Reflects an increase of \$750,000 to restore amounts expended from the original appropriation and for the anticipated increased cost of litigating continuing cases. The Council was appropriated \$1,000,000 from the General Fund for FY 1995, with no additional funding for FY 1996 or FY 1997. These funds were then deposited into the Constitutional Defense Council Revolving Fund. In FY 1995, \$18,400 was expended from the revolving fund. In FY 1996, another \$439,900 was expended. The Executive concurs with the \$750,000 recommendation.

**JLBC Staff Recommended Footnotes**

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

**FY 1999 — Recommended Changes from FY 1998**

**No Changes** **-0- GF**

\* \* \*

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

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Registrar of Contractors

JLBC: Lisa Cotter  
House Sub: Cooley

OSPB: Marcel Benberou  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	111.0	111.8	111.8	111.8	111.8	111.8
Personal Services	2,781,800	2,804,500	2,904,100	2,957,900	2,904,100	2,957,900
Employee Related Expenditures	735,700	741,600	737,400	751,800	743,900	758,300
All Other Operating Expenditures:						
Professional and Outside Services	37,100	23,400	47,600	23,400	47,600	23,400
Travel - In State	193,300	199,600	245,400	224,400	245,400	224,400
Travel - Out of State	2,700	3,800	3,800	3,800	3,800	3,800
Other Operating Expenditures	781,900	822,300	973,300	946,800	971,800	946,500
Equipment	221,000	131,900	138,400	109,700	60,200	83,900
<b>OPERATING SUBTOTAL</b>	<b>4,753,500</b>	<b>4,727,100</b>	<b>5,050,000</b>	<b>5,017,800</b>	<b>4,976,800</b>	<b>4,998,200</b>
<b>SPECIAL LINE ITEMS</b>						
Imaging Equipment	250,000	0	0	598,400	0	0
Incentive Pay	0	60,000	60,000	60,000	60,000	60,000
<b>AGENCY TOTAL</b>	<b>5,003,500</b>	<b>4,787,100</b>	<b>5,110,000</b>	<b>5,676,200</b>	<b>5,036,800</b>	<b>5,058,200</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	5,003,500	4,787,100	5,110,000	5,676,200	5,036,800	5,058,200
Other Non-Appropriated Funds	3,118,900	3,141,800	3,193,800	3,193,800	3,093,800	3,093,800
<b>TOTAL - ALL SOURCES</b>	<b>8,122,400</b>	<b>7,928,900</b>	<b>8,303,800</b>	<b>8,870,000</b>	<b>8,130,600</b>	<b>8,152,000</b>

**Agency Description** — *The agency licenses, regulates and conducts examinations of residential and commercial construction contractors.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$889,100	18.6%	\$(618,000)	(10.9)%

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	<b>\$71,800 OF</b>
ERE Rates	<b>(11,800) OF</b>
Risk Management	<b>(1,900) OF</b>
Eliminate One-time Equipment	<b>(131,900) OF</b>

**Imaging System** **598,400 OF**  
The JLBC Staff recommends an increase of \$598,400 in the Imaging Special Line Item to expand the agency's imaging system to its Hearing and Recovery Fund Divisions. The imaging system currently used in the Licensing Division has

been very effective in decreasing the licensing time frame. As the number of contractors in the state grows, so do the workloads of the Hearing and Recovery Fund Divisions. The agency estimates that it will cost \$1,200,000 to expand the imaging system and \$100,000 per year thereafter to maintain the system. The costs of expanding the system will be shared between the appropriated Registrar of Contractors Fund and the non-appropriated Contractors Recovery Fund. The recommended amount includes \$205,600 in Professional and Outside Services, \$268,800 in Other Operating Expenditures, and \$124,000 in Equipment. The Arizona Department of Administration's Information Resources Management Group approved the project, but indicated several areas in which

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

cost savings could be achieved. In accordance with A.R.S. § 41-4061, this project is subject to approval by the Information Technology Authorization Committee. The Executive does not recommend funding for this project.

Performance Measure	FY 96	FY 97
	Actual	Estimate
# of Citations Issued Against Licensed Contractors	1,648	1,900

**Investigator Reclassifications** **62,100 OF**  
 The JLBC Staff recommends an increase of \$62,100 in Personal Services and Employee Related Expenditures to fund a special recruitment rate approved by the Arizona Department of Administration. The special recruitment rate resolves a disparity in the pay scales between inspectors and investigators of equal grade levels. The Executive does not address this issue.

**Database Specialist** **49,700 OF**  
 The JLBC Staff recommends 1 new FTE Position and associated funding for a Grade 22 Database Specialist III. The recommended amount includes \$44,400 for Personal Services and Employee Related Expenditures and \$5,300 in one-time Equipment. The Executive concurs with the new FTE Position and increases funding by \$53,000.

**Contracts** **65,800 OF**  
 The JLBC Staff recommends an increase of \$65,800 in Other Operating Expenditures to fund increases in repair and maintenance contracts for the agency's communications and computer equipment. The Executive concurs.

**Demographic Increase** **29,500 OF**  
 The JLBC Staff recommends an increase of \$29,500 in Other Operating Expenditures to accommodate 14% growth in the agency's license base and 29% growth in hearing cases from FY 1995 to FY 1996. The recommended amount includes money for postage and long-distance telephone costs. The Executive recommends \$60,900 for increased operating costs.

**Vehicle Upgrades** **26,500 OF**  
 The JLBC Staff recommends \$26,500 for 3 replacement vehicles in the Flagstaff and Prescott offices. The inspectors and investigators in these offices currently drive vehicles without 4-wheel drive capabilities. Four-wheel drive vehicles are needed to enable staff to safely conduct inspections and investigations in winter weather conditions. The recommended amount includes \$21,700 to replace 3 vehicles and \$4,800 for the increased maintenance costs of 4-wheel drives vehicles. The Executive concurs.

**Telecommunications Improvements** **31,100 OF**  
 The JLBC Staff recommends an additional \$22,100 in Other Operating Expenditures for a statewide 800 number and an

additional \$9,000 in Equipment to add a faxtext module to the agency's telephone system. The Executive concurs.

**Travel** **20,000 OF**  
 The JLBC Staff recommends an additional \$20,000 in Travel - In State to accommodate an increase in the agency's number of extended dispatch vehicles. The Executive recommends a \$41,000 increase in Travel - In State.

**Abolished FTE Position** **(2,900) OF**  
 Per the agency's request, the recommended decrease reflects 1 FTE Position abolished in FY 1997. The Executive concurs.

**Equipment** **82,700 OF**  
 The recommended amount includes funding for 12 replacement computers, 7 fax machines for outlying offices, 16 workstations, and other office equipment. The Executive recommends \$127,900 for equipment.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**  
**ERE Rates** **6,500 OF**  
**Eliminate One-time Equipment** **(109,700) OF**

**Eliminate One-Time Imaging Costs** **(598,400) OF**  
 Eliminates FY 1998 one-time costs for the recommended imaging system expansion.

**Other Operating Expenditures** **(300) OF**  
 Eliminates FY 1998 one-time costs for the recommended 800 number. The Executive concurs.

**Equipment** **83,900 OF**  
 The recommended amount includes funding for 12 computers, 17 workstations, and other office equipment. The Executive recommends \$66,500 for equipment.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

**Standard Footnotes**  
 Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Other Issues for Legislative Consideration**

**Executive Recommendation**  
 The Executive recommends an increase of \$24,200 in Professional and Outside Services for specialized computer assistance.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Corporation Commission

JLBC: Brad Regens  
House Sub: Cooley

OSP: Pam Scharon  
Senate Sub: Cirillo

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSP	JLBC	OSP	JLBC
<b>BY PROGRAM/ORGANIZATION</b>						
Administration & Hearings	1,823,500	1,799,600	1,717,900	1,692,600	1,722,100	1,696,200
Corporations	2,540,700	2,673,700	2,986,200	2,989,900	3,020,700	3,210,300
Securities	2,902,600	4,217,000	4,093,100	4,206,800	4,107,900	4,195,700
Railroad Safety (Utilities)	517,600	582,300	614,100	614,100	615,500	615,500
Utilities	4,864,600	4,857,400	4,890,500	4,913,500	4,800,900	4,823,800
Legal	1,026,600	1,008,800	1,071,000	1,087,000	1,083,600	1,083,400
<b>AGENCY TOTAL</b>	<b>13,675,600</b>	<b>15,138,800</b>	<b>15,372,800</b>	<b>15,503,900</b>	<b>15,350,700</b>	<b>15,624,900</b>
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	262.0	277.0	283.0	283.0	283.0	283.0
Personal Services	7,264,300	7,628,100	7,915,000	7,952,300	7,915,000	7,952,300
Employee Related Expenditures	1,575,000	1,607,400	1,663,300	1,673,000	1,679,500	1,688,300
All Other Operating Expenditures:						
Professional and Outside Services	269,900	204,900	253,900	251,900	226,900	219,900
Travel - In State	192,000	177,700	177,700	177,700	177,700	177,700
Travel - Out of State	47,700	60,300	60,300	60,300	60,300	60,300
Other Operating Expenditures	2,228,000	2,137,200	2,219,700	2,201,000	2,047,300	2,226,900
Equipment	258,400	129,200	120,100	111,200	376,800	344,400
<b>OPERATING SUBTOTAL</b>	<b>11,835,300</b>	<b>11,944,800</b>	<b>12,410,000</b>	<b>12,427,400</b>	<b>12,483,500</b>	<b>12,669,800</b>
<b>SPECIAL LINE ITEMS</b>						
Arizona Arts Trust Fund	28,500	28,900	28,600	28,600	28,700	28,700
Model Business Corporation Act	21,800	0	0	0	0	0
Investment Management Act	0	601,900	625,200	625,500	628,500	628,700
Securities Revolving Fund	1,350,500	2,021,200	1,762,000	1,875,400	1,768,000	1,855,700
Railroad Warning Systems	131,100	192,000	192,000	192,000	192,000	192,000
Audits and Studies	253,400	350,000	260,000	260,000	250,000	250,000
Pipeline Safety Inspection & Training	55,000	0	95,000	95,000	0	0
<b>AGENCY TOTAL</b>	<b>13,675,600</b>	<b>15,138,800</b>	<b>15,372,800</b>	<b>15,503,900</b>	<b>15,350,700</b>	<b>15,624,900</b>
<b>BY FUND SOURCE</b>						
General Fund	5,174,500	5,209,900	5,609,000	5,642,600	5,599,400	5,613,200
Other Appropriated Funds	8,501,100	9,928,900	9,763,800	9,861,300	9,751,300	10,011,700
Federal Funds	104,600	98,000	98,000	98,000	98,000	98,000
<b>TOTAL - ALL SOURCES</b>	<b>13,780,200</b>	<b>15,236,800</b>	<b>15,470,800</b>	<b>15,601,900</b>	<b>15,448,700</b>	<b>15,722,900</b>

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$432,700	8.3%	\$ (29,400)	(0.5)%
Other Appropriated Funds	(67,600)	(0.7)%	150,400	1.5%
<b>Total Appropriated Funds</b>	<b>\$365,100</b>	<b>2.4%</b>	<b>\$121,000</b>	<b>0.8%</b>

Performance Measure	FY 96 <u>Actual</u>	FY 97 <u>Estimate</u>
New Active Corporations and LLC's	10,296	11,087
Backlog of Corporate Documents not Processed	2,814	3,636

### FY 1998 — Recommended Changes from FY 1997

<b>Standard Changes</b>		
Pay Annualization	\$147,200 OF	\$81,000 GF
ERE Rates	(6,100) OF	(1,000) GF
Risk Management	(18,600) OF	(8,400) GF
Rent	(36,000) OF	89,900 GF
Eliminate One-time Equipment	(256,200) OF	(3,000) GF

**Replacement Equipment**      **79,600 OF**      **3,500 GF**  
 The JLBC Staff recommends total funding of \$83,100 for replacement equipment. This amount will fund 2 office copiers, an electronic cash register, and the replacement of several personal computers and printers. The Executive recommends \$57,900 for various pieces of replacement equipment.

**Commissioners' Salaries**      **33,600 GF**  
 The JLBC Staff recommends full-year funding to increase the salary of the 3 Corporation Commissioners from \$54,600 to \$65,000. With the exception of legislators, elected official salaries are determined by the recommendations of the Governor and the Commission on Salaries for State Elected Officials. At the beginning of the prior regular session, the Governor and Commission recommended the \$65,000 salary for the Commissioners. The Corporation Commissioners,

unlike most other elected officials, are permitted by the state constitution to receive a salary increase while serving their terms. Additionally, the Commission is eligible to receive these salary increases beginning January 1, 1997. Therefore, the JLBC Staff recommends full-year funding for FY 1998 and supplemental funding in the amount of \$16,800 for half-year funding during FY 1997. The Executive concurs in the amount of \$34,800.

**Program Authorization Review — Corporations Division Backlog**      **61,600 OF 237,100 GF**  
 The JLBC and OSPB Staffs conducted a Program Authorization Review of the Corporations program during the last year. As a result of that review, the JLBC Staff recommends \$298,700 and 6 FTE Positions to modify the program. Of this amount, \$237,100 is from the General Fund and \$61,600 is from the Public Access Fund.

The Corporations program currently operates under a substantial backlog. Documents such as articles of incorporation, corporate name changes and others take 8 weeks or more to process. This delay means over 3,600 documents will sit idle, waiting to be processed at the end of this fiscal year. This slows commerce in the state and creates a burden for many entities which are just beginning to transact business in the state. Growth in the number of Arizona businesses continues to make this processing delay even longer.

Based upon the review conducted, the JLBC Staff recommends modifying this program by changing work responsibilities within the division. The recommended increase funds 6 FTE Positions and related start-up costs which will facilitate the formation of a separate phone bank.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

This will improve the rate of phone calls answered and allow the examiners to review incoming documents without being disturbed. This increase also funds a private contract to microfilm all documents, which will free up another FTE Position to work on the backlog. Immediate aid is also provided with this increase by funding 5 temporary positions for 30 days to alleviate the backlog. Another portion of the increase in funding provides a machine to fax documents directly from microfilm viewing. Finally, \$44,600 in additional salary and ERE funding is provided to increase the grade and pay of 6 examiners and a supervisor. These employees will work slightly altered work hours due to space limitations. These actions should alleviate the current backlog.

The Executive concurs with this recommendation in the amount of \$266,600 Total Funds; \$204,400 General Fund and \$62,200 Public Access Fund. The most substantial difference between the 2 recommendations concerns workspace. Both offices recommend funding for additional equipment and employees for a division that is already utilizing all available space. The JLBC Staff recommends a night shift differential be paid to employees who are willing to work earlier or later hours than the standard 8 to 5 shift. The Executive recommends funding for 1,500 additional square feet of space. However, 1300 W. Washington, the state building the Corporations Division occupies has no free space at this time.

**Utility Audits and Studies (90,000) OF**

The Corporation Commission hires experts in various fields to provide studies, analysis, recommendations and testimony at rate hearings. Monies in this line item have historically constituted a non-reverting appropriation. Due to this, the line item has built up a healthy unexpended fund balance. The JLBC Staff recommends decreasing this appropriation by \$(90,000) to \$260,000. In combination with an estimated carry-forward balance of \$634,100, there will be a total of \$894,100 available for utility audits and studies. Estimated FY 1998 expenditures are \$400,000, which would leave a carry-forward balance of nearly \$500,000. The Executive concurs.

**Pipeline Safety Equipment 95,000 OF**

The recommended \$95,000 total funding provides for various pieces of safety equipment used in detecting pipeline leaks. The Executive concurs.

**Corporations Data Processing (44,100) OF**

The recommended reduction accounts for lower expected costs in contractual data processing. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

**ERE Rates 8,200 OF 9,500 GF**

**Rent \$19,500 OF \$11,000 GF**  
**Eliminate One-time Equipment (79,600) OF (3,500) GF**

**Corporation Division**

**One-time Costs (61,600) OF (11,400) GF**

This recommended decrease removes all one-time funding for equipment purchases in the Corporations Division. This decrease also removes funding for temporary personnel, as the backlog of documents should be completely processed by this time.

**Establish New**

**Processing System 333,000 OF (35,000) GF**

As the second phase in improving Corporations Division processing of documents, the JLBC Staff recommends a net increase of \$298,000 to create a new processing system. This change will allow the division to purchase machines which would scan and microfilm every document upon receipt. This would place the document on computer and microfilm records immediately. In addition, the increase funds 3 bar code printers which will print out and assign a bar code number to every document received. This will allow for document tracking to answer customer questions. Finally, the increase includes funding to hire a consultant to assist with design and installation of this new system which should improve the speed of document processing. The decrease reflects a reduction of General Funds which provided outsourced microfilming services in FY 1998, but is no longer needed in FY 1999 with the new system. The increase of \$333,000 is from the Public Access Fund. The Executive concurs in the amount of \$291,700 in Total Funds.

**Utility Audits and Studies (10,000) OF**

This recommended decrease would continue the policy advocated in FY 1998 of using this line item's substantial balance to fund a portion of current expenditures. The JLBC Staff recommends decreasing this appropriation by \$(10,000) to \$250,000. In combination with an estimated carry-forward balance of \$494,100, there will be a total of \$744,100 available for utility audits and studies. Estimated FY 1999 expenditures are \$350,000, which would leave a carry-forward balance of \$394,100. The Executive concurs.

**Eliminate One-Time Pipeline Equipment (95,000) OF**

The recommended decrease removes one-time funding used to purchase safety equipment. The Executive concurs.

**Replacement Equipment 35,900 OF**

The JLBC Staff recommends total funding of \$35,900 for replacement equipment. This amount will fund an office copier and several replacement computers and a laser printer. The Executive recommends \$58,800 in total funding for various pieces of replacement equipment.

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Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Monies in the Audits and Studies Special Line Item are exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations.

**Other Issues for Legislative Consideration**

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec	FY 1999 JLBC Rec
Utility Regulation Fund	\$6,022,500	\$6,024,800
Arizona Arts Trust Fund	28,600	28,700
Pipeline Safety Revolving Fund	95,000	-0-
Investment Mgmt. & Reg. Enforcement Fund	625,500	628,700
Public Access Fund	1,214,300	1,473,800
Securities Regulatory and Enforcement Fund	1,875,400	1,855,700
<b>TOTAL</b>	<b>\$9,861,300</b>	<b>\$10,011,700</b>



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Board of Cosmetology

JLBC: Chris Earnest  
House Sub: Weiers

OSPB: Pam Scharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	15.5	15.5	16.5	17.5	16.5	17.5
Personal Services	303,900	345,300	373,200	392,700	373,200	392,700
Employee Related Expenditures	84,200	96,000	95,400	100,500	96,300	101,400
All Other Operating Expenditures:						
Professional and Outside Services	84,200	77,900	102,200	132,000	102,200	132,000
Travel - In State	24,800	25,000	25,000	25,000	25,000	25,000
Travel - Out of State	6,900	7,700	7,700	7,700	7,700	7,700
Other Operating Expenditures	126,100	139,500	154,600	141,800	157,100	144,700
Equipment	1,000	0	15,700	22,000	0	0
<b>OPERATING SUBTOTAL</b>	<b>631,100</b>	<b>691,400</b>	<b>773,800</b>	<b>821,700</b>	<b>761,500</b>	<b>803,500</b>
<b>SPECIAL LINE ITEMS</b>						
Attorney General Services	0	0	45,000	0	45,000	0
Relocation and Equipment Replacement	170,500	0	0	0	0	0
<b>AGENCY TOTAL</b>	<b>801,600</b>	<b>691,400</b>	<b>818,800</b>	<b>821,700</b>	<b>806,500</b>	<b>803,500</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	801,600	691,400	818,800	821,700	806,500	803,500
<b>TOTAL - ALL SOURCES</b>	<b>801,600</b>	<b>691,400</b>	<b>818,800</b>	<b>821,700</b>	<b>806,500</b>	<b>803,500</b>

**Agency Description** — *The board administers licensing examinations and licenses; inspects salons and schools; and investigates violations of sanitation requirements and cosmetology procedures. It conducts hearings and imposes enforcement actions where appropriate.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$130,300	18.8%	\$(18,200)	(2.2)%

Performance Measure	FY 96 Actual	FY 97 Estimate
% of Establishments Receiving 2 Inspections Per Year	45.0%	35.0%

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	\$ 9,500 OF
ERE Rates	(7,400) OF
Risk Management	(400) OF
Rent	2,700 OF

**Administrative Assistant: Complaints** **31,200 OF**  
 JLBC Staff recommends an increase of \$31,200 for 1 FTE Position to allow the agency to hire an administrative assistant. This position will process the increased number of complaints that the board has had to resolve over the last few years. The number of complaints in FY 1992 was 494. In FY 1996, complaints increased to 1,301, a 163% increase over the 4 years. With the increasing numbers of licensed cosmetology establishments in the state, the trend is expected to continue. The addition of an administrative assistant will allow the agency's 3 investigators more time in the field doing inspections and investigations instead of in the office doing paperwork. The recommended increase includes

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

\$24,900 in Personal Services and Employee Related Expenditures and One-time Equipment costs of \$6,300. The Executive does not concur.

**Administrative Assistant: Examinations 31,200 OF**

The Board of Cosmetology administers examinations as a means of certifying cosmetologists. The exams test the applicants abilities with cosmetic chemistry, product application and other technical procedures specific to the industry. The number of examinations applied for and given has steadily increased over the last 5 years. The number of examinations given in FY 1995 was 2,216; in FY 1996 was 2,430; and the estimated number for FY 1999 is 3,016. This increased workload has extended the period of time between when an exam is applied for and when it is given. In FY 1996, only 44% of exam applicants received their exam within 4 weeks of applying. A survey in that same year indicated that 20% of examinees were disappointed with the time it took from application submission to the actual test date. The JLBC Staff recommends an increase of \$31,200 and 1 FTE Position to help with the increased workload. The agency will hire an administrative assistant to administer additional exams. The recommended increase includes \$24,900 in Personal Services and Employee Related Expenditures and One-time Equipment costs of \$6,300. The Executive concurs with this FTE Position.

**Assistant Attorney General 43,700 OF**

The board uses the services of an Assistant Attorney General (AAG) for complaint hearings, legal education, and writing rules packages. The AAG spent approximately 460 hours representing the Board of Cosmetology in FY 1994. In FY 1995, total hours spent were reduced to 375. The decreased hours is not reflective of the board's need for services (between FY 1994 and FY 1995, the number of formal and informal hearings jumped from 126 to 181). The JLBC Staff recommends an increase of \$43,700 in Professional and Outside Services for the board to adjust their contract with the Attorney General's Office. The increase will pay the Personal Services and Employee Related Expenditures for an assigned AAG to devote 60% of his or her time to cosmetology representation. The AAG will continue to assist in complaint hearings and rule package writing. In addition, the AAG will train inspectors on the hearing process, testify, write reports and collect evidence as well as advising the board on actions against licensed and unlicensed establishments. The Executive concurs, but would make this issue a special line item.

**Exams Contract 10,400 OF**

Exams administered by the board are provided and scored under a contract with the National Interstate Council of State Boards of Cosmetology (NIC). In FY 1997, the NIC increased its rates for both written and practical exams. Based on the number of tests administered by the board in FY 1996, the JLBC Staff recommends an increase of \$10,400

in Professional and Outside Services to cover the new rates. The Executive concurs.

**Replacement Equipment 9,400 OF**

The recommended amount includes an increase of \$9,400 for the board to replace a copy machine. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

**ERE Rates 900 OF**

**Rent 2,900 OF**

**Eliminate One-time Equipment (22,000) OF**

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

**JLBC Staff Recommended Footnotes**

*Standard Footnote*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Other Issues for Legislative Consideration**

**Executive Recommendation**

The Executive recommends an increase of \$15,000 for the board to hire temporary help to assist with increased licensing requests. The JLBC Staff does not concur. While applications for licenses have increased by 28% over the past 4 fiscal years, the board has continued to process over 90% of applications within 10 days of receipt.

**Performance Audit**

The Office of the Auditor General released a performance audit of the Board of Cosmetology in October 1996. Among other findings, the audit found the board's recent fee increase unjustified. On July 1, 1996 all licensing, examination and other fees were increased 50%. This was the first fee increase by the board since 1984. The audit cited the board's large reserve fund balance as the primary reason for not justifying the increase.

JLBC Staff does not concur with the Auditor General's finding. Although the board's fund reserve was approximately \$400,000 at the end of FY 1996, increasing operating costs and planned capital projects justify a fee increase. Increasing operating costs have slowly depleted the fund reserve. Between FY 1992 and FY 1995, operating costs exceeded fee receipts by an average of \$14,000 a year. In FY 1996, the board had additional relocation costs causing total disbursement to exceed revenues by \$180,000. The Board hopes to install an automation system in the future. This would further deplete fund reserves.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

The planned automation system and increasing operating costs justify the increase. JLBC Staff recognizes that for the first 3-5 years of the increase, fee receipts will exceed expenditures. It is anticipated that after that time the board will draw upon the positive balance for its operating budget.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Criminal Justice Commission

JLBC: Jim Hillyard  
House Sub: Cooley

OSP: Bill Greeney  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0	6.0	6.0	6.0
Personal Services	205,700	222,700	226,600	226,600	226,600	226,600
Employee Related Expenditures	36,200	45,600	44,300	44,300	44,600	45,200
All Other Operating Expenditures:						
Professional and Outside Services	1,600	0	0	0	0	0
Travel - In State	8,200	11,000	11,000	11,000	11,000	11,000
Travel - Out of State	2,300	2,300	2,300	2,300	2,300	2,300
Other Operating Expenditures	55,700	65,400	67,600	61,400	67,600	61,400
<b>OPERATING SUBTOTAL</b>	<b>309,700</b>	<b>347,000</b>	<b>351,800</b>	<b>345,600</b>	<b>352,100</b>	<b>346,500</b>
<b>SPECIAL LINE ITEMS</b>						
Street Gang Prosecution	1,099,600	500,000	500,000	500,000	500,000	500,000
Substance Abuse Survey	22,400	0	25,000	25,000	0	0
Crime Victim Compensation	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Crime Victim Assistance Program Grants	450,000	450,000	430,000	450,000	430,000	450,000
<b>AGENCY TOTAL</b>	<b>2,981,700</b>	<b>2,397,000</b>	<b>2,406,800</b>	<b>2,420,600</b>	<b>2,382,100</b>	<b>2,396,500</b>
<b>BY FUND SOURCE</b>						
General Fund	1,102,100	500,000	500,000	500,000	500,000	500,000
Other Appropriated Funds	1,879,600	1,897,000	1,906,800	1,920,600	1,882,100	1,896,500
Other Non-Appropriated Funds	2,291,200	3,651,300	4,842,100	4,842,100	4,842,100	4,842,100
Federal Funds	6,104,300	9,501,000	10,251,400	10,251,400	10,251,400	10,251,400
<b>TOTAL - ALL SOURCES</b>	<b>11,377,200</b>	<b>15,549,300</b>	<b>17,500,300</b>	<b>17,514,100</b>	<b>17,475,600</b>	<b>17,490,000</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. One and five-tenths and seven hundredths percent of the Criminal Justice Enhancement Fund monies are earmarked for the use of the Arizona Criminal Justice Commission (ACJC).*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$ -0-	0.0%	\$ -0-	0.0%
Other Appropriated Funds	23,600	1.0	(24,100)	1.0
Total Appropriated Funds	\$23,600	0.8%	\$(24,100)	0.8%

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

Performance Measure	FY 96	FY 97
	Actual	Estimate
Grant Applications Evaluated	120	120

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
Pay Annualization	<b>\$4,400 OF</b>
ERE Rates	<b>(1,800) OF</b>
Risk Management	<b>(600) OF</b>
Rent	<b>(3,400) OF</b>

**Substance Abuse Survey** **25,000 OF**  
 The recommended amount would fund a statewide substance abuse survey of children and adults. This survey was first conducted in FY 1989 and has been conducted biennially since FY 1992. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

<b>Standard Changes</b>	
ERE Rates	<b>900 OF</b>

**Substance Abuse Survey** **(25,000) OF**  
 The recommended amount eliminates funding for the biennial substance abuse survey funded in FY 1998. The Executive concurs.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Deletion of Prior Year Footnotes*  
 The JLBC Staff recommends deleting the one-time footnote regarding a report on Street Gang Enforcement monies.

**Other Issues for Legislative Consideration**

**Executive Recommendation**  
 The Executive recommends \$205,000 in Other Funds for the Arizona Drug and Gang Prevention Resource Center. In the past, funding for the Center was passed through ACJC. The JLBC Staff recommends displaying funding for the Center separately to enhance the Center's visibility and increase legislative oversight. Please see the JLBC Staff's recommendation for the Arizona Drug and Gang Prevention Resource Center for more information.

The Executive recommends a \$(20,000) decrease in Crime Victim Assistance Program Grants. This decrease would make this grant amount equal to the program's revenues.

The JLBC Staff does not recommend this decrease. In past years, a portion of the Victim Assistance Fund's substantial carry-forward balance was used to provide \$450,000 in grants. In FY 1998, the fund will have a \$100,900 balance forward. The JLBC Staff recommends using these monies to maintain \$150,000 in grant monies.

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec	FY 1999 JLBC Rec
Criminal Justice		
Enhancement Fund	\$ 370,600	\$ 346,500
Crime Victim		
Compensation Fund	1,100,000	1,100,000
Crime Victim Assistance Fund	450,000	450,000
<b>TOTAL</b>	<b>\$1,920,600</b>	<b>\$1,896,500</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

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

JLBC: Stefan Shepherd  
House Sub: Knaperek

OSPB: Bill Greeney  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>						
Phoenix Day School	5,177,800	5,575,900	5,967,500	5,789,000	6,130,100	5,956,800
Tucson Campus	12,894,600	13,340,700	13,628,700	13,439,300	13,776,600	13,666,200
Administration / Statewide Programs	3,562,900	3,775,100	4,513,800	4,612,900	4,751,400	4,696,300
<b>AGENCY TOTAL</b>	<b>21,635,300</b>	<b>22,691,700</b>	<b>24,110,000</b>	<b>23,841,200</b>	<b>24,658,100</b>	<b>24,319,300</b>

**OPERATING BUDGET**

<i>Full Time Equivalent Positions</i>	519.9	524.4	540.1	536.9	547.1	539.9
Personal Services	14,117,900	14,888,800	15,641,600	15,738,600	16,077,000	16,269,800
Employee Related Expenditures	3,068,700	3,053,100	3,279,100	3,279,700	3,377,800	3,382,000
All Other Operating Expenditures:						
Professional and Outside Services	415,400	485,500	487,600	491,800	509,300	370,200
Travel - In State	55,500	62,400	64,500	66,100	67,700	67,700
Travel - Out of State	1,300	7,000	7,000	7,000	7,000	7,000
Food	102,100	115,100	115,100	115,100	115,100	115,100
Other Operating Expenditures	3,545,300	3,282,700	3,610,500	3,632,900	3,667,600	3,664,000
Equipment	329,100	797,100	904,600	510,000	836,600	443,500
<b>AGENCY TOTAL</b>	<b>21,635,300</b>	<b>22,691,700</b>	<b>24,110,000</b>	<b>23,841,200</b>	<b>24,658,100</b>	<b>24,319,300</b>

**BY FUND SOURCE**

General Fund	16,706,600	16,827,100	18,379,200	18,066,800	18,927,300	18,573,600
Other Appropriated Funds	4,928,700	5,864,600	5,730,800	5,774,400	5,730,800	5,745,700
Other Non-Appropriated Funds	2,232,900	1,957,100	2,187,600	2,187,600	2,391,600	2,391,600
Federal Funds	1,046,600	1,365,100	1,105,100	1,105,100	940,900	940,900
<b>TOTAL - ALL SOURCES</b>	<b>24,914,800</b>	<b>26,013,900</b>	<b>27,402,700</b>	<b>27,133,900</b>	<b>27,990,600</b>	<b>27,651,800</b>

**Agency Description** — *The Arizona State Schools for the Deaf and the Blind (ASDB) provides comprehensive educational programs for visually and hearing impaired students. ASDB has 2 main campuses, a day school in Phoenix and a residential campus in Tucson, as well as a diagnostic center in Tucson, satellite preschools in the Tucson and Phoenix metropolitan areas, and regional offices in Tucson, Yuma and Flagstaff from which school district cooperatives are operated. ASDB also serves children up to 2 years of age throughout the state. Systemwide, ASDB serves approximately 1,406 children: 526 students in the K-12 programs, 125 children in preschools, 366 infant/toddlers in regional areas, and 389 children through the 3 regional cooperatives.*

**Change in Funding Summary:**

	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$1,239,700	7.4%	\$506,800	2.8%
Other Appropriated Funds	(90,200)	(1.5)%	(28,700)	(0.5)%
<b>Total Appropriated Funds</b>	<b>\$1,149,500</b>	<b>5.1%</b>	<b>\$478,100</b>	<b>2.0%</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$ 76,200 OF	\$ 216,500 GF
ERE Rates	(2,400) OF	94,200 GF
Risk Management	-0- OF	20,500 GF
Rent	-0- OF	271,200 GF
Eliminate One-time Equipment	-0- OF	(1,025,600) GF
Equipment	-0- OF	428,100 GF
LAN Computer	-0- OF	398,000 GF
Cooperative Programs Expansion	-0- OF	264,400 GF
Salary Adjustments (See Other Issues Below)	67,800 OF	173,800 GF
Training/Safety Issues	42,100 OF	69,600 GF
PDSD Administration	62,400 OF	-0- GF
Voucher Shifts	(329,000) OF	329,000 GF
Personnel Shift to PDSD	-0- OF	-0- GF
Other	(7,300) OF	-0- GF

**FY 1999 — Recommended Changes from FY 1998**

<b>Standard Changes</b>		
ERE Rates	7,100 OF	23,200 GF
Rent	-0- OF	(1,900) GF
Eliminate One-Time Equipment	(28,700) OF	(725,300) GF
Eliminate One-time Prof. and Outside Services	-0- OF	(148,000) GF
Salary Adjustments (See Other Issues Below)	-0- OF	483,200 GF
Equipment	-0- OF	425,300 GF
LAN Computer	-0- OF	304,000 GF
Cooperative Programs Expansion	-0- OF	139,200 GF
Other	(7,100) OF	7,100 GF

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**JLBC Staff Recommended Format** — Lump Sum for the Program

**Other Issues for Legislative Consideration**

**Salary Adjustments**

The Arizona Department of Administration (ADOA) conducts an annual salary equity survey which compares salaries for ASDB employees with salaries in school districts with relatively large special education programs. This summer, ADOA surveyed 5 school districts for the study: Tucson Unified, Mesa Unified, Washington Elementary,

Paradise Valley Union, and Scottsdale Union. The completed study found that certified staff in 2 of the 5 districts received step increases. A "step increase" is the increase associated with an additional year of service on teacher salary schedules. In addition, the study found that average percentage increases for inflation were 3.3% for certificated staff, 2% for classified staff, and 2.7% for administrators. If these average increases were used for purposes of adjusting the ASDB salary scale, they would constitute a partial step increase.

Because of the difficulties associated with recommending a partial step increase, which would necessitate a restructuring of ASDB's salary schedule, the JLBC Staff is recommending a full step increase for ASDB staff in FY 1998, effective January 1, 1998. JLBC Staff is also recommending a full step increase for ASDB staff in FY 1999, effective January 1, 1999, along with annualization of the step increase recommended for FY 1998. The full step increase will equal approximately the same increase in pay for ASDB's employees as the partial step increase plus inflation adjustment listed by the ADOA study, but will not require ASDB to rewrite its salary schedule. For ASDB as a whole, the FY 1998 increase totals \$241,600 in additional Personal Services and Employee Related Expenditures. The FY 1999 increase plus annualization of the FY 1998 increase totals \$483,200 in additional Personal Services and Employee Related Expenditures.

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

- Certified employees: \$1,393 (2.9% to 6.3%)
- Classified employees: \$347 to \$1,534 (2.75%)
- Administrative employees: \$815 to \$2,107 (2.75%)

For further details on recent salary adjustments for ASDB Certified Staff, please see the "ASDB Teacher Pay Adjustments" table on the following page.

The Executive concurs, but recommends a total of \$245,900 in FY 1998 for a January 1, 1998 salary adjustment. The Executive also recommends a total of \$245,900 in FY 1999 to annualize that adjustment. The Executive does not recommend, however, a new salary adjustment for FY 1999.

**System of Funding ASDB**

ASDB is funded primarily with monies from 2 sources: direct appropriations from the General Fund and appropriations from the Permanent Special Education Institutional Voucher Fund, which is located in the Arizona Department of Education (ADE) budget. There is some debate as to whether this is the best way to appropriate funds to ASDB. If the Legislature wishes to change the ASDB funding system, there are several options available.

<b>ASDB Teacher Pay Adjustments</b>								
	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>
APP	4.3%	4.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Salary Equity	8.0	4.6	0.0	6.7 <sup>2/</sup>	0.0 <sup>3/</sup>	1.4	5.3	4.5 <sup>4/</sup>
ASDB's Portion of Statewide Increase	1.5 <sup>1/</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Teacher Pay Increase</b>	<b>12.3</b>	<b>9.5</b>	<b>0.0</b>	<b>6.7</b>	<b>0.0</b>	<b>1.4</b>	<b>5.3</b>	<b>4.5</b>
Statewide Increase	1.5	4.8	0.0	4.4	0.0	5.0 <sup>4/</sup>	2.0	2.9 <sup>4/</sup>
Difference Teacher Pay vs. Statewide	10.8	4.7	0.0	2.3	0.0	(3.6) <sup>4/</sup>	3.3	1.6 <sup>4/</sup>

<sup>1/</sup> Only went to non-teaching positions.  
<sup>2/</sup> Includes a 2% unfunded adjustment for FY 1992 and a 4.7% adjustment for FY 1993.  
<sup>3/</sup> Consistent with ADOA study results.  
<sup>4/</sup> State employees received a 3% increase on July 1, 1994 and a 2% increase on April 1, 1995.  
<sup>5/</sup> Effective January 1, 1997.  
<sup>6/</sup> State employees received a 1% + \$500 increase on April 1, 1997.

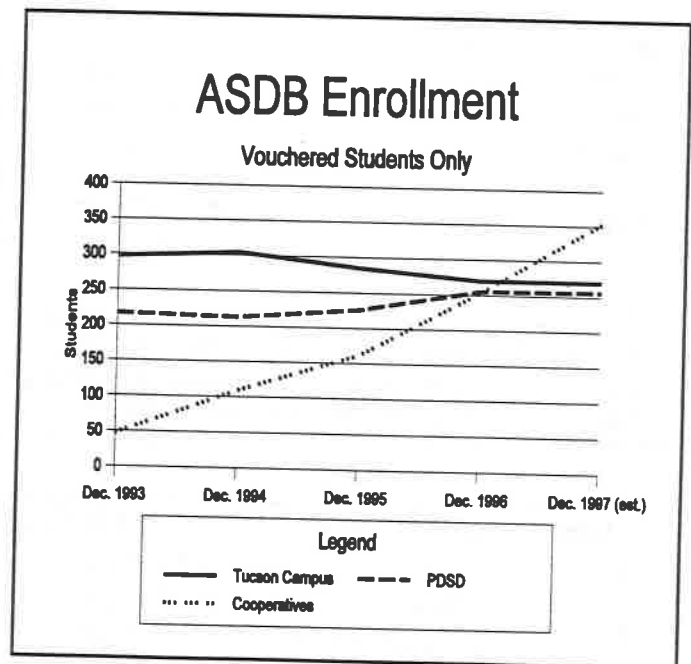
Since funds in the Permanent Special Education Institutional Voucher Fund come from the General Fund, one option for altering the ASDB funding system would be to appropriate the General Funds directly to ASDB. This would make the true GF cost of operating ASDB more visible. It could require a supplemental in the second half of the fiscal year, however, if the student population does not match the appropriated count.

Another option would be to add the monies and the students in the Voucher Fund to the Basic State Aid line item in ADE's budget and allow ASDB to apply for funding for students referred to it from each district. This option is similar to the current system except that it removes a step in the administrative process of transferring funds to ASDB.

A third option would be to retain the current system. This system allows ASDB to manage increases in student population without having to request supplemental appropriations; they ask the Joint Legislative Budget Committee to review their proposed expenditures of voucher funds in excess of what they were appropriated. It also reduces funding to ASDB if student population does not match the appropriated level. This system masks, however, the true General Fund cost of operating the schools.

**Enrollment Projections**

Enrollment for ASDB agencywide is expected to increase slightly from the FY 1997 appropriated student count. For more information on enrollment of vouchered students within ASDB programs, including the non-appropriated Cooperative Programs, please refer to the chart below.





**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

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

JLBC: Stefan Shepherd  
 House Sub: Knaperek

OSPB: Bill Greeney  
 Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	136.4	137.4	151.9	147.4	153.9	147.4
Personal Services	3,498,900	3,891,000	4,388,100	4,303,300	4,514,900	4,424,300
Employee Related Expenditures	800,300	798,600	923,900	901,900	952,700	924,500
All Other Operating Expenditures:						
Professional and Outside Services	135,300	59,300	59,300	20,300	59,300	20,300
Travel - In State	200	1,100	1,100	1,100	1,100	1,100
Travel - Out of State	0	1,500	1,500	1,500	1,500	1,500
Food	31,000	30,900	30,900	30,900	30,900	30,900
Other Operating Expenditures	455,800	396,700	396,700	414,200	396,700	414,200
Equipment	256,300	396,800	166,000	115,800	173,000	140,000
<b>OPERATING SUBTOTAL</b>	<b>5,177,800</b>	<b>5,575,900</b>	<b>5,967,500</b>	<b>5,789,000</b>	<b>6,130,100</b>	<b>5,956,800</b>
<b>BY FUND SOURCE</b>						
General Fund	3,483,900	3,356,500	3,425,400	3,302,500	3,588,000	3,470,300
Other Appropriated Funds	1,693,900	2,219,400	2,542,100	2,486,500	2,542,100	2,486,500
Other Non-Appropriated Funds	14,000	37,600	37,100	37,100	37,100	37,100
Federal Funds	143,100	246,600	206,500	206,500	206,500	206,500
<b>TOTAL - ALL SOURCES</b>	<b>5,334,900</b>	<b>5,860,100</b>	<b>6,211,100</b>	<b>6,032,600</b>	<b>6,373,700</b>	<b>6,200,400</b>

**Program Description** — *The Phoenix Day School for the Deaf (PDS) provides a comprehensive educational program for hearing impaired students. PDS is projected to serve 256 students in the K-12 programs in the following categories: 199 hearing impaired, 23 multiply disabled and 34 multiple disabilities with severe sensory impairments (MDSSI).*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$(54,000)	(1.6)%	\$167,800	5.1%
Other Appropriated Funds	267,100	12.0%	-0-	0.0%
Total Appropriated Funds	\$213,100	3.8%	\$167,800	2.9%

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$76,200 OF	\$ -0- GF
ERE Rates	(2,600) OF	30,200 GF
Eliminate One-time Equipment	-0- OF	(427,800) GF

**Personnel Shift to PDS** **235,200 GF**  
 The JLBC Staff recommends that 6 FTE Positions and \$235,200 be transferred to the PDS budget from the Tucson

Campus cost center budget. This transfer will address the needs of a growing population at PDS. For FY 1997, PDS was appropriated funds to serve 227 vouchered students. As of November 1996, however, PDS was serving 252 vouchered students, an increase of 25 students. At the same time that PDS's population jumped significantly, the population at the Tucson Campus dropped by nearly the same amount. Although JLBC Staff recommends that the exact composition of the transfer be left up to the agency, JLBC Staff suggests that the transfer of 4 teachers of the deaf, an audiologist, and a communications

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

specialist from the Tucson Campus to PDSO may be appropriate. The recommended transfer includes \$190,600 in Personal Services, \$38,600 in Employee Related Expenditures, and \$6,000 in Other Operating Expenditures. The Executive recommends a transfer of \$322,700 and 11 FTE Positions to the PDSO cost center from the Tucson Campus cost center.

**Equipment** 158,300 GF  
 The JLBC Staff recommends \$42,500 for replacement non-capitalized equipment, \$70,000 for 1 replacement bus, and a total of \$45,800 for 2 replacement cars.

The Executive recommends a total of \$197,000 for equipment. The total includes \$31,000 for replacement non-capitalized equipment, \$6,200 for replacement capitalized equipment, and a total of \$159,800 for 1 replacement wagon and 2 replacement buses.

**Salary Adjustments** 67,800 OF  
 The JLBC Staff recommends an increase of \$60,500 in Personal Services and \$7,300 in Employee Related Expenditures for a full step increase for all employees at PDSO, effective January 1, 1998. This increase will require annualization in FY 1999, as recommended in the FY 1999 "Salary Adjustments" issue. Please see the Agency Summary narrative for more details. The Executive concurs, but recommends a total of \$68,700 for the adjustment.

**Administrative Help** 62,400 OF  
 The JLBC Staff recommends an increase of \$62,400 and 3 FTE Positions to hire administrative help at PDSO to address increased enrollment responsibilities. The funds would be used to hire a transportation assistant and 2 secretaries for the Personnel Office and Related Service Division, neither of which have secretaries. The recommended amount includes \$48,700 in Personal Services and \$13,700 in Employee Related Expenditures. The Executive does not recommend this issue.

**Training Days** 13,400 OF  
 JLBC Staff recommends an additional \$13,400 to add training days to the schedule of instructional aides at PDSO. These training days will be used to address the health and safety concerns aides face in their jobs and will hopefully reduce ASDB's Risk Management premiums, which have increased over the past years, both in actual dollars and as a percentage of the state's overall premium. The recommended amount includes \$12,000 in Personal Services and \$1,400 in Employee Related Expenditures. The Executive does not recommend this issue.

**Voucher Shift** 49,900 OF (49,900) GF  
 The JLBC Staff recommends transferring \$49,900 and 1.5 FTE Positions from the General Fund to voucher monies. This occurs as a result of increasing enrollment at PDSO.

The Executive recommends a transfer of \$65,600 and 1.7 FTE Positions out of the voucher monies and into the General Fund.

**Physical Therapist** -0- GF  
 The JLBC Staff recommends transferring \$39,000 from the Professional and Outside Services line item into Personal Services and Employee Related Expenditures to hire a Physical Therapist. The increase in the student population at PDSO has led to an increase in physical therapy services. PDSO now contracts for such services, but can only afford 2 days of services per week. The recommendation includes an increase of 1 FTE Position, an increase of \$32,500 in Personal Services, \$6,500 in Employee Related Expenditures, and a decrease of \$(39,000) in Professional and Outside Services. The Executive does not recommend this issue.

**FY 1999 — Recommended Changes from FY 1998**

<b>Standard Changes</b>		
<b>ERE Rates</b>	3,200 OF	4,800 GF
<b>Eliminate One-time Equipment</b>	-0- OF	(158,300) GF

**Equipment** 182,500 GF  
 The JLBC Staff recommends \$42,500 for replacement non-capitalized equipment and includes a total of \$140,000 for 2 replacement buses. The Executive recommends a total of \$204,000 for equipment. The total includes \$31,000 for replacement non-capitalized equipment and a total of \$173,000 for 1 replacement Suburban van and 2 replacement buses.

**Salary Adjustments** 135,600 GF  
 The JLBC Staff recommends an increase of \$60,500 in Personal Services and \$7,300 in Employee Related Expenditures for a full step increase for all employees at PDSO, effective January 1, 1999. This increase will require annualization in FY 2000. The JLBC Staff also recommends an increase of \$60,500 in Personal Services and \$7,300 in Employee Related Expenditures to annualize the recommended FY 1998 salary adjustment. Please see the Agency Summary narrative for more details. The Executive concurs, but recommends a total of \$68,700 for the annualization of the FY 1998 salary adjustment. The Executive does not recommend, however, a new FY 1999 salary adjustment.

<b>Voucher Shift</b>	(3,200) OF	3,200 GF
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The JLBC Staff recommends a shift of \$3,200 from voucher monies to the General Fund to maintain level voucher funding. The Executive recommends a transfer of \$29,400 and 0.7 FTE Positions out of voucher monies into the General Fund.

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**JLBC Staff Recommended Format** — Lump Sum for the Program

**JLBC Staff Recommended Footnotes**

*Modification of Prior Year Footnotes*

Prior to the expenditure of any voucher funds in excess of the \$2,486,500 in FY 1998 AND \$2,486,500 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, and the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. *(This change is needed to adjust for the conversion to biennial budgetary status.)*

**Other Issues for Legislative Consideration**

**Executive Recommendation**

The Executive recommends an increase of \$126,800 and 3.5 FTE Positions in FY 1998 and an additional \$78,700 and 2 FTE Positions in FY 1999 to meet needs addressed by Individual Education Plans (IEPs) at PDSD. The JLBC Staff does not recommend this issue because it believes that the funds and FTE Positions transferred in under the "Personnel Shift to PDSD" policy issue can address these needs.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

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

JLBC: Stefan Shepherd  
 House Sub: Knaperek

OSPB: Bill Greeney  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	313.7	317.2	311.4	308.2	311.4	308.2
Personal Services	8,294,000	8,603,200	8,577,700	8,637,700	8,699,900	8,877,500
Employee Related Expenditures	1,803,400	1,744,100	1,833,000	1,831,200	1,863,000	1,875,900
All Other Operating Expenditures:						
Professional and Outside Services	127,600	192,900	185,600	185,600	185,600	185,600
Travel - In State	11,500	5,800	5,800	5,800	5,800	5,800
Travel - Out of State	500	3,400	3,400	3,400	3,400	3,400
Food	71,100	84,200	84,200	84,200	84,200	84,200
Other Operating Expenditures	2,529,400	2,325,200	2,596,400	2,575,400	2,594,500	2,544,800
Equipment	57,100	381,900	342,600	116,000	340,200	89,000
<b>PROGRAM TOTAL</b>	<b>12,894,600</b>	<b>13,340,700</b>	<b>13,628,700</b>	<b>13,439,300</b>	<b>13,776,600</b>	<b>13,666,200</b>

**BY FUND SOURCE**

General Fund	9,659,800	9,695,500	10,440,000	10,250,400	10,587,900	10,506,000
Other Appropriated Funds	3,234,800	3,645,200	3,188,700	3,188,900	3,188,700	3,160,200
Other Non-Appropriated Funds	137,200	117,500	117,500	117,500	117,500	117,500
Federal Funds	289,200	260,700	212,400	212,400	212,400	212,400
<b>TOTAL - ALL SOURCES</b>	<b>13,321,000</b>	<b>13,718,900</b>	<b>13,958,600</b>	<b>13,769,200</b>	<b>14,106,500</b>	<b>13,996,100</b>

**Program Description** — *The Tucson Campus provides a comprehensive residential educational program for visually and hearing impaired students. The Tucson Campus currently serves 270 students in the K-12 grade programs in the following categories: 102 hearing impaired, 57 visually impaired, 71 multiple disabilities with severe sensory impairments (MDSSI) and 40 multiply disabled students.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$554,900	5.7%	\$255,600	2.5%
Other Appropriated Funds	(456,300)	(12.5)%	(28,700)	(0.9)%
<b>Total Appropriated Funds</b>	<b>\$98,600</b>	<b>0.7%</b>	<b>\$226,900</b>	<b>1.7%</b>

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>			
Pay Annualization	\$ -0- OF	\$ 172,600 GF	
ERE Rates	200 OF	106,100 GF	
Rent	-0- OF	271,200 GF	
Eliminate One-time Equipment	-0- OF	(579,400) GF	
Eliminate One-time Cleaning	(7,300) OF	-0- GF	

**Equipment** **269,800 GF**  
 The JLBC Staff recommends \$153,800 for replacement non-capitalized equipment, \$14,000 for replacement capitalized equipment, \$70,000 for 1 replacement bus, and a total of \$32,000 for 2 replacement cars.

The Executive recommends a total of \$540,100 for equipment. This total includes \$197,500 for replacement non-capitalized equipment, 58,600 for replacement capitalized equipment, and a total of \$284,000 for 2

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

replacement suburban vans, 4 replacement cars, and 2 replacement buses.

**Salary Adjustments** **134,400 GF**  
 The JLBC Staff recommends an increase of \$119,900 in Personal Services and \$14,500 in Employee Related Expenditures for a full step increase for all employees at the Tucson Campus, effective January 1, 1998. This increase will require annualization in FY 1999, as recommended in the FY 1999 "Salary Adjustments" issue. Please see the Agency Summary narrative for more details. The Executive concurs, but recommends a total of \$136,900 for the adjustment.

**Training Days** **36,500 GF**  
 JLBC Staff recommends an additional \$36,500 to add training days to the schedule of teaching parents, night supervisors, and instructional aides at the Tucson Campus. These training days will be used to address the health and safety concerns aides face in their jobs and will hopefully reduce ASDB's Risk Management premiums, which have increased over the past years, both in actual dollars and as a percentage of the state's overall premium. The recommended amount includes \$32,600 in Personal Services and \$3,900 in Employee Related Expenditures. The Executive does not recommend this issue.

**TDD Access** **28,700 OF**  
 JLBC Staff recommends an additional \$28,700 to purchase 72 telecommunication devices for the deaf (TDD's) and 4 phone lights for use on the Tucson Campus. This appropriation would be made from the Telecommunication Fund for the Deaf. A.R.S. § 36-1947 creates this fund, which is to be used to "purchase, repair and distribute telecommunication devices." Monies in the fund come from a portion of the TDD tax levied on phone services. The JLBC Staff estimates that the TDD Fund will have a July 1, 1997 balance of \$2,276,000. The recommended one-time appropriation is located in the Equipment line. The Executive does not recommend this issue.

**Voucher Shift** **(378,900) OF** **378,900 GF**  
 The JLBC Staff recommends replacing \$378,900 of voucher monies with \$378,900 GF as a result of declining enrollment at the Tucson Campus. Associated with the shift is a transfer of 11 FTE Positions from voucher monies to the General Fund. The Executive recommends a shift of \$95,900 and 2.4 FTE Positions from voucher monies to the General Fund.

**Preschool Voucher Funding** **(99,000) OF**  
 The JLBC Staff recommends that \$(99,000) and (3) FTE Positions associated with the Preschool Programs be transferred out of the Tucson Campus cost center and into the Administration/Statewide Programs cost center. Further details on this transfer can be found in the

Administration/Statewide Programs cost center narrative. The Executive does not recommend this issue.

**Personnel Shift to PDS** **(235,200) GF**  
 JLBC Staff recommends that \$(235,200) and (6) FTE Positions be transferred out of the Tucson Campus cost center to the PDS cost center. Further details on this transfer can be found in "Personnel Shift to PDS" policy issue in the Phoenix Day School for the Deaf cost center narrative. The Executive recommends a larger shift using voucher monies totaling \$(322,700) OF and (11) FTE Positions.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>3,700 OF</b>	<b>12,100 GF</b>
<b>Rent</b>	<b>-0- OF</b>	<b>(1,900) GF</b>
<b>Eliminate One-time Equipment</b>	<b>(28,700) OF</b>	<b>(269,800) GF</b>

**Salary Adjustments** **268,700 GF**  
 The JLBC Staff recommends an increase of \$119,900 in Personal Services and \$14,400 in Employee Related Expenditures for a full step increase for all employees at the Tucson Campus, effective January 1, 1999. This increase will require annualization in FY 2000. The JLBC Staff also recommends an increase of \$119,900 in Personal Services and \$14,500 in Employee Related Expenditures to annualize the recommended FY 1998 salary adjustment. Please see the Agency Summary narrative for more details.

The Executive recommends an additional \$136,900 to annualize its recommended FY 1998 salary adjustment, but does not recommend any new FY 1999 salary adjustment.

**Equipment** **242,800 GF**  
 The JLBC Staff recommends \$153,800 for replacement non-capitalized equipment, \$14,000 for replacement capitalized equipment, and \$75,000 for 1 replacement bus.

The Executive recommends a total of \$537,700 for equipment. This total includes \$197,500 for replacement non-capitalized equipment, \$83,200 for replacement capitalized equipment, and a total of \$253,000 for 1 replacement Suburban van and 3 replacement buses.

**Voucher Shift** **(3,700) OF** **3,700 GF**  
 The JLBC Staff recommends a shift of \$3,700 from voucher monies to the General Fund to maintain level voucher funding. The Executive recommends a transfer of \$39,200 and 1 FTE Position from voucher monies to the General Fund.

\* \* \*

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

**JLBC Staff Recommended Format** — Lump Sum for the Program

### **JLBC Staff Recommended Footnotes**

#### *Modification of Prior Year Footnotes*

Prior to the expenditure of any voucher funds in excess of the \$2,788,800 in FY 1998 AND \$2,788,800 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, and the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. *(This change is needed to adjust for the conversion to biennial budgetary status.)*

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. *(This change is needed to adjust for the conversion to biennial budgetary status.)*

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 and authorized capital outlay projects. *(This change is needed to adjust for the conversion to biennial budgetary status.)*

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

#### **Executive Recommendation**

The Executive recommends a total of \$96,000 GF and 4.2 FTE Positions in FY 1998 to address security concerns at the Tucson Campus. The JLBC Staff does not recommend hiring the proposed security officers because it believes the effects of the recently-constructed security fence should first be evaluated.

### **Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec	FY 1999 JLBC Rec
Permanent Special Education Institutional Voucher Fund	\$2,788,800	\$2,788,800
Endowment Earnings	280,600	280,600
Out-of-Town Tuition Collections	90,800	90,800
Telecommunication Devices	28,700	-0-
<b>TOTAL</b>	<b>\$3,188,900</b>	<b>\$3,160,200</b>

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

DEPT: Arizona State Schools for the Deaf and the Blind  
 PROG: Administration/Statewide Programs

JLBC: Stefan Shepherd  
 House Sub: Knaperek

OSP: Bill Greeney  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	69.8	69.8	76.8	81.3	81.8	84.3
Personal Services	2,325,000	2,394,600	2,675,800	2,797,600	2,862,200	2,968,000
Employee Related Expenditures	465,000	510,400	522,200	546,600	562,100	581,600
All Other Operating Expenditures:						
Professional and Outside Services	152,500	233,300	242,700	285,900	264,400	164,300
Travel - In State	43,800	55,500	57,600	59,200	60,800	60,800
Travel - Out of State	800	2,100	2,100	2,100	2,100	2,100
Other Operating Expenditures	560,100	560,800	617,400	643,300	676,400	705,000
Equipment	15,700	18,400	396,000	278,200	323,400	214,500
<b>PROGRAM TOTAL</b>	<b>3,562,900</b>	<b>3,775,100</b>	<b>4,513,800</b>	<b>4,612,900</b>	<b>4,751,400</b>	<b>4,696,300</b>

### BY FUND SOURCE

General Fund	3,562,900	3,775,100	4,513,800	4,513,900	4,751,400	4,597,300
Other Appropriated Funds	0	0	0	99,000	0	99,000
Other Non-Appropriated Funds	2,081,700	1,802,000	2,033,000	2,033,000	2,237,000	2,237,000
Federal Funds	614,300	857,800	686,200	686,200	522,000	522,000
<b>TOTAL - ALL SOURCES</b>	<b>6,258,900</b>	<b>6,434,900</b>	<b>7,233,000</b>	<b>7,332,100</b>	<b>7,510,400</b>	<b>7,455,300</b>

**Program Description**—The Administration/Statewide Programs cost center coordinates programs that serve the entire state apart from the Tucson and Phoenix campuses. It includes 389 students in the 3 regional cooperatives and 125 students in 6 preschool programs. It also provides statewide resources to school districts. In addition, the cost center has responsibility for ASDB Administration.

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$738,800	19.6%	\$83,400	1.8%
Other Appropriated Funds	99,000	NA	-0-	0.0 %
Total Appropriated Funds	\$837,800	22.2%	\$83,400	1.8%

### FY 1998 — Recommended Changes from FY 1997

<b>Standard Changes</b>	
Pay Annualization	\$ 43,900 GF
ERE Rates	(42,100) GF
Risk Management	20,500 GF
Eliminate One-time Equipment	(18,400) GF

**LAN Computer** **398,000 GF**  
 The JLBC Staff recommends a total of \$398,000 and 1 FTE Position to begin installation of a new Local Area Network

(LAN)/Wide Area Network (WAN) computer system. This system will replace ASDB's aging IBM System 36 information system. The system is more than 10 years old and no longer meets the information requirements of ASDB. The agency currently does not have on-line access to the Arizona Department of Administration's (ADOA) AFIS and HRMS data systems, which makes the accounting and personnel functions much more time-consuming than necessary. There is also no centralized student database and no automated payroll system. Since IBM no longer supports the system, replacement parts must be acquired from other companies who are getting rid of their System 36's. The new

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

LAN computer will allow ASDB to have access to or create the information above. The system will also be easier to maintain.

The recommended amount includes \$30,000 in Personal Services and \$6,200 in Employee Related Expenditures to hire a network engineer. The recommended amount also includes \$213,800 in one-time capitalized and non-capitalized equipment expenditures, and \$148,000 in one-time Professional and Outside Services expenditures. Additional funds (\$304,000 and 1 FTE Position) to complete the LAN system are recommended for FY 1999. The Executive concurs.

**1 Program Authorization Review —  
Cooperative Programs 264,400 GF**  
The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Cooperative Programs subprogram during the last year. As a result of that review, the JLBC Staff recommends modifying the program by increasing funding for the program by \$264,400 and 6.5 FTE Positions in FY 1998.

The Cooperative Programs are partnerships of participating school districts and ASDB, working together to assist children and youth with sensory impairments. Created as a pilot program by Laws 1987, Chapter 363, ASDB provides administrative support for the programs, funded with General Fund dollars. Much of the instructional funding comes from the Permanent Special Education Institutional Voucher Fund. Districts whose students receive cooperative services “pass through” voucher monies associated with those students to the cooperative, which hires the necessary staff to provide services. Participating districts can purchase services on a fee-for-service basis; they also support the cooperative through membership fees. The first regional Cooperative Program opened in Flagstaff in 1990 and serves the north central part of the state. Cooperative Programs in the southeastern and southwestern parts of the state opened in 1993 and are headquartered in Tucson and Yuma, respectively. Other regions of the state, however, remain unserved by the Cooperative Programs.

The PAR found that the “regional cooperatives are a cost-effective means of providing appropriate local educational programs for sensory impaired pupils.” It also concluded that the “regional cooperatives play an important role in providing a continuum of educational services to students in the ‘least restrictive environment’ possible.” The PAR noted that the Cooperative Programs had received positive ratings on surveys of participating school districts, teachers, and parents. While no specific cost savings could be attributed to the cooperatives, it does appear that the program may divert some students away from the main ASDB campus at Tucson and to more appropriate locally-based Cooperative Programs. In addition to providing the student a better educational

program, such diversions could save the state money, since it would not need to pay for residential and related services for that student at the Tucson campus. Voucher funds must be added to the Department of Education budget, however, to address the expected increase in students as a result of the expansion. Additional state funds could be expended as a result if those new students come from districts that receive no basic state aid.

JLBC Staff is recommending an additional \$364,400 and 6.5 FTE Positions for FY 1998. These funds will allow the Cooperative Programs to expand to the Maricopa County region and one other region in FY 1998. A total of \$190,000 in Personal Services and \$39,700 in Employee Related Expenditures will be used to hire 2 regional coordinators, 3 secretaries, an accounting technician, and a 0.5 personnel technician. The recommended amount also includes \$83,400 in one-time only funding for capitalized and non-capitalized equipment.

Additional funds (\$139,200 and 2 FTE Positions) are recommended to complete the expansion of the Cooperative Programs to the remaining areas of the state in FY 1999. For further details on that expansion, please refer to the discussion under the FY 1999 policy issues.

JLBC Staff also recommends the elimination of \$(100,000) that was used to fund the Sensory Impairment Tuition Fund. These monies had little planning for their use and were used on an ad hoc basis to aid local districts in paying for services. Since the Cooperative Programs are being expanded, JLBC Staff believes that local districts should share in some of the costs of expansion by giving up this source of funds.

The Executive recommends an increase of \$257,600 and 5 FTE Positions to begin expansion of the Cooperatives Program in FY 1998. Instead of expanding into 2 regions in FY 1998 as in the JLBC Staff recommendation, the Executive recommendation expands into one out-state region. In addition, the Executive recommendation does not eliminate funding for the Sensory Impairment Tuition Fund.

**Preschool Voucher Funding 99,000 OF**  
The JLBC Staff recommends the transfer of \$99,000 and 3 FTE Positions of Permanent Special Education Institutional Voucher Fund monies from the Tucson Campus. This transfer will allow the Preschool Programs to serve the 5-year-olds that receive voucher funds, as they currently do in the Tucson cost center. The Executive does not recommend this issue.

**Salary Adjustments 39,400 GF**  
The JLBC Staff recommends an increase of \$35,200 in Personal Services and \$4,200 in Employee Related Expenditures for a full step increase for all employees in the Administration/Statewide Programs cost center, effective



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

January 1, 1998. This increase will require annualization in FY 1999, as recommended in the FY 1999 "Salary Adjustments" issue. Please see the Agency Summary narrative for more details. The Executive concurs, but recommends a total of \$40,300 for the adjustment.

**Training Officer 33,100 GF**

The JLBC Staff recommends an increase of \$33,100 and 1 FTE Position to hire a training officer in the Administration/Statewide Programs cost center. This training officer will address ADOA and Risk Management requirements and recommendations to reduce Worker's Compensation claims. The training conducted by this officer will hopefully reduce ASDB's Risk Management premiums, which have increased over the past years, both in actual dollars and as a percentage of the state's overall premium. The recommended amount includes \$27,200 in Personal Services and \$5,900 in Employee Related Expenditures. The Executive concurs, but recommends a total of \$37,100 for this issue.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>200 OF</b>	<b>6,300 GF</b>
<b>Eliminate One-time Equipment</b>	<b>-0- OF</b>	<b>(297,200) GF</b>
<b>Eliminate One-time Professional and Outside Services</b>	<b>-0- OF</b>	<b>(148,000) GF</b>

**LAN Computer 304,000 GF**

The JLBC Staff recommends a total of \$304,000 and 1 FTE Position to complete installation of a new Local Area Network (LAN)/Wide Area Network (WAN) computer system. Further details on the recommended amount can be found in the FY 1998 policy issues.

The recommended amount includes \$30,000 in Personal Services and \$6,300 in Employee Related Expenditures to hire a database specialist. The recommended amount also includes \$24,100 in one-time Professional and Outside Services expenditures and \$243,600 in one-time capitalized and non-capitalized equipment expenditures. The Executive concurs, but recommends a total of \$303,500 for this issue.

**Cooperative Programs 139,200 GF**

JLBC Staff is recommending an additional \$139,200 and 2 FTE Positions for FY 1999. These funds will allow the Cooperative Programs to expand to the remaining areas of the state in FY 1999. A total of \$70,000 in Personal Services and \$13,700 in Employee Related Expenditures will be used to hire a regional coordinator and a secretary. The approved amount also includes \$31,700 in one-time only funding for capitalized and non-capitalized equipment.

The JLBC Staff recommends a total increase of \$403,600 and 8.5 FTE Positions (including one-time costs) in FY 1998 and FY 1999 for the program. The Executive recommends an increase of \$281,000 and 4 FTE Positions to complete the expansion of the Cooperatives Program in FY 1999. The Executive recommends a total increase of \$538,600 and 9 FTE Positions (including one-time costs) in FY 1998 and FY 1999 for the program. Further details on the program can be found in the PAR narrative under the FY 1998 policy issues.

**Salary Adjustments 78,900 GF**

The JLBC Staff recommends an increase of \$35,200 in Personal Services and \$4,300 in Employee Related Expenditures for a full step increase for all employees in the Administration/Statewide Programs cost center, effective January 1, 1999. This increase will require annualization in FY 2000. The JLBC Staff also recommends an increase of \$35,200 in Personal Services and \$4,200 in Employee Related Expenditures to annualize the recommended FY 1998 salary adjustment. Please see the Agency Summary narrative for more details. The Executive recommends an additional \$40,300 to annualize its recommended FY 1998 salary adjustment, but does not recommend any new FY 1999 salary adjustment.

**Voucher Shift (200) OF 200 GF**

The JLBC Staff recommends a shift of \$200 from voucher monies to the General Fund to maintain level voucher funding. The Executive does not address this issue.

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**JLBC Staff Recommended Format — Lump Sum for the Program**

**JLBC Staff Recommended Footnotes**

*New Footnotes*

Prior to the expenditure of any voucher funds in excess of the \$99,000 in FY 1998 and \$99,000 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, and the Directors of the Joint Legislative Budget Committee and Governor's Office of Strategic Planning and Budgeting. *(Qualifying students ages 5 and above receive vouchers from the Permanent Special Education Institutional Voucher Fund. Some of these students receive services through ASDB's Preschool programs, which are located in the Administration/Statewide Programs cost center. When ASDB's cost centers were reorganized in the FY 1997 budget, voucher funding for these students was not transferred from the old Tucson Campus cost center to the new Administration cost center. This footnote is associated*

*with the transfer of voucher funds from the Tucson Campus cost center to this cost center.)*

**Other Issues for Legislative Consideration**

**Preschool Funding**

ASDB operates 6 preschools, 4 in Maricopa County and 2 in Tucson. Instructional and administrative funds for these preschools are funded as part of the General Fund appropriation in this cost center. Arizona Department of Education (ADE) rules currently state that only students ages 5 or above can receive voucher funding from the Permanent Special Education Institutional Voucher Fund. Districts with preschool students aged 3 or 4 are prohibited from receiving funding through that line item. Districts do, however, receive funds for those students from the Basic State Aid line item. Those students in ASDB preschools receive services on a fee-for-service basis, paid by the referring school district. The Preschool Programs have indicated that securing voucher funding for students would make it easier for school districts to "transfer" the students to ASDB preschools. Since these students are accounted for in the Basic State Aid line item, transferring them to the Permanent Special Education Institutional Voucher Fund should not entail additional costs to the state. The JLBC Staff is not recommending such a shift at this time because it believes that further research into the relationship between the Preschool Programs and the Cooperative Programs is needed.

**Executive Recommendation**

The Executive recommendation includes an additional \$4,600 GF in FY 1999 for Cooperative Programs rent.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT State Board of Dental Examiners

JLBC: Brad Regens  
House Sub: Weiers

OSPB: Pam Scharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	9.0	9.0	9.0	9.0	9.0	9.0
Personal Services	238,000	238,000	243,400	243,400	243,400	243,400
Employee Related Expenditures	46,200	49,900	52,100	54,100	52,500	54,600
All Other Operating Expenditures:						
Professional and Outside Services	157,100	185,700	192,000	192,000	198,500	198,500
Travel - In State	7,300	7,800	9,600	9,400	9,600	9,400
Travel - Out of State	1,500	2,100	2,100	2,100	2,100	2,100
Other Operating Expenditures	101,900	110,300	122,100	116,200	125,700	116,200
Equipment	5,800	2,300	2,600	2,600	2,600	2,600
<b>AGENCY TOTAL</b>	<b>557,800</b>	<b>596,100</b>	<b>623,900</b>	<b>619,800</b>	<b>634,400</b>	<b>626,800</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	557,800	596,100	623,900	619,800	634,400	626,800
<b>TOTAL - ALL SOURCES</b>	<b>557,800</b>	<b>596,100</b>	<b>623,900</b>	<b>619,800</b>	<b>634,400</b>	<b>626,800</b>

**Agency Description** — *The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$23,700	4.0%	\$7,000	1.1%

Performance Measure	FY 96 Actual	FY 97 Estimate
Average Number of Days to Resolve a Complaint	99	100

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
Pay Annualization	<b>\$6,100 OF</b>
ERE Rates	<b>3,500 OF</b>
Risk Management	<b>1,000 OF</b>
Rent	<b>4,900 OF</b>
Eliminate One-time Equipment	<b>(2,300) OF</b>

**Professional and Outside Services** **6,300 OF**  
Reflects an increase of \$2,900 due to the board being assigned a new Assistant Attorney General (AAG) who receives a higher salary. The recommended amount also

includes an increase of \$3,400 due to a contract increase for chief investigator. The Executive concurs.

**Travel - In State** **1,600 OF**  
Reflects an increase of \$1,600 due to the filling of a vacant board member position. The Executive recommends an increase of \$1,800.

**Equipment** **2,600 OF**  
Reflects an increase of \$2,500 to replace an outdated computer workstation and \$100 for software. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

<b>Standard Changes</b>	
ERE Rates	<b>500 OF</b>
Eliminate One-time Equipment	<b>(2,600) OF</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

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**Professional and Outside Services** **6,500 OF**  
Reflects an increase of \$2,900 for Assistant Attorney General (AAG) services and an increase of \$3,600 to cover increase in the chief investigator contract. The Executive concurs.

**Equipment** **2,600 OF**  
Reflects an increase of \$2,500 to replace an outdated computer workstation and \$100 for software. The Executive concurs.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Drug and Gang Prevention Resource Center

JLBC: Jim Hillyard

OSPB: Bill Greeney

House Sub: Cooley

Senate Sub: Cirillo

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	1.8	1.8	0.0	1.8	0.0	1.8
Personal Services	60,200	60,200	0	61,300	0	61,300
Employee Related Expenditures	18,100	18,100	0	18,400	0	18,400
All Other Operating Expenditures:						
Professional and Outside Services	24,100	24,100	0	24,100	0	24,100
Travel - In State	1,800	1,800	0	1,800	0	1,800
Travel - Out of State	1,400	1,400	0	1,400	0	1,400
Other Operating Expenditures	91,100	118,100	0	91,100	0	91,100
Equipment	6,300	6,300	0	4,900	0	4,900
<b>AGENCY TOTAL *</b>	<b>203,000</b>	<b>230,000</b>	<b>0</b>	<b>203,000</b>	<b>0</b>	<b>203,000</b>

**BY FUND SOURCE**

Other Appropriated Funds	203,000	230,000	0	203,000	0	203,000
Other Non-Appropriated Funds	1,305,100	2,218,800	0	2,218,100	0	2,218,100
<b>TOTAL - ALL SOURCES</b>	<b>203,000</b>	<b>230,000</b>	<b>0</b>	<b>203,000</b>	<b>0</b>	<b>203,000</b>

\* In FY 1996 and FY 1997, these monies were appropriated to the Arizona Criminal Justice Commission (ACJC). Beginning in FY 1998, the JLBC Staff recommends appropriating these monies directly to the Arizona Drug and Gang Prevention Resource Center. For comparability purposes, all years have been displayed as direct appropriations to the Center.

**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.*

**Change in Funding Summary:**

	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>
Other Appropriated Funds	\$(27,000)	0.0%	\$-0-	0.0%

Performance Measure	FY 96 Actual	FY 97 Estimate
Drug & Gang Resource Center Service Requests	1,230	NA

**Revenue Adjustment**

**(27,000) OF**

The recommended amount reflects a lower than projected level of Supreme Court fee revenue. The Center's appropriation for FY 1997 assumed \$230,000 in fee revenue. This has not occurred. As a result, the recommendation for FY 1998 has been adjusted to reflect this lower revenue estimate.

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

Pay Annualization **\$1,400 OF**  
Eliminate One-time Equipment **(1,400) OF**

**FY 1999 — Recommended Changes from FY 1998**

**No Changes** **-0-**

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## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

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

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

##### **Center Background and Other Funding**

Drug and gang policy for the State of Arizona is coordinated by 2 groups. ACJC is responsible for the coordination of enforcement efforts. The Drug and Gang Policy Council is responsible for the coordination of Arizona's education, prevention, and treatment programs. To aid in this effort, Laws 1990, Chapter 366 created the Arizona Prevention Resource Center to be "maintained at the direction of the Arizona Drug and Gang Policy Council."

The Center is housed within Arizona State University and is supported by selected Superior Court fees collected pursuant to A.R.S. § 12-284. The Center also receives revenues from Intergovernmental Agreements (IGAs) with the Department of Health Services, the Arizona Department of Education, the Governor's Office of Drug Policy, and from a number of grants from federal, state, and local agencies. While originally focused on substance abuse prevention and education, in recent years the Center's management has broadened its mission to include fighting a wide range of social problems associated with substance abuse.

Laws 1996, Chapter 189, however, amended the statutes associated with the Superior Court fees, changing the Center's name to the Arizona Drug and Gang Prevention Resource Center and requiring a more specific focus on drug and gang prevention and education. As a result, the Center's Superior Court fee revenues now exclusively fund drug and gang prevention. The remainder of the Center's operation, which is funded by IGA and grant revenues, however, has retained its broader focus.

The monies recommended above represent the Superior Court fees associated with drug and gang prevention and make up 8.2% of the Center's total funding. These funds are collected by ACJC before being passed through to the Center for expenditure, and as a result, have appeared as part of ACJC's budget in past years. In FY 1998 and FY 1999, these monies are shown in the Center's budget to clarify their expenditure and enhance the Center's visibility.

IGA and grant revenues make up the remaining 91.8% of the Center's funding. These monies are used to fund broader prevention activities and are currently non-appropriated.

##### **Auditor General's Report and 5 & 10 Recommendation**

The Arizona Drug and Gang Policy Council was the subject of a recent Auditor General's report and Sunset Review. During this process, the Auditor General found that "the Council has devoted little attention to gang issues or the activities of the Arizona Prevention Resource Center." Given this finding, the Staff has included the IGA and grant

monies that comprise the majority of the Center's funding, and currently support activities that are not strictly related to drug or gang prevention, in its annual 5 & 10 recommendation.

In each year, the JLBC Staff must recommend 5% of non-appropriated funds for conversion to appropriated status and 10% of total non-appropriated funds for elimination (5 & 10 Recommendation). As part of this process, the Staff is recommending the conversion of the Center's IGA and grant revenues to appropriated status. Appropriating these funds would make the Center's entire operating budget visible and subject to legislative review and oversight.

##### **Executive Recommendation**

The Executive continues to show funding for the Arizona Drug and Gang Prevention Resource Center in ACJC. The Executive recommends total funding for the Center in FY 1998 and FY 1999 of \$205,000. The Executive recommendation exceeds the JLBC Staff's recommendation due to slightly higher estimate of Superior Court fee revenue.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Department of Emergency and Military Affairs  
Agency Summary

JLBC: Lisa Cotter  
House Sub: Weiers

OSPB: Bill Greeney  
Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>						
Emergency Management	3,399,700	6,266,600	8,774,700	8,769,900	4,875,400	4,870,600
Military Affairs	3,846,200	3,723,400	3,788,800	3,863,200	3,776,800	3,871,700
<b>AGENCY TOTAL</b>	<b>7,245,900</b>	<b>9,990,000</b>	<b>12,563,500</b>	<b>12,633,100</b>	<b>8,652,200</b>	<b>8,742,300</b>

**OPERATING BUDGET**

<i>Full Time Equivalent Positions</i>	67.0	67.0	62.5	62.5	62.5	62.5
Personal Services	1,518,100	1,605,200	1,671,500	1,640,600	1,671,500	1,640,600
Employee Related Expenditures	398,600	378,000	411,900	404,800	412,200	408,100
All Other Operating Expenditures:						
Professional and Outside Services	21,800	44,200	44,200	44,200	44,200	44,200
Travel - In State	43,800	44,800	44,700	44,800	44,700	44,800
Travel - Out of State	21,900	18,100	18,100	18,100	18,100	18,100
Other Operating Expenditures	1,375,700	1,399,300	1,413,600	1,533,100	1,405,700	1,533,100
Equipment	17,300	6,700	26,900	14,900	23,200	20,800
<b>OPERATING SUBTOTAL</b>	<b>3,397,200</b>	<b>3,496,300</b>	<b>3,630,900</b>	<b>3,700,500</b>	<b>3,619,600</b>	<b>3,709,700</b>
Special Line Items	3,848,700	6,493,700	8,932,600	8,932,600	5,032,600	5,032,600
<b>AGENCY TOTAL</b>	<b>7,245,900</b>	<b>9,990,000</b>	<b>12,563,500</b>	<b>12,633,100</b>	<b>8,652,200</b>	<b>8,742,300</b>

**BY FUND SOURCE**

General Fund	7,218,500	9,368,300	11,715,800	11,785,400	8,604,500	8,694,600
Other Appropriated Funds	27,400	621,700	847,700	847,700	47,700	47,700
Other Non-Appropriated Funds	18,200	30,500	25,500	25,500	25,500	25,500
Federal Funds	34,163,900	37,793,500	58,116,900	58,116,900	31,412,800	31,412,800
<b>TOTAL - ALL SOURCES</b>	<b>41,428,000</b>	<b>47,814,000</b>	<b>70,705,900</b>	<b>70,775,500</b>	<b>40,090,500</b>	<b>40,180,600</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.*

**Change in Funding Summary:**

	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund*	\$2,868,200	32.2%	\$(3,090,800)	(26.2)%
Other Appropriated Funds	226,000	36.4%	(800,000)	(94.4)%
<b>Total Appropriated Funds</b>	<b>\$3,094,200</b>	<b>32.4%</b>	<b>\$(3,890,800)</b>	<b>(30.8)%</b>

\* Excludes changes in Nuclear Emergency Management Fund Appropriation. See Emergency Management Division policy issue for explanation.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
<b>Pay Annualization</b>	-0- OF	\$40,500 GF
<b>ERE Rates</b>	-0- OF	21,700 GF
<b>Risk Management</b>	-0- OF	33,800 GF
<b>Eliminate One-time Equipment</b>	-0- OF	(6,700) GF
<b>1993 Flood Relief</b>	226,000 OF	2,674,000 GF
<b>Nuclear Emergency Management Fund</b>	-0- OF	(451,100) GF
<b>Maintenance</b>	-0- OF	100,000 GF
<b>Unit Allowance</b>	-0- OF	(10,000) GF
<b>Equipment</b>	-0- OF	14,900 GF

**FY 1999 — Recommended Changes from FY 1998**

<b>Standard Changes</b>		
<b>ERE Rates</b>	-0- OF	3,300 GF
<b>Eliminate One-time Equipment</b>	-0- OF	(14,900) GF
<b>1993 Flood Relief</b>	(800,000) OF	(3,100,000) GF
<b>Equipment</b>	-0- OF	20,800 GF

\* \* \*

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



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Department of Emergency and Military Affairs  
 PROG: Emergency Management

JLBC: Lisa Cotter  
 House Sub: Weiers

OSPB: Bill Greeney  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	19.5	19.5	15.0	15.0	15.0	15.0
Personal Services	417,300	399,200	438,800	407,900	438,800	407,900
Employee Related Expenditures	98,800	92,200	89,500	85,400	90,100	86,000
All Other Operating Expenditures:						
Professional and Outside Services	20,100	20,000	20,000	20,000	20,000	20,000
Travel - In State	5,600	6,000	5,900	6,000	5,900	6,000
Travel - Out of State	13,700	9,600	9,600	9,600	9,600	9,600
Other Operating Expenditures	160,700	154,800	179,700	209,800	179,700	209,800
Equipment	0	4,700	2,200	2,200	2,300	2,300
<b>OPERATING SUBTOTAL</b>	<b>716,200</b>	<b>686,500</b>	<b>745,700</b>	<b>740,900</b>	<b>746,400</b>	<b>741,600</b>
<b>SPECIAL LINE ITEMS</b>						
Civil Air Patrol	61,500	61,500	61,500	61,500	61,500	61,500
1993 Flood Relief - Local Share	1,967,000	5,000,000	3,200,000	3,200,000	1,600,000	1,600,000
1993 Flood Relief - State Share	0	0	4,700,000	4,700,000	2,400,000	2,400,000
Emergency Response Commission	9,500	19,800	19,800	19,800	19,800	19,800
Emergency Response Fund Grants	27,400	47,700	47,700	47,700	47,700	47,700
Nuclear Emergency Management	618,100	451,100	0	0	0	0
<b>PROGRAM TOTAL</b>	<b>3,399,700</b>	<b>6,266,600</b>	<b>8,774,700</b>	<b>8,769,900</b>	<b>4,875,400</b>	<b>4,870,600</b>
<b>BY FUND SOURCE</b>						
General Fund	3,372,300	5,644,900	7,927,000	7,922,200	4,827,700	4,822,900
Other Appropriated Funds	27,400	621,700	847,700	847,700	47,700	47,700
Federal Funds	11,508,900	16,798,500	36,874,300	36,874,300	10,170,200	10,170,200
<b>TOTAL - ALL SOURCES</b>	<b>14,908,600</b>	<b>23,065,100</b>	<b>45,649,000</b>	<b>45,644,200</b>	<b>15,045,600</b>	<b>15,040,800</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund *	\$2,728,400	52.5%	\$(3,099,300)	(39.1)%
Other Appropriated Funds	226,000	36.4%	(800,000)	(94.4)%
<b>Total Appropriated Funds*</b>	<b>\$2,954,400</b>	<b>50.8%</b>	<b>\$(3,899,300)</b>	<b>(44.5)%</b>

\* Excludes changes in Nuclear Emergency Management Fund Appropriation. See policy issue below for explanation.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
<b>Pay Annualization</b>	\$ 9,900 GF
<b>ERE Rates</b>	(8,000) GF
<b>Risk Management</b>	55,000 GF
<b>Eliminate One-time Equipment</b>	(4,700) GF

**1993 Flood Relief 226,000 OF 2,674,000 GF**

Monies in the 1993 Flood Relief Special Line Items are appropriated for disaster assistance for damage resulting from the tropical winter storm of January 1993. The Federal Emergency Management Agency (FEMA) estimated total storm damage in 13 Arizona counties to be \$146,000,000. The federal, state and local shares for damage assistance are 75%, 15% and 10% respectively. Laws 1994, Chapter 224 declared legislative intent to pay the 10% local share along with the 15% state share. Laws 1996, Chapter 7, 5th Special Session approved funding for FY 1997, FY 1998 and FY 1999 to cover the unpaid portion of the total state and local match. Please see the FY 1997 Appropriations Report (pg. 216) for a full history of state funding for 1993 flood relief efforts.

In Laws 1996, Chapter 7, 5th Special Session, the Legislature appropriated \$5,000,000 for FY 1997 (\$4,226,000 from the General Fund and \$574,000 from the State Highway Fund) to the 1993 Flood Relief - Local Share Special Line Item. The Legislature also advance appropriated \$7,900,000 for FY 1998 (\$7,100,000 from the General Fund and \$800,000 from the State Highway Fund) to further fund part of the state and local share of the 1993 Flood Relief. The \$2,900,000 increase in the 1993 Flood Relief Special Line Items from FY 1997 to FY 1998 is the difference between the FY 1997 \$5,000,000 appropriation and the FY 1998 \$7,900,000 advance appropriation. The advance appropriation will not be included in the FY 1998 General Appropriation Act as the appropriation has already been approved.

**Nuclear Emergency Management Fund (451,100) GF**

The Legislature appropriated \$451,100 in FY 1997 to the Department of Emergency and Military Affairs' (DEMA's) Nuclear Emergency Management Fund (NEMF) for administering and enforcing the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. DEMA's NEMF operations are staffed by 4.5 FTE Positions. However, because by law this appropriation is handled through a special appropriation bill in which an assessment will determine NEMF appropriations for FY 1998 and FY 1999, the JLBC Staff recommendation does not include NEMF funding or FTE Positions.

**Equipment 2,200 GF**

The JLBC Staff recommends \$2,200 for the state's 50% share to replace 1 computer and 1 printer.

**FY 1999 — Recommended Changes from FY 1998**

<b>Standard Changes</b>	
<b>ERE Rates</b>	600 GF
<b>Eliminate One-time Equipment</b>	(2,200) GF

**1993 Flood Relief (800,000) OF (3,100,000) GF**

In Laws 1996, Chapter 7, 5th Special Session, the Legislature advance appropriated \$7,900,000 for FY 1998 (\$7,100,000 from the General Fund and \$800,000 from the State Highway Fund) to fund part of the state and local shares for 1993 Flood Relief. The Legislature also advance appropriated \$4,000,000 for FY 1999 from the General Fund to pay for the remainder of the 1993 flood state and local shares. The \$(3,900,000) decrease in the 1993 Flood Relief Special Line Items is the difference between the FY 1998 \$7,900,000 advance appropriation and the FY 1999 \$4,000,000 advance appropriation. The advance appropriation will not be included in the FY 1999 General Appropriation Act as the appropriation has already been approved.

**Equipment 2,300 GF**

The JLBC Staff recommends \$2,300 for the state's 50% share to replace 1 computer and 1 printer.

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

**JLBC Staff Recommended Footnotes**

*Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting 2 one-time footnotes regarding 1993 flood relief funding since last session's appropriations provided the full state and local match for federally-approved projects.

**Other Issues for Legislative Consideration**

**Clifton Flood Relief**

Laws 1996, Chapter 312 appropriated capital outlays of \$1,000,000 in FY 1997 and \$1,000,000 in FY 1998 for the Clifton Flood Control project. These appropriations are sufficient to relocate all families out of the Clifton floodplain, but do not provide full funding for a recreational park in the floodplain that was part of the original contract between the state and the federal government. The JLBC Staff does not recommend additional funding for the park, but does recommend shifting the FY 1998 appropriation to a FY 1997 supplemental to relocate the remaining families as quickly as possible. (Please see the JLBC Staff's capital budget recommendation.) The Executive is recommending an additional \$1,800,000 to fund the remainder of the Clifton Flood Control project, but this amount does not appear in the specific budget recommendation for the Department of Emergency and Military Affairs.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec	FY 1999 JLBC Rec
State Highway Fund	\$800,000	\$0
Emergency Response Fund	47,700	47,700
TOTAL	\$847,000	\$47,000

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Department of Emergency and Military Affairs  
 PROG: Military Affairs

JLBC: Lisa Cotter  
 House Sub: Weiers

OSPB: Bill Greeney  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	47.5	47.5	47.5	47.5	47.5	47.5
Personal Services	1,100,800	1,206,000	1,232,700	1,232,700	1,232,700	1,232,700
Employee Related Expenditures	299,800	285,800	322,400	319,400	322,100	322,100
All Other Operating Expenditures:						
Professional and Outside Services	1,700	24,200	24,200	24,200	24,200	24,200
Travel - In State	38,200	38,800	38,800	38,800	38,800	38,800
Travel - Out of State	8,200	8,500	8,500	8,500	8,500	8,500
Other Operating Expenditures	1,215,000	1,244,500	1,233,900	1,323,300	1,226,000	1,323,300
Equipment	17,300	2,000	24,700	12,700	20,900	18,500
<b>OPERATING SUBTOTAL</b>	<b>2,681,000</b>	<b>2,809,800</b>	<b>2,885,200</b>	<b>2,959,600</b>	<b>2,873,200</b>	<b>2,968,100</b>
<b>SPECIAL LINE ITEMS</b>						
Education Reimbursement	33,600	43,000	43,000	43,000	43,000	43,000
Unit Allowance	10,000	10,000	0	0	0	0
Service Contracts	852,300	852,300	852,300	852,300	852,300	852,300
Guardsmen - State Active Duty	26,500	5,300	5,300	5,300	5,300	5,300
Uniform Allowance	500	3,000	3,000	3,000	3,000	3,000
State Active Duty Law Enforcement Support (SPIN)	242,300	0	0	0	0	0
<b>PROGRAM TOTAL</b>	<b>3,846,200</b>	<b>3,723,400</b>	<b>3,788,800</b>	<b>3,863,200</b>	<b>3,776,800</b>	<b>3,871,700</b>
<b>BY FUND SOURCE</b>						
General Fund	3,846,200	3,723,400	3,788,800	3,863,200	3,776,800	3,871,700
Other Non-Appropriated Funds	18,200	30,500	25,500	25,500	25,500	25,500
Federal Funds	22,655,000	20,995,000	21,242,600	21,242,600	21,242,600	21,242,600
<b>TOTAL - ALL SOURCES</b>	<b>26,519,400</b>	<b>24,748,900</b>	<b>25,056,900</b>	<b>25,131,300</b>	<b>25,044,900</b>	<b>25,139,800</b>

**Program Description** — *The division manages and operates the National Guard of Arizona, which includes the Army and Air National Guard.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$139,800	3.8%	\$8,500	0.2%

Performance Measure	FY 96 Actual	FY 97 Estimate
National Guard Retention Level %	19%	15%

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
<b>Pay Annualization</b>	<b>\$ 30,600 GF</b>
<b>ERE Rates</b>	<b>29,700 GF</b>
<b>Risk Management</b>	<b>(21,200) GF</b>
<b>Eliminate One-time Equipment</b>	<b>(2,000) GF</b>

**Maintenance 100,000 GF**

The JLBC Staff recommends an additional \$100,000 in Other Operating Expenditures for maintenance costs in the Department of Emergency and Military Affairs' (DEMA's) 26 armories and 28 other 100% state-maintained buildings. DEMA currently spends approximately \$1.38 per square foot to maintain total building space of 600,000 square feet. The recommended amount would bring maintenance per square foot up to \$1.55. The Executive does not address this issue.

**Unit Allowance (10,000) GF**

The JLBC Staff recommends a decrease of \$(10,000) in the Unit Allowance Special Line Item. Laws 1996, Chapter 110 established a Morale, Welfare and Recreational Fund for the National Guard and eliminated the unit allowance previously appropriated to DEMA for National Guard members. The Executive concurs.

**Equipment 12,700 GF**

The recommended amount includes funding to replace 4 computers, 1 laser printer, and 1 fax machine. The Executive recommends \$24,700 for equipment.

**FY 1999 — Recommended Changes from FY 1998**

<b>Standard Changes</b>	
<b>ERE Rates</b>	<b>2,700 GF</b>
<b>Eliminate One-time Equipment</b>	<b>(12,700) GF</b>

**Equipment 18,500 GF**

The recommended amount includes funding to replace 2 computers, 2 laser printers, and a copier. The Executive recommends \$20,900 for equipment.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Continuation of FY 1997 Footnotes*

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.)

**Other Issues for Legislative Consideration**

**Project Challenge**

DEMA has requested that the state offset any federal cuts to Project Challenge, a General Equivalency Diploma (GED) and life skills program for high school dropouts run by the Arizona National Guard. The program serves 200 students per year and costs approximately \$3,000,000. The Executive is recommending \$1,798,700 in FY 1998 and \$1,348,700 in FY 1999 to offset projected federal cuts to the program, but these amounts do not appear in the specific budget recommendation for DEMA.

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

DEPT: Department of Environmental Quality

JLBC: Chris Earnest  
House Sub: Knaperek

OSPB: Marcel Benberou  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	379.9	413.5	411.8	413.8	412.8	413.8
Personal Services	7,065,100	7,428,500	7,537,900	7,455,600	7,537,900	7,455,600
Employee Related Expenditures	1,503,000	1,600,600	1,625,700	1,605,900	1,638,400	1,618,500
All Other Operating Expenditures:						
Professional and Outside Services	98,200	151,900	164,900	134,900	164,900	134,900
Travel - In State	125,300	175,300	181,000	175,300	181,000	175,300
Travel - Out of State	21,900	35,200	19,100	17,600	19,100	17,600
Other Operating Expenditures	1,495,700	1,679,900	810,800	1,591,600	803,300	1,591,600
Equipment	381,800	452,600	149,000	361,100	29,000	361,100
<b>OPERATING SUBTOTAL</b>	<b>10,691,000</b>	<b>11,524,000</b>	<b>10,488,400</b>	<b>11,342,000</b>	<b>10,373,600</b>	<b>11,354,600</b>
<b>SPECIAL LINE ITEMS</b>						
Aquifer Protection Permit Program	591,300	669,800	680,900	674,200	681,900	675,100
WQARF Priority Site Remediation	1,503,100	1,705,000	9,881,700	16,823,300	9,881,700	16,823,300
WQARF Federal Match	0	118,300	118,300	0	118,300	0
Lake Havasu City Dredging	500,000	0	0	0	0	0
Uniform Cleanup Standards	14,100	0	0	0	0	0
Environmental Health Reserve	0	100,000	0	0	0	0
Underground Storage Tanks	0	3,000,000	0	0	0	0
Safe Drinking Water SRF	0	0	3,380,000	3,380,000	3,380,000	2,720,000
Air Permits Administration Program	3,312,400	5,001,200	4,635,500	4,831,200	4,497,700	4,835,800
Air Quality Program	125,300	0	0	0	0	0
Hazardous Waste Program	219,500	305,400	329,700	335,900	330,000	318,400
Hazardous Waste Reserve	5,200	34,600	34,600	0	34,600	0
Solid Waste Program	365,100	884,800	960,000	971,700	987,200	956,300
Used Oil Program	152,600	0	0	0	0	0
Emissions Control Program	6,129,500	12,680,100	6,210,100	3,734,100	6,212,900	3,726,900
Water Quality Program	625,900	3,551,500	3,555,100	3,590,000	3,555,100	3,515,200
<b>AGENCY TOTAL</b>	<b>24,235,000</b>	<b>39,574,700</b>	<b>40,274,300</b>	<b>45,682,400</b>	<b>40,053,000</b>	<b>44,925,600</b>
<b>BY FUND SOURCE</b>						
General Fund	13,424,800	21,417,100	26,711,600	32,219,500	26,597,800	31,573,000
Other Appropriated Funds	10,810,200	18,157,600	13,562,700	13,462,900	13,455,200	13,352,600
Other Non-Appropriated Funds	60,933,300	91,661,700	55,916,000	55,916,000	50,877,300	50,877,300
Federal Funds	10,924,100	13,999,200	9,944,900	9,944,900	9,944,900	9,944,900
<b>TOTAL - ALL SOURCES</b>	<b>96,092,400</b>	<b>145,235,600</b>	<b>106,135,200</b>	<b>111,543,300</b>	<b>100,875,200</b>	<b>105,747,800</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Department of Environmental Quality

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$10,802,400	50.4%	\$(646,500)	(2.0)%
Other Appropriated Funds	<u>(4,694,700)</u>	<u>(25.9)%</u>	<u>(110,300)</u>	<u>(0.8)%</u>
Total Appropriated Funds	\$ 6,107,700	15.4%	\$(756,800)	(1.7)%

Performance Measure	FY 96	FY 97
	Actual	Estimate
% of Drinking Water Systems in Compliance with Operations and Maintenance Requirements	66.5%	75.0%

The following table provides a summary of WQARF revenues and expenditures:

	FY 1996	FY 1997	FY 1998	FY 1999
<b>Revenues</b>				
Beg. Balance	\$4,001,200	\$3,523,400	\$2,968,700	\$2,968,700
Fees/Other	5,491,200	5,000,000	5,000,000	5,000,000
General Fund	<u>1,550,000</u>	<u>1,823,300</u>	<u>16,823,300</u>	<u>16,823,300</u>
Total	11,042,400	10,346,700	24,792,000	24,792,000
<b>Expenditures</b>	<u>7,519,000</u>	<u>7,378,000</u>	<u>21,823,300</u>	<u>21,823,300</u>
Ending Balance	<u>\$3,523,400</u>	<u>\$2,968,700</u>	<u>\$2,968,700</u>	<u>\$2,968,700</u>

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

<b>Pay Annualization</b>	\$ 120,100 OF	\$ 198,000 GF
<b>ERE Rates</b>	8,900 OF	7,600 GF
<b>Risk Management</b>	-0- OF	(65,800) GF
<b>Rent</b>	-0- OF	(29,600) GF
<b>Eliminate One-time</b>		
<b>Equipment</b>	(660,100) OF	(91,500) GF
<b>Other</b>	4,400 OF	-0- GF

**WQARF Priority Site Remediation 15,000,000 GF**

The JLBC Staff recommends a General Fund increase of \$15,000,000 to the Water Quality Assurance Revolving Fund (WQARF) program. The program is similar to the federal Superfund program and is designed to monitor, contain and remediate contaminated groundwater. ADEQ currently has 28 sites listed on its WQARF priority site list. The 1996 Legislature established a groundwater task force and a Joint Select Committee on WQARF to study several issues surrounding the program, including its funding needs. From these groups came several proposals for containment and remediation, each with varying costs. The JLBC Staff recommends making an additional \$15,000,000 available for WQARF activities. This amount is in addition to the \$1,823,300 that was appropriated to WQARF in FY 1997.

The General Fund increase, when combined with the \$5,000,000 that the WQARF currently collects from registration fees, penalties and other sources gives the fund an approximate \$21,800,000 base to be used to address containment and remediation of contaminated groundwater. The Executive increases WQARF funding by \$8,176,700.

**Safe Drinking Water Federal Match 3,380,000 GF**

In August 1996, the Federal Congress passed legislation that established a Safe Drinking Water State Revolving Fund. The fund is designed to assist communities in installing and upgrading drinking water systems. To receive funds, states must match 20% of the funding with state monies. The federal appropriation made \$16,900,000 available to Arizona in FY 1997. The 20% match needed to receive these funds is \$3,380,000. In order to best utilize the monies available to the state, the JLBC Staff recommends that the \$3,380,000 be appropriated from the General Fund. Because the federal and state fiscal years overlap, a state appropriation in FY 1998

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

would provide the required 20% match for the federal FY 1997 appropriation to the state. The Executive concurs.

The federal appropriation and the matching money will be placed in a Safe Drinking Water State Revolving Fund to be used to benefit the more than 1,700 drinking water systems in the state. Up to 30% of each year's federal allocation may be used to make loans and to provide loan forgiveness to disadvantaged communities in need of system installations or upgrades. Another 15% may be used for prevention projects such as source water protection loans, technical and financial aid for capacity development, source water assessments, and wellhead protection projects. The remaining money is to be used to help all drinking water systems to meet the new federal drinking water regulations. This will be done by making loans to allow systems to upgrade, and by providing training and certification to systems operators.

**Underground Storage Tanks (3,000,000) GF**  
Laws 1996, Chapter 292 appropriated \$3,000,000 from the state General Fund to the Underground Storage Tank Fund. The monies were used to reimburse storage tank owners for the costs of cleaning up leaking underground tanks. Because this was a one-time appropriation, the recommended amount includes a reduction of \$(3,000,000) for FY 1998. The Executive concurs.

**WQARF Federal Match -0- GF**  
In FY 1997, \$118,300 was appropriated from the General Fund to meet a 10% state match for federal Superfund sites in Arizona. Due to federal budget constraints, the U.S. Environmental Agency directed that federal monies allocated in FY 1997 are to be spread over 3 years. The JLBC Staff recommends moving the \$118,300 from the WQARF Federal Match Special Line Item to the WQARF Priority Site Remediation Special Line Item. The Executive does not concur.

**Environmental Health Reserve (100,000) GF**  
The recommended amount includes a reduction of \$(100,000) to the Environmental Health Reserve Special Line Item. The reserve was created for ADEQ to address unbudgeted emergencies such as illness clusters, tire fires, trans-jurisdictional pollution problems, or other environmental health emergencies. The fund balance currently is approximately \$450,000. This amount is adequate for the immediate costs of any such emergency. Future appropriations will be made according to prior year expenditures. The Executive concurs.

**FTE Position Funding Shift (196,300) GF**  
The JLBC Staff recommends shifting \$(196,300) and (2) FTE Positions from the General Fund to Other Appropriated and Non-Appropriated Funds. The reduction is achieved by shifting 0.5 of the Air Quality Division Director's position, 0.5 of the Administrative Counsel position, and the entire

Data Information Systems Manager position. The recommended decrease includes \$(161,700) for Personal Services and Employee Related Services and \$(34,600) in other costs related to the positions. The Executive concurs.

**FTE Position Funding Shift 21,000 OF**  
The recommendation includes an increase of \$21,000 and 0.3 FTE Position from the Air Permits Administration Fund. This amount had been provided by the General Fund but is shifted to more accurately align funding for the Air Quality Division Director's position with assigned activities.

**Air Permits Administration Database 200,000 OF**  
The recommended amount includes an increase of \$200,000 from the Air Permits Administration Fund to bring the Air Quality Database (AZAIRS) into compliance with other departmental databases. AZAIRS contains critical tracking information on permit issuance and fees, as well as compliance, enforcement, and complaint activities. AZAIRS is not compatible with other departmental databases. This has made comparing information across databases increasingly difficult. The recommended increase will allow the department to contract for services to make AZAIRS compatible with the department's large databases. In accordance with A.R.S. § 41-4054, this project is subject to approval by the Government Information Technology Agency. The Executive does not concur.

**Hazardous Waste Program 16,900 OF**  
The recommended amount includes a \$16,900 increase from the Hazardous Waste Management Fund. Of the increase, \$14,000 will be used to develop a handbook to help small businesses comply with state and federal hazardous waste regulations. These handbooks will then be mailed to each hazardous waste generator in the state. The one-time cost associated with this project is \$11,000.

The increase also includes \$2,900 for the program's field staff to complete the required OSHA training on handling hazardous waste and for periodic medical examinations. The Executive concurs with both issues.

**Hazardous Waste Reserve (34,600) OF**  
The JLBC Staff recommends a reduction \$(34,600) to the Hazardous Waste Reserve Fund. This Special Line Item within the Hazardous Waste Management Fund is for hazardous waste emergencies. In FY 1996, only \$5,200 was expended, leaving the fund with a \$93,400 balance. This amount is sufficient to handle the immediate costs of a hazardous waste emergency. Future appropriations to the fund will be made based upon depletion of funds. The Executive does not concur.

**Solid Waste Program 102,100 OF**  
The recommended amount includes an increase of \$102,100 and 2 FTE Positions to the Solid Waste Management Fund.



## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

Changes created by Laws 1996, Chapter 171 expanded ADEQ's regulated community, creating the need for increased staff. The bill requires the department to adopt rules that are consistent with federal regulations for all Non-Municipal Solid Waste Landfill Facilities. There are approximately 50 such facilities in the state. Since the passage of Chapter 171, several of these facilities have requested assistance in complying with the federal regulations. ADEQ has been unable to provide help as the 2 FTE Positions that make up the existing Municipal Solid Waste Landfill Program oversee 82 active and 28 inactive municipal facilities. The addition of 1 FTE Position will allow the department to create a non-municipal program similar to the existing program. The FTE Position will provide technical assistance, inspections and monitoring oversight to the state's non-municipal facilities. The Executive concurs with this FTE Position and would add an additional FTE Position for compliance and outreach.

Chapter 171 also redefined the definition of a solid waste facility to include transfer stations and recycling facilities. These categories were previously not subject to any specific regulation. Their inclusion in Chapter 171 expands ADEQ's regulatory responsibility to include 57 transfer stations and an undetermined number of recycling facilities. Prior to Chapter 171, the Solid Waste Program performed 400 inspections with 8 field inspectors. Facilities that were inspected include landfills, biosolid processing facilities, medical waste facilities, tire collection sites, and special waste facilities. The addition of 1 FTE position to perform transfer station and recycling facility inspections will allow the program to keep pace with additional regulatory requirements. The Executive concurs, but would not add the FTE Position until FY 1999.

The increase of \$102,200 for 2 FTE Positions (1 for non-municipal solid waste landfills and 1 for transfer and recycling facilities) includes \$62,400 in Personal Services, \$13,700 in Employee Related Expenditures, \$4,000 for Travel - In State, \$1,000 for Travel - Out of State, \$4,000 for Other Operating Expenditures, and \$17,000 in one-time Equipment.

### Vehicle Emissions Inspection

**Program (4,707,800) OF (4,300,000) GF**  
The Vehicle Emissions Inspection (VEI) Program requires 1981 or newer vehicles registered in Maricopa and Pima Counties to have a biennial emissions inspection. Current law stipulates that the maximum fee that can be assessed to the general public for an inspection is \$20 per biennium. Because the actual inspection cost in Maricopa County is above the \$20 limit, the state has been subsidizing the difference.

In March 1996, the Legislature approved an \$8,380,100 appropriation from the VEI Fund. This appropriation

included \$4,001,100 to subsidize the emissions costs above \$20. This fund, however, did not have sufficient revenues to support the subsidy.

In July 1996, the Legislature made a \$4,300,000 appropriation from the General Fund to the VEI Fund to cover the state's subsidy in FY 1997. *(Combining the \$8,380,100 original appropriation plus the \$4,300,000 General Fund subsidy results in a total appropriation of \$12,680,100. This amount, however, double counts the I/M 240 subsidy.)*

Laws 1996, 7th Special Session, Chapter 6, Section 52 states, "It is the intent of the Legislature that beginning on July 1, 1997 the full cost of the vehicle emissions test in Maricopa and Pima counties be borne by the vehicle owners and that no further state-funded subsidy be provided." As a result, the JLBC Staff recommends no General or VEI Fund monies for a I/M 240 subsidization in FY 1998. This reduces the General Fund appropriation by \$(4,300,000). In addition, the VEI Fund is reduced \$(4,001,100).

The March 1996 appropriation also included \$656,700 to subsidize remote sensing triggered inspections. These inspections are required of vehicles that are detected as high polluters by the remote sensing or "smog dog" program. The JLBC Staff recommends that no subsidy monies be provided for these tests in FY 1998. Furthermore, the JLBC Staff recommends the \$100,000 appropriated for grant payments to qualifying vehicle owners be reduced to \$50,000. Incorporating these changes would further reduce the VEI Fund by \$(706,700). When combined with the elimination of the I/M 240 subsidy, the total VEI reduction is \$(4,707,800).

The JLBC Staff has also recommended \$61,800 in VEI technical adjustments elsewhere in the budget. When combined with the total reduction mentioned above, the VEI Fund appropriation will be reduced from \$8,380,100 in FY 1997 to \$3,734,100 in FY 1998. Estimates of fund revenues in FY 1998 are only \$1,422,800, leaving the program with a \$(2,311,300) funding shortfall. See table below.

To meet the FY 98 shortfall, a fee in addition to the cost of the inspection would be necessary. In FY 1998, the fee would need to be set at \$1.65 per test. To meet the similar FY 1999 deficit, a \$1.83 fee would be required. Assessing these fees to vehicle owners on top of the inspection cost will provide full funding for the program as currently structured. (The fee to cover the actual cost of the inspection in calendar 1998 is estimated to be \$25.99 and in calendar 1999 is \$26.77.)

The Executive concurs that I/M 240 Subsidy no longer be paid by the state but that vehicle owners pay the full cost. The Executive would, however, provide the remainder of the

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

fund deficiency from a General Fund appropriation of \$2,162,300 in FY 1998 and 1999. In addition, the Executive recommends eliminating 6 FTE Positions and reducing the program's operating budget by \$(55,300). The JLBC Staff does not concur with the FTE Positions eliminations at this time.

<b>Vehicle Emissions Inspection Fund FY 1997-1999</b>			
	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Beg. Balance <sup>1/</sup>	\$2,820,200	\$335,600	\$ -0-
Revenue	1,087,200	1,087,200	1,087,200
General Fund Appropriation	<u>4,300,000</u>	<u>-0-</u>	<u>-0-</u>
Total Available	\$8,207,400	\$1,422,800	\$1,087,200
<b>Expenditures</b>			
Operating Costs	2,707,600	2,769,400	2,762,200
I/M 240 Subsidy	4,001,100	-0-	-0-
I/M Grant Payment	100,000	50,000	50,000
Remote Sensing Tests	656,700	-0-	-0-
Remote Sensing Contract	<u>914,700</u>	<u>914,700</u>	<u>914,700</u>
Total Expenditures	<u>\$8,380,100</u>	<u>\$3,734,100</u>	<u>\$3,726,900</u>
<sup>1/</sup> The \$-0- beginning balance in FY 1999 assumes that the funding shortfalls from the previous year will be met.			

**Water Quality Program**

**138,400 OF**

The department's Water Quality Program ensures water quality by monitoring and regulating drinking and waste water sources. The Legislature approved an additional 20 FTE Positions for FY 1997 to allow the department to address backlogs in facility and construction inspections, water quality certifications, and Aquifer Protection Permits (APP). These increases were to be funded from increases to a variety of registration and inspection fees. The additional staff required an increase in Travel - In State and Equipment; however, these costs were postponed to FY 1998 in order that they could be determined more accurately. The JLBC Staff recommends an increase of \$138,400 from the Water Quality Fee Fund for the costs associated with the additional 20 FTE Positions. The increase includes \$45,900 for Travel - In State, \$77,300 for vehicles and other equipment, \$5,000 in Professional and Outside Services, and \$10,200 for Other Operating Expenditures. The Executive recommends an increase of \$65,600.

Due to delays in implementing the new fee structure, the department did not begin hiring for the new positions until approximately half-way through FY 1997. The delays also caused the fee structure to be slightly altered. Due to the late start in hiring and the uncertainty of future revenues, the JLBC Staff does not recommend any additional FTE

Positions in FY 1998. Once actual revenues have been received for a year, JLBC will have a better basis to recommend additional staff to fully address the backlog issue. The Executive concurs.

**Indirect Costs**

**96,000 OF**

The recommended amount includes an increase of \$96,000 from Other Appropriated Funds for indirect costs collected by the department. The department charges each Other Appropriated and Non-Appropriated Fund a federally authorized percentage of Personal Services and Employee Related Expenditures to pay for certain departmentwide overhead expenses. These indirect costs include rent, general accounting, telecommunications systems, and Risk Management. The JLBC Staff recommends that the FY 1997 indirect rate of 44.06% be retained for FY 1998 and FY 1999. These monies are transferred from each fund, excluding the General Fund, to the department's Non-Appropriated Indirect Cost Fund. The following chart breaks down the changes from FY 1997 by each fund.

<b>Increases in Indirect Costs From Each Other Appropriated Fund</b>	
Air Permits Administration	\$ (2,200)
Hazardous Waste Management	3,700
Solid Waste Fee	40,500
Vehicle Emissions Inspections	40,300
Water Quality Fee	<u>13,700</u>
Total	<u>\$96,000</u>

The Executive concurs with retaining the 44.06% rate from FY 1997. The Executive also recommends an \$(800,000) decrease to the department's General Fund appropriation. It is recommended that this amount be funded from the Indirect Cost Fund. The JLBC Staff refrains from making this recommendation at this time. There are still many issues concerning federal reimbursement for the department's Statewide Cost Allocation Plan (SWCAP), and the collection of indirect costs from the department's other appropriated funds that need detailed analysis. The JLBC Staff will continue to analyze these issues.

**FY 1999 — Recommended Changes From FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>9,500 OF</b>	<b>13,500 GF</b>
<b>Eliminate One-time Expenditures</b>	<b>(123,900) OF</b>	<b>-0- GF</b>

**Safe Drinking Water Federal Match**

**(660,000) GF**

Arizona's federal allocation of Safe Drinking Water State Revolving Fund monies is expected to drop by approximately \$(3,300,000) between FY 1998 and FY 1999. This will reduce the amount needed for the 20% state match by

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

\$(660,000). The General Fund FY 1999 appropriation will need to be \$2,720,000 to provide the 20% match of \$13,600,000 that is projected to be received from the federal government.

**Indirect Costs 4,100 OF**

The JLBC Staff recommends an increase of \$4,100 from various Other Appropriated Funds for the department's Indirect Cost Fund. The increases are based on an indirect rate of 44.06% of appropriated Personal Services and Employee Related Expenditures.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

When expenditures from the hazardous waste or environmental health reserves are authorized, the director shall report the nature of the emergency and the authorized expenditure amount to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees, and the Director of the Joint Legislative Budget Committee Staff. The appropriation for the environmental health reserve shall only be used for unforeseen emergency situations, and not for on-going projects.

Up to \$1,250,000 of the state General Fund appropriation may be utilized temporarily to maintain existing environmental programs for which application for federal funds has been submitted.

*Continuation of New FY 1997 Footnote*

Monies appropriated for Water Quality Assurance Revolving Fund Priority Site Remediation and WQARF Federal Match shall be placed in the Water Quality Assurance Revolving Fund as authorized by A.R.S. § 49-282A1.

**Other Issues for Legislative Consideration**

**Executive Recommendation**

The Executive recommends eliminating \$(40,000) for data base programming contracts. The JLBC Staff does not concur. This amount is not for a one-time contract but for on-going computer programming projects. Changes in legislation and regulation often require a restructuring of databases and other programs. The \$40,000 is built into the department's base to provide for needed programming.

The Executive recommends a General Fund increase of \$116,000 to implement risk-based clean-up standards. The JLBC Staff does not recommend this increase at this time.

The Department of Health Services currently has a risk Analysis section. Further analysis of where risk analysis expertise should reside in the state is necessary prior to recommending an increase to ADEQ's budget. The Executive concurs with retaining the 44.06% rate from FY 1996.

The Executive recommends a General Fund increase of \$77,900 and 2 FTE Positions to help public drinking water systems achieve established standards. The JLBC Staff does not concur. The \$16,900,000 made available to the state through the federal Safe Drinking Water Act and the \$3,800,000 recommended as the state match portion is designed to help public drinking water systems achieve established standards.

The Executive recommends an increase of \$190,500 from the Air Permits Administration Fund to conduct hazardous air pollutant (HAP) assessments. The JLBC Staff does not concur. Since FY 1993, the department has expended approximately \$2,000,000 in conducting HAPs research in 4 regions of the state. The majority of the expenditures have come from the non-appropriated Air Quality Fee Fund. The JLBC Staff recommends that further research continue to be funded from the Air Quality Fee Fund. The Executive would also eliminate \$(50,000) in printing costs from the same fund in FY 1999. The JLBC Staff does not concur.

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec.	FY 1999 JLBC Rec.
Air Permits		
Administration Fund	\$4,831,200	\$4,835,800
Hazardous Waste		
Management Fund	335,900	318,400
Solid Waste Fee Fund	971,700	956,300
Vehicle Emissions		
Inspection Fund	3,734,100	3,726,900
Water Quality Fee Fund	3,590,000	3,515,200
<b>TOTAL</b>	<b>\$13,462,900</b>	<b>\$13,352,600</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Governor's Office of Equal Opportunity

JLBC: Brad Regens  
House Sub: Weiers

OSPB: Pam Scharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	3.0	5.0	5.0	5.0	5.0	5.0
Personal Services	104,100	157,100	160,100	160,100	160,100	160,100
Employee Related Expenditures	17,700	27,800	27,600	27,600	27,700	27,700
All Other Operating Expenditures:						
Professional and Outside Services	4,000	4,000	4,000	4,000	4,000	4,000
Travel - In State	800	800	800	800	800	800
Travel - Out of State	700	700	700	700	700	700
Other Operating Expenditures	31,700	47,500	49,800	49,800	50,600	50,600
<b>AGENCY TOTAL</b>	<b>159,000</b>	<b>237,900</b>	<b>243,000</b>	<b>243,000</b>	<b>243,900</b>	<b>243,900</b>
<b>BY FUND SOURCE</b>						
General Fund	159,000	237,900	243,000	243,000	243,900	243,900
Federal Funds	58,100	58,100	58,100	58,100	58,100	58,100
<b>TOTAL - ALL SOURCES</b>	<b>217,100</b>	<b>296,000</b>	<b>301,100</b>	<b>301,100</b>	<b>302,000</b>	<b>302,000</b>

**Agency Description** — *The agency monitors equal opportunity plans submitted annually by each state agency and assists agencies in equal employment opportunity training and evaluation.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$5,100	2.1%	\$900	0.4%

Performance Measure	FY 96 Actual	FY 97 Estimate
Individuals Provided with Training and Technical Assistance	500	650

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**  
**ERE Rates** 100 GF  
**Rent** 800 GF

\* \* \*

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** \$3,400 GF  
**ERE Rates** (600) GF

**Rent** 2,300 GF

The JLBC Staff recommends an increase of \$2,300 to reflect the agency's actual office space. The Executive concurs.

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

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Board of Equalization

JLBC: Bob Hull  
House Sub: Weiers

OSPB: Pam Scharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	7.5	10.0	10.0	10.0	10.0	10.0
Personal Services	279,700	415,800	422,100	422,100	422,100	422,100
Employee Related Expenditures	59,900	68,400	71,500	66,600	72,000	67,100
All Other Operating Expenditures:						
Professional and Outside Services	57,800	126,900	107,600	122,900	107,600	122,900
Travel - In State	14,400	38,700	38,700	38,700	38,700	38,700
Travel - Out of State	2,300	0	0	0	0	0
Other Operating Expenditures	140,900	154,100	156,000	154,100	155,900	154,100
Equipment	20,800	0	0	0	0	0
<b>AGENCY TOTAL</b>	<b>575,800</b>	<b>803,900</b>	<b>795,900</b>	<b>804,400</b>	<b>796,300</b>	<b>804,900</b>
<b>BY FUND SOURCE</b>						
General Fund	575,800	803,900	795,900	804,400	796,300	804,900
<b>TOTAL - ALL SOURCES</b>	<b>575,800</b>	<b>803,900</b>	<b>795,900</b>	<b>804,400</b>	<b>796,300</b>	<b>804,900</b>

**Agency Description** — The State Board of Equalization (SBOE) consists of 17 members. The board hears property tax appeals for properties in Maricopa and Pima Counties. Property tax appeals in other counties are heard by their respective County Boards of Equalization. Of the 17 members, the 7 gubernatorial appointments also hear appeals of centrally valued properties and equalization orders by the Department of Revenue.

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$500	0.1%	\$500	0.1%

Performance Measure	FY 96 Actual	FY 97 Estimate
Appeals	14,500	22,000
Cost Per Appeal	\$40	\$37

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

Pay Annualization                                 **\$ 7,000 GF**  
ERE Rates   **(2,500) GF**

Professional and Outside                                 **(4,000) GF**  
Reflects a decrease of \$(4,000), including a decrease of \$(19,300) for computer programming and an increase of \$15,300 for additional contract hearing officers. The board anticipates an increase in the number of appeals being heard

by 3 or 5 member panels of board members. These panels hear cases for single family residences valued over \$500,000. As a result, board members will have less time remaining to hear cases with lower values which can be heard either by a single board member or by a hearing officer, and more hearing officers will need to be employed. The Executive recommends a decrease of \$(19,300).

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

ERE Rates   **500 GF**

\* \* \*

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

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Board of Executive Clemency

JLBC: Lorenzo Martinez  
House Sub: Cooley

OSPB: Melodie Jones  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	39.0	37.0	34.0	36.0	31.0	33.0
Personal Services	1,059,800	1,119,500	1,013,200	1,113,600	956,400	1,057,300
Employee Related Expenditures	251,600	242,700	228,900	247,800	214,800	233,800
All Other Operating Expenditures:						
Professional and Outside Services	45,700	55,600	15,600	15,600	15,600	15,600
Travel - In State	28,300	39,900	30,700	35,900	28,900	34,100
Travel - Out of State	1,600	2,000	2,000	2,000	2,000	2,000
Other Operating Expenditures	283,500	225,000	228,400	228,400	233,300	233,200
Equipment	12,300	6,500	6,500	6,500	6,500	6,500
<b>AGENCY TOTAL</b>	<b>1,682,800</b>	<b>1,691,200</b>	<b>1,525,300</b>	<b>1,649,800</b>	<b>1,457,500</b>	<b>1,582,500</b>
<b>BY FUND SOURCE</b>						
General Fund	1,682,800	1,691,200	1,525,300	1,649,800	1,457,500	1,582,500
<b>TOTAL - ALL SOURCES</b>	<b>1,682,800</b>	<b>1,691,200</b>	<b>1,525,300</b>	<b>1,649,800</b>	<b>1,457,500</b>	<b>1,582,500</b>

**Agency Description** — *The board consists of 7 full-time members. The board conducts home arrest, parole, or work furlough release hearings at all adult prison institutions for prisoners convicted prior to January 1, 1994. The board considers executive clemency actions such as pardons, commutations and absolute discharges for all prisoners convicted on or after January 1, 1994.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$(41,400)	(2.4)%	\$(67,300)	(4.1)%

Performance Measures	FY 96 Actual	FY 97 Estimate
Case Workups Per Analyst Position	2,038	1,583
Total Scheduled Hearings	14,342	11,167

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	\$ 19,300 GF
ERE Rates	8,700 GF
Risk Management	(1,400) GF
Rent	4,800 GF

**Truth in Sentencing Impact (28,800) GF**  
The amount reflects the elimination of (1) Administrative Assistant III position and reductions of \$(23,000) in Personal Services and \$(5,800) in Employee Related Expenditures. A continued reduction in staff workload is expected as a result of truth in sentencing legislation. The legislation eliminated all forms of early release mechanisms, except temporary releases and good time credit for offenders convicted after January 1, 1994. The Executive recommends a reduction of \$(29,200).

Additionally, the board may be required to review approximately 950 inmates who may be eligible for parole as a result of Proposition 200. However, the board anticipates that all of these reviews will occur in FY 1997. The Performance Measures do not include these additional 950 reviews.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Data Processing (40,000) GF**

The agency has achieved savings as a result of outsourcing data processing services. The Executive concurs.

**Travel - In State (4,000) GF**

The agency has achieved savings from reduced travel resulting from the implementation of telephonic hearings. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

**ERE Rates 2,000 GF**

**Rent 4,800 GF**

**Truth in Sentencing Impact (72,300) GF**

The amount reflects the elimination of (3) FTE Positions and reductions of \$(56,300) in Personal Services and \$(16,000) in Employee Related Expenditures. A continued reduction in staff workload is expected as a result of truth in sentencing legislation. The Executive recommends a reduction of \$(72,900).

**Travel - In State (1,800) GF**

The amount reflects continued savings from reduced travel resulting from the implementation of telephonic hearings. The Executive concurs.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*New Footnotes*

The Board of Executive Clemency shall revert to the General Fund a total of \$62,000 for each full-time membership reduction enacted by legislation.

**Other Issues for Legislative Consideration**

**Board Member Reduction**

The Executive recommends reducing membership on the Board of Executive Clemency from 7 full-time members to 5 full-time members for a savings of \$(124,000). This action would require changes to A.R.S. § 31-401. The JLBC Staff recommends the following footnote be included in the General Appropriation Act in the event that legislation reducing board membership is enacted: The Board of Executive Clemency shall revert to the General Fund a total of \$62,000 for each full-time membership reduction enacted by legislation.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Board of Funeral Directors and Embalmers

JLBC: Jim Rounds  
House Sub: Knaperek

OSPB: Christine Sato  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0	3.0	3.0	3.0
Personal Services	94,300	95,400	97,500	97,500	97,500	97,500
Employee Related Expenditures	20,500	20,500	21,300	21,000	21,500	21,200
All Other Operating Expenditures:						
Professional and Outside Services	28,700	30,100	37,000	35,500	33,100	32,900
Travel - In State	1,800	6,300	6,300	6,300	6,300	6,300
Travel - Out of State	1,000	0	0	0	0	0
Other Operating Expenditures	20,000	28,000	22,100	22,100	22,100	22,100
<b>AGENCY TOTAL</b>	<b>166,300</b>	<b>180,300</b>	<b>184,200</b>	<b>182,400</b>	<b>180,500</b>	<b>180,000</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	166,300	180,300	184,200	182,400	180,500	180,000
<b>TOTAL - ALL SOURCES</b>	<b>166,300</b>	<b>180,300</b>	<b>184,200</b>	<b>182,400</b>	<b>180,500</b>	<b>180,000</b>

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$2,100	1.2%	\$(2,400)	(1.3)%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Average Days to Resolve a Complaint	90	100

The board will require 20 hours of legal consulting time at a cost of \$75 per hour. The Executive recommends \$4,300 for this issue.

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
Pay Annualization	\$ 2,400 OF
ERE Rates	200 OF
State Boards' Office Costs	2,400 OF

**Statute and Rules Revisions** 3,000 OF  
This amount represents an increase in Professional and Outside Services of \$1,500 for a legal consultant, \$1,000 for printing and \$500 for postage associated with rules revisions. The board is in need of a revised fee structure to adequately match revenues with increasing expenditures.

**Other Operating Expenditures** (5,900) OF  
This amount reflects savings of \$(5,400) associated with reducing the agency newsletter from a quarterly publication to a semiannual publication and savings of \$(500) associated with a reduction in operating supplies. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

<b>Standard Changes</b>	
ERE Rates	200 OF
State Boards' Office Costs	400 OF



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Professional and Outside Services (3,000) OF**

The recommended amount reflects the elimination of a one-time expense associated with statute and rules revisions. The Executive concurs.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

DEPT: Arizona Game and Fish Department  
Agency Summary

JLBC: Bruce Groll  
House Sub: Knaperek

OSPB: Bill Greeney  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>						
Administrative and Field Services	15,443,300	16,180,500	18,020,700	17,479,300	17,965,700	17,341,500
Watercraft Licensing	1,434,500	1,452,400	1,559,000	1,576,900	1,498,200	1,575,600
Game, Non-Game, Fish and Endangered Species	245,400	275,400	278,000	279,300	278,300	278,300
<b>AGENCY TOTAL</b>	<b>17,123,200</b>	<b>17,908,300</b>	<b>19,857,700</b>	<b>19,335,500</b>	<b>19,742,200</b>	<b>19,195,400</b>
<b>OPERATING BUDGET</b>						
Full Time Equivalent Positions	271.5	271.5	271.5	271.5	271.5	271.5
Personal Services	7,426,400	7,653,500	7,813,500	7,813,500	7,813,500	7,813,500
Employee Related Expenditures	2,466,200	2,454,400	2,501,200	2,506,300	2,510,200	2,546,600
All Other Operating Expenditures:						
Professional and Outside Services	352,400	234,600	319,600	284,600	324,600	284,600
Travel - In State	250,100	265,900	265,900	275,900	265,900	275,900
Travel - Out of State	56,000	30,700	30,700	30,700	30,700	30,700
Other Operating Expenditures	3,257,900	3,656,700	3,963,400	3,886,000	3,910,900	3,886,000
Equipment	402,900	765,000	1,137,200	1,137,300	1,053,300	945,000
<b>OPERATING SUBTOTAL</b>	<b>14,211,900</b>	<b>15,060,800</b>	<b>16,031,500</b>	<b>15,934,300</b>	<b>15,909,100</b>	<b>15,782,300</b>
<b>SPECIAL LINE ITEMS</b>						
Pittman-Robertson/Dingell-Johnson Matching	2,208,000	2,208,000	2,208,000	2,208,000	2,208,000	2,208,000
Coop Fish and Wildlife Research	40,000	40,000	40,000	40,000	40,000	40,000
Regional Offices Lease-Purchase	180,600	178,500	157,200	157,200	164,100	164,100
Waterfowl Conservation	35,300	43,500	43,500	43,500	43,500	43,500
Land & Water Conservation Recreation Development	67,600	0	0	0	0	0
Wildlife Endowment	10,300	8,000	8,000	8,000	8,000	8,000
PSPRS Unfunded Liability	0	0	1,000,000	300,000	1,000,000	300,000
Lower Colorado River Agreement	0	0	0	275,000	0	280,000
Reimbursement to Game and Fish Fund	369,500	369,500	369,500	369,500	369,500	369,500
<b>AGENCY TOTAL</b>	<b>17,123,200</b>	<b>17,908,300</b>	<b>19,857,700</b>	<b>19,335,500</b>	<b>19,742,200</b>	<b>19,195,400</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	17,123,200	17,908,300	19,857,700	19,335,500	19,742,200	19,195,400
Other Non-Appropriated Funds	13,384,000	11,077,900	10,865,400	10,865,400	10,880,200	10,880,200
Federal Funds	13,063,500	16,928,400	17,183,500	17,183,500	17,183,500	17,183,500
<b>TOTAL - ALL SOURCES</b>	<b>43,570,700</b>	<b>45,914,600</b>	<b>47,906,600</b>	<b>47,384,400</b>	<b>47,805,900</b>	<b>47,259,100</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Game and Fish Department  
 Agency Summary

**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 Service 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 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 Non-Game Wildlife program conducts research on non-game wildlife, endangered species, and related habitat for use in the department's management plan for these wildlife, 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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$1,427,200	8.0%	\$(140,100)	(0.7)%

Performance Measure	FY 96	FY 97
	Actual	Estimate
% of General Public Rating G & F as Good or Excellent	60%	60%

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

Pay Annualization	\$ 192,000 OF
ERE Rates	19,900 OF
Risk Management	54,800 OF

**Replacement Equipment 372,300 OF**  
 The JLBC Staff recommends a total increase of \$372,300 for FY 1998 of which \$279,800 is a one-time increase. The recommended amount from the Game and Fish Fund is \$292,000: a \$92,500 base adjustment for annual replacement of 35 vehicles; and a \$199,500 one-time increase including \$30,000 for the purchase of a computer-aided radio dispatch system module to facilitate tracking of calls and personnel by the Law Enforcement Branch Communications Center, \$39,500 for replacement of an aircraft engine, \$10,000 for replacement of a fish transport tank, \$100,000 to replace 2 high volume printshop copiers, and \$20,000 to update software and replace an obsolete video printer and color monitor for the department's card access security system. The recommended amount from the from the Watercraft Licensing Fund is for one-time increases totaling \$80,300, including \$10,000 for replacement of 2 obsolete PC-based

cash registers, \$14,600 for replacement of worn out and obsolete personal computers, monitors and printers, \$25,000 to purchase a computer software upgrade to the department's central computer system that supports watercraft registration, and \$30,700 to acquire memory, disk and processing power to support the Phoenix office business network functions. The Executive recommends a total increase of \$372,200: \$351,200 from the Game and Fish Fund; and \$21,000 from the Watercraft Licensing Fund.

**Professional and Outside Services 50,000 OF**  
 The JLBC Staff recommends: a \$30,000 increase from the Game and Fish Fund to meet F.A.A. regulations for recurrent pilot training for 4 pilots, provide first aid training and medical screening for law enforcement officers, and other annual officer in-service training; and a \$20,000 increase to the Watercraft Licensing Fund to offset expenditures associated with data base maintenance. The Executive recommends a total increase of \$85,000: \$10,000 from the Game and Fish Fund for pilot training and \$75,000 from the Watercraft Licensing Fund for the Year 2000 conversion.

**Travel - In State 10,000 OF**  
 The JLBC Staff recommends a \$10,000 increase from the Game and Fish Fund to offset in-state travel and lodging costs of the Commissioners and staff associated with increased meetings in rural locations concerning wildlife management and environmental policy issues. The Executive does not address this issue.

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

### **Operating Expenditures** **174,500 OF**

The JLBC Staff recommends: a total increase from the Game and Fish Fund of \$161,000, including \$40,000 to offset increased field operations expenses in wildlife management and law enforcement due to increased public participation in hunting, fishing and natural resource activities; \$60,000 to offset increased processing expenses of the elk and deer hunting license draws due to a 32% increase in applications from 1992 to 1996; \$33,000 for the Urban Fisheries program to purchase additional catchable fish and management services for new urban lakes (Desert West and Green Valley lakes) and to offset fish price increases; \$17,500 to offset increased maintenance costs (contracted with the Department of Public Safety) associated with the addition of 12 new mobile radio repeaters to provide radio links to field officers; and \$10,500 for lighting, insulating and evaporative cooling improvements and related operating expenses at the Deer Valley Airport hangar facility. The JLBC Staff recommends a \$13,500 increase from the Watercraft Licensing Fund to offset increased program operating costs due to a 10% average increase in watercraft registrations during the period 1993 to 1995. The Executive recommends a total increase of \$251,900 from the Game and Fish Fund for various program increases and no additional funds from the Watercraft Licensing Fund.

### **Pittman-Robertson/Dingell-Johnson Acts** **-0- OF**

The recommended amount fully funds the agency's estimate of state funds needed from the Game and Fish Fund as match for federal funding allocated to Arizona under these federal programs for sport fishing and wildlife restoration projects. The Executive concurs.

### **Wildlife Endowment Fund** **-0- OF**

The recommended amount provides reimbursement to the Game and Fish Fund as requested by the commission for wildlife conservation and management purposes specified by A.R.S. § 17-271. The Executive concurs.

### **Capital Improvement Fund** **(21,300) OF**

The recommended amount reflects a total FY 1998 lease-purchase payment of \$157,200, as determined by the Arizona Department of Administration (ADOA) for 3 Game and Fish regional offices. The Executive concurs.

### **Unfunded Public Safety Personnel Retirement System (PSPRS) Liability** **300,000 OF**

The JLBC Staff recommends a \$300,000 temporary increase from the Game and Fish Fund and establishment of a Special Line Item to expedite payoff of a \$5,820,900 unfunded PSPRS actuarial accrued liability. The initial liability was incurred in 1971 when department game wardens who previously were under the State Retirement System became eligible for public safety retirement through a Joinder Agreement between the department and PSPRS. Historically however, when these game wardens were promoted into other classifications, their PSPRS retirement was reverted to the State Retirement System, until 1986, when the Game and

Fish Department and PSPRS amended the Joinder Agreement to restore Public Safety Retirement eligibility and accrued benefit credits to 85 department rangers. The ruling resulted in an additional unfunded PSPRS actuarial accrued liability exceeding \$6,000,000 and an exceptionally high retirement rate of 18.26%. The department's 18.26% contribution rate consists of 10.91% for "normal" retirement costs and 7.35% for amortization of the unfunded actuarial accrued liability with a 22-year amortization payment through 2016. The \$300,000 annual special line payment would reduce the time to payoff by 8 years to 2008, save approximately \$1,550,000, and subsequently reduce Employee Related Expenditures by lowering the department's contribution rate. The \$1,550,000 savings estimate (provided by PSPRS consultants and actuaries) is based upon interest earnings that would be generated by PSPRS if the additional \$300,000 is contributed for 10 years at 9%; each dollar of investment income earned from the additional contributions is one less dollar that will be needed in employer contributions. The Executive recommends a \$1,000,000 increase for both FY 1998 and FY 1999.

### **Lower Colorado River Multi-Species Conservation**

#### **Program (LCRMSCP)** **275,000 OF**

Pursuant to A.R.S. § 17-261, the JLBC Staff recommends a \$275,000 temporary appropriation increase from the Game and Fish Fund and establishment of a Special Line Item entitled "Lower Colorado River Agreement" to fund Arizona's share of a joint participation agreement with the Arizona Department of Water Resources, the states of California and Nevada, the U.S. Department of the Interior, the U.S. Bureau of Reclamation, and the U.S. Fish and Wildlife Service. The agreement provides that the LCRMSCP shall: 1) conserve habitat and work toward the recovery of listed endangered species on the Lower Colorado River 100-year floodplain, pursuant to the Endangered Species Act, and reduce the likelihood of additional species being listed as endangered; and 2) accommodate current water diversions and power production and optimize opportunities for future water and power development, to the extent consistent with law. Additionally, the 3-year agreement provides for a cost-sharing arrangement whereby the federal government contributes 50%, or \$2,250,000, of the \$4,500,000 total program development costs, with California, Arizona and Nevada contributing 50%, 30% and 20% of the balance, respectively. Of Arizona's \$675,000 total contribution requirement, \$120,000 was provided from private Colorado River water beneficiaries and "in-kind" contributions from both Game and Fish and Water Resources. Arizona's remaining share over the next 2 fiscal years is estimated at \$555,000. Of this amount, the JLBC Staff recommends \$275,000 of funding in FY 1998 and \$280,000 in FY 1999. Restrictions on the use of these funds and reversions are described in *New Footnotes*, below. The Executive does not address this issue.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

**ERE Rates** 40,300 OF  
**Elimination of One-time Equipment** (279,800) OF

**Replacement Equipment** 87,500 OF

The JLBC Staff recommends a total one-time increase of \$87,500: from the Game and Fish Fund, a \$10,000 one-time increase for the purchase of a case and records management module to facilitate report writing, records keeping, and statewide tracking of cases by the Law Enforcement Branch; and from the Watercraft Licensing Fund, a one-time increase of \$77,500, including \$33,800 for replacement of worn out and obsolete boating equipment (boat, outboard motor and trailer), and obsolete office equipment (cash register, photo copier, personal computers, monitors and printers), \$24,000 to purchase automatic back-up tape drives for the department's central computer system that supports watercraft registration, and \$19,700 to provide automated tape back-up software and support for the Phoenix office business network functions. The Executive recommends a \$195,800 increase above the JLBC's FY 1998 adjusted base of \$857,500: \$162,000 from the Game and Fish Fund and \$33,800 from the Watercraft Licensing Fund.

**Capital Improvement Fund** 6,900 OF

The recommended amount reflects a total FY 1999 lease-purchase payment of \$164,100, as determined by the ADOA for 3 Game and Fish regional offices. The increase is consistent with the department's request. The Executive concurs.

**Lower Colorado River Multi-Species Conservation**

**Program (LCRMSCP)** 5,000 OF

Pursuant to A.R.S. § 17-261, the JLBC Staff recommends a \$5,000 Lower Colorado River Agreement Special Line Item appropriation increase from the Game and Fish Fund for a total appropriation in FY 1999 of \$280,000 to conclude funding of Arizona's share of a joint multi-state and federal participation agreement concerning listed endangered species on the Lower Colorado River floodplain as described above.

\* \* \*

**1 Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review of the Game and Fish Sportfish Management Program** during the last year. The Game and Fish Sportfish Management program “. . . adequately meets sportfishing demand at a low cost” and receives a high level of satisfaction from its stakeholders and customers. As a result of that review, the JLBC Staff recommends retaining the program. The Executive concurs.

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any part of this appropriation of \$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.

*New Footnotes*

It is the intent of the Legislature that the \$275,000 in FY 1998 and the \$280,000 in FY 1999 for the Lower Colorado River Agreement be utilized to enter into a joint participation agreement with the Department of Water Resources, the states of California and Nevada, and the federal government concerning the Lower Colorado River Multi-Species Conservation Program. Any monies not expended for this purpose shall revert to the Game and Fish Fund.

**Other Issues for Legislative Consideration**

**Salary Equity Increase**

For FY 1998 and for FY 1999, the Game and Fish Commission approved and the department is requesting as a Critical Issue increases of \$776,100 and \$838,200, respectively, to cover 8% salary equity increases in both years. The requested total increases include Personal Services and Employee Related Expenditures and are distributed among the department's 3 major program funds as shown in the table below:

Fund	FY 1998	FY 1999
Game and Fish	\$711,400	\$768,300
Watercraft Licensing	51,000	55,100
Game, Non-Game, Fish & Endangered Species	13,700	14,800
Total	\$776,100	\$838,200

The department's salary equity distribution plan provides: permanent status employees with more than 25 years of service and 10 years or more in grade, placement at their maximum salary grade; permanent status employees with more than 5 years of service, an 8% increase for each of the next 2 fiscal years not to exceed their current classification salary range; and permanent status employees with 5 years of service or less, an 8% increase for each of the next 2 fiscal years not to exceed the mid-range of their current classification salary range. As justification for the requested increases, the department cites: minimal salary increases since 1986, resulting in a competitive disadvantage with other states; increased turnover, particularly in newly hired and trained Wildlife Manager (Game Ranger) positions (from 8% turnover in FY 1995 to 12% in FY 1996), resulting in

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increased recruitment and training costs of approximately \$20,000 per officer (excluding the officer's salary of ≈\$30,000); and department average annual salary discrepancies of similar positions with other states' wildlife agencies documented by the department as part of their Classification Maintenance Review of 38 Wildlife Series Classifications in *Classification Maintenance Review 1996*. In an initial review of these data, the JLBC Staff notes that generally Arizona Game and Fish Department salary ranges (minimum, mid and maximum) and average salaries are lower than those of other states with similar positions, but cannot make an informed recommendation without more extensive analysis.

**Phoenix Regional Office Local Area Network (LAN) Upgrade**

For FY 1998 and for FY 1999, the department is requesting from the Game and Fish Fund an increase of \$269,100 and \$438,200, respectively, to fund the Phoenix and regional offices LAN upgrade and implement the communication upgrade. The department has determined that their current system will not support future needs such as E-Mail, Internet access, disk resource sharing and some software sharing. The upgrade is intended to replace a "hodgepodge of technologies" with compatible network capabilities shared by the department's Phoenix office and its 6 regional offices, and also enable functional compatibility with other state agencies through the ADOA "Magnet" system. This request is currently under Project Initiative Justification review by the ADOA.

**Optical Imaging System Scanner, Server and Storage**

For FY 1998, the department is requesting from the Game and Fish Fund a one-time increase of \$127,000 to complete Phase II and Phase III funding for an optical reader scanner to replace a labor intensive paper and microfiche reader system with an automated one that will more efficiently document and retrieve licensing data. The system will be used by the Finance and Accounting branch to provide financial support to all areas of the department in managing information and maintaining records and files; and to facilitate watercraft registration, license dealer, and big game hunt drawing programs. Hardware and software for Phase I (the Dealer Licensing System) were purchased with funds appropriated for FY 1996; installation, training and full operation of Phase I will be completed during FY 1997. Phase II will enhance work processing of license registration, renewals, transfers and duplicate registration applications (editing, copying, storing, retrieving, viewing and printing). Phase III will integrate the big game draw into the system, enabling automated processing of all applications (≈ 140,000 annually) including scanning of rejected applications and document retrieval, viewing and printing. This request is currently under Project Initiative Justification review by the ADOA.

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec	FY 1999 JLBC Rec
Game & Fish Fund	\$17,270,600	\$17,125,900
Capital Improv. Fund	157,200	164,100
Waterfowl Conservation	43,500	43,500
Wildlife Endowment	8,020	8,020
Land & Water Conserv.		
Recreation Develop.	-0-	-0-
Watercraft Licensing	1,576,900	1,575,600
Game, Non-Game, Fish & Endangered Species	279,300	278,300
<b>TOTAL</b>	<b>\$19,335,500</b>	<b>\$19,195,400</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Department of Gaming

JLBC: Jim Rounds  
House Sub: Cooley

OSP: Christine Sato  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	44.0	68.0	67.0	67.0	71.0	71.0
Personal Services	1,414,700	1,859,200	2,082,300	2,082,300	2,184,400	2,184,400
Employee Related Expenditures	301,000	462,100	473,900	464,400	503,500	493,800
All Other Operating Expenditures:						
Professional and Outside Services	539,000	486,300	320,600	514,700	331,900	551,000
Travel - In State	68,600	94,700	98,300	98,300	99,700	99,700
Travel - Out of State	56,800	180,000	180,000	100,000	180,000	100,000
Other Operating Expenditures	522,000	523,300	637,300	637,300	690,300	669,100
Equipment	170,500	215,600	106,000	109,200	63,200	35,600
<b>OPERATING SUBTOTAL</b>	<b>3,072,600</b>	<b>3,821,200</b>	<b>3,898,400</b>	<b>4,006,200</b>	<b>4,053,000</b>	<b>4,133,600</b>
<b>SPECIAL LINE ITEMS</b>						
Arbitration Expense	0	80,000	220,000	220,000	220,000	220,000
Attorney General Legal Services	0	0	194,100	0	219,100	0
<b>AGENCY TOTAL</b>	<b>3,072,600</b>	<b>3,901,200</b>	<b>4,312,500</b>	<b>4,226,200</b>	<b>4,492,100</b>	<b>4,353,600</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	3,072,600	3,901,200	4,312,500	4,226,200	4,492,100	4,353,600
<b>TOTAL - ALL SOURCES</b>	<b>3,072,600</b>	<b>3,901,200</b>	<b>4,312,500</b>	<b>4,226,200</b>	<b>4,492,100</b>	<b>4,353,600</b>

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$325,000	(8.3)%	\$127,400	3.0%

Performance Measure	FY 96 Actual	FY 97 Estimate
% of Gaming Facilities Reviewed	82	50

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	\$ 44,000 OF
ERE Rates	(23,100) OF
Risk Management	15,900 OF

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Rent** 300 OF  
**Travel - Out of State** (80,000) OF  
**Eliminate One-time Equipment** (215,600) OF

**Proposition 201** 463,000 OF  
In November 1996, Arizona voters passed an initiative that allows non-compacted Indian tribes to negotiate Indian gaming compacts with the state. Subsequently, the Salt River Pima-Maricopa Indian Community has entered into negotiations for the opening of 2 casinos. The first site will house 500 gaming machines and will open in FY 1998. The JLBC Staff recommends 6 FTE Positions and \$463,000 to meet enforcement and inspection responsibilities. The recommended amount includes an increase of \$225,400 in Personal Services/ERE, \$28,400 in Professional and Outside Services, \$3,600 in Travel - In State, \$97,800 in Other Operating Expenditures, \$87,800 in Equipment, and \$20,000 in the Arbitration Expense Special Line Item. The Executive recommends an increase of \$460,600.

**Elimination of FTE Positions** (20,900) OF  
This amount represents ERE savings associated with eliminating 7 FTE Positions. When the Department of Gaming was created in 1995, funding was not provided for a director's position. Since that time, several positions have been vacant to pay for the director's position. In addition, the department has had to pay above expected wages for enforcement personnel who are primarily retired law enforcement officers. Therefore, there is no decrease in Personal Services with the reduction of 7 FTE Positions. The Department of Gaming currently can operate within the reduced number of FTE Positions. The Executive concurs with a reduction of \$(19,900).

**Arbitration** 120,000 OF  
Indian gaming compacts allow for disputes between the state and the tribes to be resolved through arbitration. Resolving a dispute between the state and the tribes has always required the use of 3 arbitrators. The state and the tribes each bear the cost of their own attorney and their own arbitrator and split the cost of the third arbitrator. Estimated total cost to the state is \$500 per hour. Recently, the tribes have been more willing to bring their disputes to arbitration. The number of arbitrated cases rose from 1 case in FY 1996 to 6 cases in FY 1997. The Department of Gaming is estimating that the number of disputes that go to arbitration will rise to 10 cases per year (100% of disputes) by FY 1999. The increase will fund an additional 240 hours of arbitration which includes preparation time, presentation time, and evaluation time. A footnote requiring Joint Legislative Budget Committee oversight over a transfer from this Special Line Item is recommended to ensure any unused monies will revert to the tribes and not be available for other purposes unless a transfer is deemed necessary for operations expenses of the Department of Gaming. The Executive concurs.

**Equipment** 21,400 OF  
This amount includes a total of \$15,000 for 6 replacement computers and \$6,400 for 2 replacement testing devices. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**  
**ERE Rates** 4,200 OF  
**Rent** 7,100 OF  
**Eliminate One-time Equipment** (109,200) OF

**Proposition 201** 199,700 OF  
The recommended increase of \$199,700 will allow the agency to meet its inspection and enforcement responsibilities regarding Proposition 201, which allows for non-compacted tribes to enter into gaming compacts with the state. The agency anticipates the opening of the Salt River Pima-Maricopa Indian Community's second casino in FY 1999. The casino will house 200 gaming devices. The recommended amount includes an increase of 4 FTE Positions, \$127,300 in Personal Services/ERE, \$36,300 in Professional and Outside Services, \$1,400 in Travel - In State, \$24,700 in Other Operating Expenditures and \$10,000 in Equipment. The Executive recommends \$224,400 for this issue.

**Equipment** 25,600 OF  
This amount includes \$2,100 for 1 replacement fax machine, \$20,000 for 8 replacement computers, \$1,500 for 1 laptop computer, and \$2,000 for 1 laser printer. The Executive recommends \$28,600 for this issue.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*New Footnotes*

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. (See *Arbitration policy issue.*)



## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

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

#### **Attorney General Special Line Item**

The Executive recommends the creation of a Special Line Item for Attorney General Legal Services. The funding will come out of Professional and Outside Services. The JLBC Staff recommends no change.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Geological Survey

JLBC: Chris Earnest  
House Sub: Knaperek

OSPB: Bill Greeney  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	13.3	13.3	13.3	13.3	13.3	13.3
Personal Services	413,000	426,600	438,000	438,000	438,000	438,000
Employee Related Expenditures	82,100	83,200	85,800	85,800	86,400	86,400
All Other Operating Expenditures:						
Travel - In State	14,800	33,300	33,300	37,800	33,300	37,800
Travel - Out of State	1,600	2,000	2,000	2,000	2,000	2,000
Other Operating Expenditures	179,300	176,500	185,400	186,600	190,400	191,600
Equipment	63,000	21,700	0	15,100	10,200	9,100
<b>AGENCY TOTAL</b>	<b>753,800</b>	<b>743,300</b>	<b>744,500</b>	<b>765,300</b>	<b>760,300</b>	<b>764,900</b>

**BY FUND SOURCE**

General Fund	753,800	743,300	744,500	765,300	760,300	764,900
Other Non-Appropriated Funds	105,800	102,900	102,000	102,000	103,000	103,000
Federal Funds	108,900	102,400	138,000	138,000	138,000	138,000
<b>TOTAL - ALL SOURCES</b>	<b>968,500</b>	<b>948,600</b>	<b>984,500</b>	<b>1,005,300</b>	<b>1,001,300</b>	<b>1,005,900</b>

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$22,000	3.0%	\$(400)	(0.1)%

Performance Measure	FY 96 Actual	FY 97 Estimate
Number of Publication Sales	2,800	2,900

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	\$ 9,200 GF
ERE Rates	1,100 GF
Risk Management	(1,400) GF
Rent	7,300 GF
Eliminate One-time Equipment	(21,700) GF

**Position Reclassification** **3,700 GF**  
The recommended amount includes an increase of \$3,700 in Personal Services and Employee Related Expenditures for a position reclassification. The Administrative Support Supervisor I position will be upgraded to an Administrative Assistant III. This reclassification has been approved by Arizona Department of Administration's (ADOA) Human Resources Division. The Executive concurs.

**Replacement Vehicle** **18,500 GF**  
JLBC Staff recommends an increase of \$18,500 for a replacement vehicle. The vehicle that will be replaced was purchased in 1982 and has approximately 170,000 miles on it. Although this vehicle was owned by the department, its replacement will be an ADOA extended dispatch vehicle. The increase consists of \$15,100 in equipment for the

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

purchase, \$4,500 in Travel-In State for the ADOA mileage rate, and a decrease of \$(1,100) from Other Operating Expenditures that was used to operate the vehicle owned by the department. The Executive does not concur.

### **Internet Access 5,300 GF**

The recommended amount includes an increase of \$5,300 for Internet access and related services through ADOA. Access to the Internet will help the department fulfill its mission of disseminating accurate information on Arizona's geological resources. A home page will allow the department to make its services and products available to a wide audience. E-mail addresses will help the department gather accurate information by allowing them to transfer data to and from professional geologists with other state agencies and universities. The Executive concurs at a slightly lower level.

### **FY 1999 — Recommended Changes from FY 1998**

#### **Standard Changes**

<b>ERE Rates</b>	<b>600 GF</b>
<b>Rent</b>	<b>5,000 GF</b>
<b>Eliminate One-time Equipment</b>	<b>(15,100) GF</b>

#### **Replacement Equipment 9,100 GF**

The JLBC Staff recommends an additional \$9,100 to replace 3 computers that were purchased in 1990 and 1991. The increase includes \$1,600 for word processing and database software.

\* \* \*

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

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Government Information Technology Agency

JLBC: Lynne Smith  
House Sub: Knaperek

OSPB: Bret Cloninger  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999		
			OSPB	JLBC	OSPB	JLBC	
<b>OPERATING BUDGET</b>							
<i>Full Time Equivalent Positions</i>	0.0	0.0	17.0	17.0	17.0	17.0	
Personal Services	0	0	1,046,000	1,046,700	1,139,000	1,140,000	
Employee Related Expenditures	0	0	181,600	180,000	204,100	193,300	
All Other Operating Expenditures:							
Professional and Outside Services	0	0	400,000	400,000	400,000	450,000	
Travel - In State	0	0	10,000	10,000	10,000	10,000	
Travel - Out of State	0	0	7,800	15,600	7,800	15,600	
Other Operating Expenditures	0	0	258,100	257,500	218,700	259,800	
Equipment	0	0	25,000	38,200	25,000	25,000	
<b>OPERATING SUBTOTAL</b>	<b>0</b>	<b>0</b>	<b>1,928,500</b>	<b>1,948,000</b>	<b>2,004,600</b>	<b>2,093,700</b>	
<b>SPECIAL LINE ITEMS</b>							
Year 2000 - Agency Projects	0	0	14,500,000	12,575,000	14,500,000	0	0
Integrated Judicial Information System	0	0	0	100,000	0	0	0
<b>AGENCY TOTAL</b>	<b>0</b>	<b>0</b>	<b>16,428,500</b>	<b>14,623,000</b>	<b>16,504,600</b>	<b>2,093,700</b>	
<b>BY FUND SOURCE</b>							
General Fund	0	0	0	7,100,000	0	0	
Other Appropriated Funds	0	0	16,428,500	7,523,000	16,504,600	2,093,700	
<b>TOTAL - ALL SOURCES</b>	<b>0</b>	<b>0</b>	<b>16,428,500</b>	<b>14,623,000</b>	<b>16,504,600</b>	<b>2,093,700</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.

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$ 7,100,000	N/A	\$ (7,100,000)	(100.0)%
Other Appropriated Funds	7,523,000	N/A	(5,429,300)	(72.2)
Total Appropriated Funds	\$14,623,000	N/A	\$(12,529,300)	(85.7)%

**FY 1998 — Recommended Changes from FY 1997**

**Establish GITA** **\$1,948,000 OF**  
Effective July 1, 1997, Laws 1996, Chapter 342 created 1) a separate Executive agency, the **Government Information Technology Agency**, responsible for statewide information technology planning, coordinating, and consulting and 2) a

Legislative, Executive, Judicial, and private sector committee, the **Information Technology Authorization Committee**, responsible for oversight of Executive, Legislative, and Judicial information technology (IT). The bill transferred the Executive Branch IT planning, coordinating, and consulting functions from the Arizona Department of Administration (ADOA) to GITA, leaving

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ADOA with responsibility for a centralized Data Center and telephone services to state agencies. Appropriate portions of ADOA were transferred to GITA. ADOA is performing some GITA functions in an interim capacity until GITA is established in FY 1998. The FY 1998 recommended amount for ADOA includes reductions of (3) FTE Positions and \$(293,400) from the General Fund, (14) FTE Positions and \$(1,057,000) from the ADOA Technology and Telecommunications Fund, and \$(575,000) from the Information Technology Fund. On a statewide level, these amounts help offset the new appropriation recommended for GITA.

The recommended amount for operation of GITA includes 17 FTE Positions and \$1,948,000 from the Information Technology Fund. To allow transfer of filled positions from ADOA, 13 FTE Positions are funded on a full-year basis. To allow hiring of vacant positions after the new agency is established, 4 FTE Positions are funded for 8 months. GITA and ITAC are expected to improve the coordination and effectiveness of IT used by state agencies. The new agency and committee also are expected to reduce waste and duplication associated with over \$200,000,000 spent annually on IT for state government. The Executive concurs and recommends 17 FTE Positions and \$1,928,500.

**Year 2000-Agency Projects 5,575,000 OF 7,000,000 GF**  
"Year 2000" refers to a necessity to alter IT functions that use a 2-digit code for the year. The required revisions originally were estimated to cost \$70,000,000 for the state and billions of dollars nationally, based on a rough estimate of \$1 per line of computer code. The Governor has directed state agencies to absorb the majority of their Year 2000 costs by reallocating priorities within their existing budgets.

The recommended amount includes a total of \$12,575,000 to centrally fund individual state agencies' Year 2000 costs beyond those that can be absorbed within existing agency budgets. GITA will allocate amounts to individual agencies, as required. Central funding will provide flexibility and oversight for resolution of Year 2000 problems in various state agencies.

The recommended amount includes \$7,000,000 from the General Fund for various agencies; \$5,000,000 from the State Highway Fund for the Department of Transportation; \$500,000 from the Personnel Fund for the ADOA Human Resources Division; and \$75,000 from the Watercraft Licensing Fund for the Game and Fish Department. The JLBC Staff recommends a new footnote (listed below) to clarify that any standard statutory restrictions will apply to monies appropriated to GITA, so that monies from a dedicated fund cannot be spent on an unrelated agency's Year 2000 project.

The Executive agrees that Year 2000 projects should be centrally administered by GITA, but recommends creating a Year 2000 Fund and appropriating \$14,500,000 from the new fund to GITA. Monies in the fund would consist of \$10,000,000 from the General Fund; \$4,000,000 from the State Highway Fund; and \$500,000 from the Personnel Fund. The Executive recommends appropriating these amounts in both FY 1998 and FY 1999, while the JLBC Staff recommends appropriating monies only in FY 1998, as proof of additional FY 1999 needs has not been presented at this time.

**Integrated Judicial Information System 100,000 GF**  
The JLBC Staff recommends \$100,000 for ITAC to oversee IT projects for the Judiciary in FY 1998. The appropriation is being made to GITA solely for administrative purposes. ITAC oversees IT for all 3 branches of state government, while GITA advises the Legislative and Judicial Branches on IT projects but oversees only the Executive Branch. Please refer to the new footnote, shown below. More information on the Integrated Judicial Information System is included in the JLBC Staff recommendation for the Judiciary. The Executive does not make a recommendation on funding for the Judiciary.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**  
**ERE Rates 1,600 OF**  
**Rent 2,300 OF**  
**Eliminate One-time Equipment (13,200) OF**

**Annualize FTE Positions 105,000 OF**  
The recommended amount includes an increase of \$105,000 to provide the final 4 months' funding for positions hired mid-year in FY 1998. The Executive concurs.

**Project Oversight Support 50,000 OF**  
The recommended amount includes an increase of \$50,000 in Professional and Outside Services for private sector IT consultants to assist the GITA staff in overseeing and providing expertise on state agencies' IT projects. The Executive does not include this increase.

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

**JLBC Staff Recommended Footnotes**

*New Footnotes*

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

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only for expenditures allowed by the fund from which they were appropriated and any unexpended monies shall revert to the fund of origin. *(This footnote will prevent monies from a dedicated fund being spent on unrelated agencies' Year 2000 projects. For example, State Highway Fund monies appropriated to GITA may be spent only on Year 2000 projects for the Department of Transportation.)*

It is the intent of the Legislature that the \$100,000 from the General Fund for review and approval of an Integrated Judicial Information System is appropriated to the Government Information Technology Agency for administrative purposes only and is subject to control by the Information Technology Authorization Committee.

**Other Issues for Legislative Consideration**

**GITA Responsibilities**

The GITA Director shall serve as the Chief Information Officer for state government. GITA has responsibility to administer the state's Executive Branch IT resources, including the following: establish statewide standards; serve as statewide coordinator; critically evaluate and approve/disapprove agency IT plans; mandate necessary revisions to maintain the statewide standards and coordination; temporarily suspend the expenditure of monies if an IT project is at risk of failing to achieve its intended results or does not comply with state requirements; provide IT consulting services; and provide staff support for ITAC. GITA will approve projects with a total acquisition cost of \$25,000 to \$1,000,000 and make recommendations to ITAC for projects with a total cost of over \$1,000,000. An agency's IT plan must be approved before purchases are approved. Status of the approval process must be noted in an agency's budget request. The JLBC Staff will not consider an agency's budget request for an IT project unless it goes through the GITA/ITAC approval process.

**Information Technology Authorization Committee**

ITAC consists of 14 members: 4 persons from private industry with IT expertise; 2 legislators (ex-officio); 2 directors of state agencies; 1 federal government representative (ex-officio); 1 local government representative (ex-officio); 1 member from either private industry or state government; the Director of the Governor's Office of Telecommunications Policy; the Administrative Director of the Courts; and the GITA Director, who shall serve as the ex-officio chairman of the committee. The committee has oversight responsibilities for Executive, Legislative, and Judicial IT, including the following: approve centralized IT policies, standards and the statewide plan; approve purchases with a total cost over \$1,000,000; monitor major or critical projects; temporarily freeze approved funds if a project is at risk of failing to achieve its intended results or does not comply with state requirements; decide appeals from agencies on GITA's decisions.

**Information Technology Fund**

Laws 1996, Chapter 342 also established an Information Technology (IT) Fund. From January 1, 1997 through June 30, 1997, the pro rata charge on Personal Services deposited to the ADOA Personnel Fund shall be reduced by 0.15%, and agencies currently paying that charge will instead pay a 0.15% pro rata charge to the IT Fund. Beginning July 1, 1997, the ADOA Personnel Fund pro rata share shall be 0.9% and all agencies shall pay the 0.15% pro rata charge to the IT Fund. These amounts are budgeted through Employee Related Expenditures.

**Other Appropriated Funds Source Detail**

	FY 1998 JLBC Rec.	FY 1999 JLBC Rec.
Information Technology Fund	\$1,948,000	\$2,093,700
State Highway Fund	5,000,000	-0-
Personnel Fund	500,000	-0-
Watercraft Licensing Fund	75,000	-0-
<b>TOTAL</b>	<b>\$7,523,000</b>	<b>\$2,093,700</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Office of the Governor

JLBC: Bob Hull  
House Sub: Weiers

OSPB: Jim Cockerham  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
Lump Sum Appropriation	4,468,800	4,974,200	5,118,700	5,118,700	5,145,200	5,145,200
<b>AGENCY TOTAL</b>	<b>4,468,800</b>	<b>4,974,200</b>	<b>5,118,700</b>	<b>5,118,700</b>	<b>5,145,200</b>	<b>5,145,200</b>
<b>BY FUND SOURCE</b>						
General Fund	4,468,800	4,974,200	5,118,700	5,118,700	5,145,200	5,145,200
Other Non-Appropriated Funds	1,240,100	1,188,200	1,188,200	1,188,200	1,188,200	1,188,200
Federal Funds	5,073,000	18,217,500	8,615,000	8,615,000	8,615,000	8,615,000
<b>TOTAL - ALL SOURCES</b>	<b>10,781,900</b>	<b>24,379,900</b>	<b>14,921,900</b>	<b>14,921,900</b>	<b>14,948,400</b>	<b>14,948,400</b>

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$144,500	2.9%	\$26,500	0.5%

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
Pay Annualization	\$52,600 GF
Risk Management	(300) GF
Rent	17,200 GF

**Executive Tower Local Area Network** 75,000 GF  
Reflects a rate increase of \$75,000 for the Executive Tower Local Area Network charged by the Arizona Department of Administration.

**FY 1999 — Recommended Changes from FY 1998**

<b>Standard Changes</b>	
Rent	15,400 GF

**Elected Officials Salary Adjustment** 11,100 GF  
The JLBC Staff recommends half-year funding to increase the salary of the Governor from \$75,000 to \$95,000. With the exception of legislators, elected official salaries are determined by the recommendations of the Governor and the Commission on Salaries for State Elected Officials. At the beginning of the prior regular session, the Governor and

Commission recommended the \$95,000 salary for the Governor. Since the Legislature took no action to disapprove of these recommendations, current law requires the salary adjustment to take place on January 1, 1999.

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**JLBC Staff Recommended Format** — Lump Sum by Agency. (The JLBC Staff recommended format reflects the movement of the Governor's Office for Excellence in Government to the Governor's Office of Management and Budget.)

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

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

Included in the lump sum appropriations of \$5,118,700 for FY 1998 and \$5,145,200 for FY 1999 is \$10,000 each year for the purchase of mementos and items for visiting officials.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Governor's Office of Management and Budget

JLBC: Bob Hull  
House Sub: Weiers

OSPB: Jim Cockerham  
Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	42.0	43.0	43.0	43.0	43.0	43.0
Office of Strategic Planning & Budgeting	1,625,400	1,732,800	1,754,000 *	1,754,000	1,758,700 *	1,758,700
Office for Excellence in Government	1,167,200	2,091,000	2,105,100 *	2,105,100	2,109,000 *	2,109,000
<b>AGENCY TOTAL</b>	<b>2,792,600</b>	<b>3,823,800</b>	<b>3,859,100</b>	<b>3,859,100</b>	<b>3,867,700</b>	<b>3,867,700</b>

**BY FUND SOURCE**

General Fund	2,703,000	3,323,800	3,359,100	3,359,100	3,367,700	3,367,700
Other Appropriated Funds	89,600	500,000	500,000	500,000	500,000	500,000
<b>TOTAL - ALL SOURCES</b>	<b>2,792,600</b>	<b>3,823,800</b>	<b>3,859,100</b>	<b>3,859,100</b>	<b>3,867,700</b>	<b>3,867,700</b>

\* Line item detail of these amounts was not provided.

**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 of 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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$35,300	1.1%	\$8,600	0.3%
Other Appropriated Funds	-0-	0.0%	-0-	0.0%
<b>Total Appropriated Funds</b>	<b>\$35,300</b>	<b>0.9%</b>	<b>\$8,600</b>	<b>0.2%</b>

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	\$34,200 GF
ERE Rates	(6,100) GF
Risk Management	800 GF
Rent	6,400 GF

**FY 1999 — Recommended Changes from FY 1998**

Standard Changes	
ERE Rates	2,200 GF
Rent	6,400 GF

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**JLBC Staff Recommended Format** — Lump Sum for the Program. *(The JLBC Staff recommended format reflects the individual programs of the Governor's Office of Management*

*and Budget.)* The Executive recommends Lump Sum by Agency.

**Other Issues for Legislative Consideration**

**FTE Positions**

Total FTE Positions includes 24 FTE Positions for each fiscal year for the Office of Strategic Planning and Budgeting, and 18 FTE Positions for FY 1996 and 19 FTE Positions for FY 1997, FY 1998 and FY 1999 for the Office of Excellence in Government.

Performance Measure	FY 96	FY 97
	Actual	Estimate
Consecutive Years Without Statewide Mid-Year Reductions	4	5



## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

DEPT: Arizona Council for the Hearing Impaired

JLBC: Jennifer Vermeer  
House Sub: Weiers

OSPB: Pam Scharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>						
Council Activities	224,600	253,000	262,000	252,100	253,500	243,600
Telecommunication Device for the Deaf (TDD) Relay Program	4,718,100	4,131,100	4,139,800	4,155,000	4,139,300	4,154,500
<b>AGENCY TOTAL</b>	<b>4,942,700</b>	<b>4,384,100</b>	<b>4,401,800</b>	<b>4,407,100</b>	<b>4,392,800</b>	<b>4,398,100</b>

### OPERATING BUDGET

	9.0	9.0	9.0	9.0	9.0	9.0
<i>Full Time Equivalent Positions</i>						
Personal Services	225,800	234,900	240,000	240,000	240,000	240,000
Employee Related Expenditures	54,800	54,100	57,800	57,800	58,200	58,200
All Other Operating Expenditures:						
Professional and Outside Services	4,304,700	3,712,500	3,712,500	3,712,500	3,712,500	3,712,500
Travel - In State	8,500	13,100	13,100	13,100	13,100	13,100
Travel - Out of State	3,200	0	0	0	0	0
Other Operating Expenditures	316,000	369,500	378,400	383,700	369,000	374,300
Equipment	29,700	0	0	0	0	0
<b>AGENCY TOTAL</b>	<b>4,942,700</b>	<b>4,384,100</b>	<b>4,401,800</b>	<b>4,407,100</b>	<b>4,392,800</b>	<b>4,398,100</b>

### BY FUND SOURCE

General Fund	224,600	253,000	262,000	252,100	253,500	243,600
Other Appropriated Funds	4,718,100	4,131,100	4,139,800	4,155,000	4,139,300	4,154,500
Other Non-Appropriated Funds	7,300	1,400	0	0	0	0
Federal Funds	50,000	57,500	57,500	57,500	57,500	57,500
<b>TOTAL - ALL SOURCES</b>	<b>5,000,000</b>	<b>4,443,000</b>	<b>4,459,300</b>	<b>4,464,600</b>	<b>4,450,300</b>	<b>4,455,600</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$ (900)	(0.4)%	\$(8,500)	(3.3)%
Other Appropriated Funds	23,900	0.6%	(500)	0.0 %
<b>Total Appropriated Funds</b>	<b>\$23,000</b>	<b>0.5%</b>	<b>\$(9,000)</b>	<b>(0.2)%</b>

Performance Measure	FY 96 Actual	FY 97 Estimate
Number of Days 85% of TDD Relay Calls are Answered Within 10 Seconds	325	365

### FY 1998 — Recommended Changes from FY 1997

Standard Changes		
Pay Annualization	\$2,400 OF	\$3,400 GF
ERE Rates	2,700 OF	300 GF
Rent	-0- OF	1,200 GF
Fund Source Shift	16,600 OF	(16,600) GF

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

Currently, the General Fund supports the total administrative cost of the agency. Since the TDD Fund's programs utilize these services as well, the JLBC Staff recommends that administrative costs for the agency be allocated to both the General Fund and the TDD Fund according to the number of FTE Positions allocated to each fund source. The recommended amount reallocates the following administrative costs from the General Fund to the TDD fund: \$13,200 for Rent, \$900 for Risk Management, and \$2,500 in Other Operating Expenditures such as telephone and maintenance contract costs. The Executive concurs but recommends \$14,100 be reallocated from the General Fund to the TDD Fund.

rule writing assistance. The agency requests \$5,000 supplemental funding from the General Fund to pay for these services.

**Agency 1-800 Number**

The Executive recommends \$7,400 from the General Fund for FY 1998 for the agency's 1-800 number. This cost was historically shared by several agencies, but this practice has been discontinued. Without this toll free number, the Council can still be reached through the Council's TDD line as well as the TDD relay system.

**Telephone System Upgrade      2,200 OF      2,800 GF**

The council's current telephone system has 4 outbound lines for 9 staff persons. An increase of \$2,200 from the TDD Fund and \$2,800 from the General Fund is recommended for equipment and the increased annual contract costs associated with upgrading the system. The Executive concurs.

**Legal Interpreter Guidelines      8,000 GF**

The consent decree filed in *Layton, Nover v. State of Arizona* required changes in the rules establishing the qualifications for interpreters in court, administrative, and law enforcement proceedings. An increase of \$8,000 is recommended for printing and postage costs associated with publishing the new rules. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>200 OF</b>	<b>200 GF</b>
<b>Rent</b>	<b>500 OF</b>	<b>700 GF</b>

**Legal Interpreter Guidelines      (8,000) GF**

Includes the elimination of one-time printing and postage costs associated with publicizing the new rules for legal interpreters. The Executive concurs.

**Telephone System Upgrade      (1,200) OF      (1,400) GF**

Eliminates one-time costs associated with upgrading the telephone system. The Executive concurs.

\* \* \*

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

**Other Issues for Legislative Consideration**

**FY 1997 Supplemental Funding**

The consent decree filed in *Layton, Nover v. State of Arizona* required the Council to adopt new rules for the required qualifications of legal interpreters for the deaf. In order to comply with the consent decree, the agency contracted for

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Historical Society

JLBC: Brad Regens  
House Sub: Knaperck

OSPB: Matt Gottheiner  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	62.0	64.5	64.5	64.5	64.5	64.5
Personal Services	1,129,900	1,207,700	1,234,500	1,234,500	1,234,500	1,234,500
Employee Related Expenditures	249,500	248,000	256,100	256,100	257,900	257,900
All Other Operating Expenditures:						
Professional and Outside Services	37,400	47,900	47,900	47,900	47,900	47,900
Travel - In State	10,000	20,500	20,500	20,500	20,500	20,500
Other Operating Expenditures	369,800	370,400	357,000	357,000	357,000	357,000
Equipment	14,100	14,200	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>1,810,700</b>	<b>1,908,700</b>	<b>1,916,000</b>	<b>1,916,000</b>	<b>1,917,800</b>	<b>1,917,800</b>
<b>SPECIAL LINE ITEMS</b>						
Historical Society Grants	30,000	80,000	80,000	80,000	80,000	80,000
Journal of Arizona History	5,000	5,000	5,000	5,000	5,000	5,000
Library Acquisitions	1,300	1,500	1,500	1,500	1,500	1,500
Papago Park Museum	1,938,700	2,163,700	2,220,500	2,220,500	2,216,800	2,216,800
<b>AGENCY TOTAL</b>	<b>3,785,700</b>	<b>4,158,900</b>	<b>4,223,000</b>	<b>4,223,000</b>	<b>4,221,100</b>	<b>4,221,100</b>
<b>BY FUND SOURCE</b>						
General Fund	3,785,700	4,158,900	4,223,000	4,223,000	4,221,100	4,221,100
Other Non-Appropriated Funds	1,717,600	1,621,400	1,652,500	1,652,500	1,646,200	1,646,200
<b>TOTAL - ALL SOURCES</b>	<b>5,503,300</b>	<b>5,780,300</b>	<b>5,875,500</b>	<b>5,875,500</b>	<b>5,867,300</b>	<b>5,867,300</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).*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$64,100	1.5%	\$(1,900)	(0.0)%

Performance Measure	FY 96 Actual	FY 97 Estimate
Museum Visitors	229,383	269,200

Rent 57,200 GF  
Eliminate One-time Equipment (34,100) GF

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes  
Pay Annualization \$46,700 GF  
ERE Rates 7,700 GF  
Risk Management (13,400) GF

**FY 1999 — Recommended Changes from FY 1998**

Standard Changes  
ERE Rates 2,900 GF  
Rent (4,800) GF

\* \* \*

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

**JLBC Staff Recommended Format** — Modified Lump Sum with Special Line Items by Agency. (*In the FY 1997 budget, the department had a Operating Lump Sum with Special Line Items by Agency format. The JLBC Staff recommends changing the format to improve the department's financial accounting and increase legislative oversight. See Other Issues for Legislative Consideration for more information.*)

### **JLBC Staff Recommended Footnotes**

#### *Continuation of New FY 1997 Footnotes*

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.

#### *New Footnotes*

The Arizona Historical Society shall submit quarterly expenditure reports on all funds to the Director of the Joint Legislative Budget Committee. (*See below for explanation.*)

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

#### **Non-Appropriated Funds**

Currently, the Arizona Historical Society uses 2 accounting systems to monitor its non-appropriated funds. Of the Society's 7 non-appropriated funds only the Historical Society Magazine Fund (HIA2033) and the Preservation and Restoration Fund (HIA2125) are on the Arizona Financial Information System (AFIS). The Society's remaining non-appropriated funds are maintained on a system named Fundware. On March 23, 1996 the fund data contained on Fundware was corrupted. The JLBC Staff recommends that all Arizona Historical Society non-appropriated funds be placed on AFIS. The Staff recommends that such language be included in the annual legislation to reduce the number of state funds by 10%. The JLBC Staff also recommends that the Society submit quarterly revenue and expenditure reports to the Director of the JLBC. These reports will allow the Staff to monitor the Society's progress in improving its accounting practices. (*See New Footnotes.*)



Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>1,300 GF</b>
<b>Eliminate One-time Equipment</b>	<b>(5,000) GF</b>

**Equipment** **5,000 GF**  
Reflects an increase of \$5,000 to replace 2 outdated computer terminals. The Executive concurs.

\* \* \*

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

# Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

DEPT: Board of Homeopathic Medical Examiners

JLBC: Jim Hillyard  
House Sub: Knaperek

OSPB: Christine Sato  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	0.5	0.5	0.5	0.5	0.5	0.5
Personal Services	14,500	14,700	22,300	21,500	22,300	21,500
Employee Related Expenditures	2,000	3,800	3,800	3,900	3,600	3,900
All Other Operating Expenditures:						
Professional and Outside Services	10,700	11,100	12,000	12,100	12,200	12,300
Travel - In State	1,300	1,300	2,600	1,300	2,600	1,300
Other Operating Expenditures	2,200	2,300	2,800	2,300	2,800	2,300
<b>AGENCY TOTAL</b>	<b>30,700</b>	<b>33,200</b>	<b>43,500</b>	<b>41,100</b>	<b>43,500</b>	<b>41,300</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	30,700	33,200	43,500	41,100	43,500	41,300
<b>TOTAL - ALL SOURCES</b>	<b>30,700</b>	<b>33,200</b>	<b>43,500</b>	<b>41,100</b>	<b>43,500</b>	<b>41,300</b>

**Agency Description**— *The board licenses and regulates medical physicians who practice homeopathy, a system of medical treatment based on the use of small quantities of remedies which in larger doses produce symptoms of the disease. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$7,900	23.8%	\$200	0.5%

## FY 1998 — Recommended Changes from FY 1997

<b>Standard Changes</b>	
Pay Annualization	\$ 300 OF
ERE Rates	100 OF
State Boards' Office Costs	(500) OF

**Board Member Per Diem** 6,500 OF  
The recommended amount would fund the increase in board member per diem required by Laws 1995, Chapter 197. This Chapter increased board member per diem from \$30 to \$150 per day. It also added an additional member to the board. The Executive concurs in that amount of \$8,200.

**Complaint Investigation** 1,500 OF  
The recommended amount would fund an increase in contract investigator services for complaint investigation. Between FY 1995 and FY 1996, complaints increased by 50%. The recommended amount would allow the board to continue handling this higher volume of complaints. The Executive concurs.

Performance Measure	FY 96	FY 97
	Actual	Estimate
Average Number of Days to Resolve a Complaint	360	195

## FY 1999 — Recommended Changes from FY 1998

<b>Standard Changes</b>	
State Boards' Office Costs	200 OF

\* \* \*

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

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

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

#### **Executive Recommendation**

The Executive recommends \$1,300 of Travel - In State to fund board meetings in Tucson and Sedona. The JLBC Staff has not recommended additional funding for these meetings as these monies are already in the board's FY 1996 and FY 1997 budgets.

The Executive also recommends \$500 of additional Other Operating Expenditures. The JLBC Staff has not recommended additional monies. The board's performance measures do not show workload increases which necessitate the additional funding.



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Commission of Indian Affairs

JLBC: Jim Rounds  
House Sub: Weiers

OSPB: Christine Sato  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0	4.0	4.0	4.0
Personal Services	102,500	109,400	111,800	111,800	111,800	111,800
Employee Related Expenditures	27,100	18,800	23,400	23,400	23,600	23,600
All Other Operating Expenditures:						
Professional and Outside Services	600	0	0	0	0	0
Travel - In State	6,000	6,800	6,800	6,800	6,800	6,800
Other Operating Expenditures	38,400	35,100	36,000	36,900	36,800	37,700
Equipment	6,800	1,300	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>181,400</b>	<b>171,400</b>	<b>178,000</b>	<b>178,900</b>	<b>179,000</b>	<b>179,900</b>
<b>SPECIAL LINE ITEMS</b>						
Indian Town Hall	4,000	4,000	4,000	4,000	4,000	4,000
<b>AGENCY TOTAL</b>	<b>185,400</b>	<b>175,400</b>	<b>182,000</b>	<b>182,900</b>	<b>183,000</b>	<b>183,900</b>
<b>BY FUND SOURCE</b>						
General Fund	185,400	175,400	182,000	182,900	183,000	183,900
Other Non-Appropriated Funds	11,300	12,000	12,500	12,500	13,000	13,000
<b>TOTAL - ALL SOURCES</b>	<b>196,700</b>	<b>187,400</b>	<b>194,500</b>	<b>195,400</b>	<b>196,000</b>	<b>196,900</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$7,500	4.3%	\$1,000	0.5%

Performance Measure	FY 96 Actual	FY 97 Estimate
Information Provided/ Referrals Made	1,860	4,000

Eliminate One-time Equipment (1,300) GF  
Eliminate Base Funding for Furniture (1,000) GF

**FY 1999 — Recommended Changes from FY 1998**

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes  
Pay Annualization \$ 2,700 GF  
ERE Rates 4,300 GF  
Rent 2,800 GF

Standard Changes  
ERE Rates 200 GF  
Rent 800 GF

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

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

### **JLBC Staff Recommended Footnotes**

#### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the prior year footnote concerning the exemption from lapsing of the Indian Town Hall Special Line Item.

#### *New Footnotes*

The Commission of Indian Affairs shall report to the Joint Legislative Budget Committee by October 31, 1997. The report shall provide an update on the Commission of Indian Affairs' progress on meeting goals established in the FY 1995 strategic plan. The report shall also describe the Commission of Indian Affairs' method of incorporating issues developed at the 1997 Indian Town Hall into its strategic plan. (See *Other Issues for Legislative Consideration* for explanation.)

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

#### **Goal Development**

The generalist nature of the commission has caused difficulty in monitoring the agency's performance. At a minimum, the Joint Legislative Budget Committee Staff would like to see if the commission is achieving the "basic" goals developed in its 1995 strategic plan.

The 1995 Commission of Indian Affairs strategic plan identified the following objectives to be accomplished in FY 1997:

- 1) Conduct an annual Indian Town Hall
- 2) Conduct a statewide seminar
- 3) Summarize recent tribal-related legislation
- 4) Promote Indian nominations to state boards and commissions
- 5) Facilitate an increase by 25% of American Indians seeking internships with the state Legislature
- 6) Disseminate 750 pieces of information related to voter registration drives and the state election process.

The JLBC Staff believes that in addition to the 6 goals described, the Commission of Indian Affairs should develop a particular focus. During last regular session's budget hearings, the JLBC Staff recommended that the Commission of Indian Affairs develop a focus concerning matters such as water rights, taxation, environmental protection, law enforcement, or Indian gaming. Currently, no such focus has been developed.

The JLBC Staff believes that the commission can utilize the annual Indian Town Hall as a forum for determining what issues the tribes would like the commission to address during the following year.

The JLBC Staff believes that if both the basic goals and the focused goals are addressed by the commission by September 30, 1997, a better evaluation of the commission's performance could be achieved.

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

DEPT: Industrial Commission of Arizona

JLBC: Jim Rounds  
House Sub: Weiers

OSP: Christine Sato  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>BY PROGRAM/ORGANIZATION</b>						
Administration	2,692,800	2,625,300	3,392,200	3,388,200	2,736,600	2,734,600
Claims	2,562,500	2,626,200	2,544,800	2,577,200	2,539,300	2,562,400
Administrative Law Judge	3,810,600	3,888,900	3,945,300	3,944,100	3,943,500	3,940,900
Labor	403,300	454,900	473,600	473,400	473,700	473,400
Special Fund	574,100	661,200	673,400	672,200	673,400	672,200
OSHA	1,586,800	1,655,600	1,685,600	1,685,500	1,685,700	1,685,500
Legal Counsel	877,200	921,700	1,063,700	1,049,300	1,038,000	1,022,600
<b>AGENCY TOTAL</b>	<b>12,507,300</b>	<b>12,833,800</b>	<b>13,778,600</b>	<b>13,789,900</b>	<b>13,090,200</b>	<b>13,091,600</b>

### OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	271.0	271.0	276.0	277.0	276.0	277.0
Personal Services	6,729,600	7,183,300	7,460,400	7,470,200	7,460,400	7,470,200
Employee Related Expenditures	1,561,900	1,656,900	1,726,500	1,724,200	1,741,600	1,730,300
All Other Operating Expenditures:						
Professional and Outside Services	1,494,600	1,492,600	1,393,600	1,393,600	1,393,600	1,393,600
Travel - In State	170,700	170,400	173,900	173,900	173,900	173,900
Travel - Out of State	11,400	13,800	13,800	13,800	13,800	13,800
Other Operating Expenditures	2,470,500	2,316,800	2,310,700	2,309,800	2,310,700	2,309,800
Equipment	68,600	0	699,700	704,400	0	0
<b>AGENCY TOTAL</b>	<b>12,507,300</b>	<b>12,833,800</b>	<b>13,778,600</b>	<b>13,789,900</b>	<b>13,094,000</b>	<b>13,091,600</b>

### BY FUND SOURCE

Other Appropriated Funds	12,507,300	12,833,800	13,778,600	13,789,900	13,094,000	13,091,600
Other Non-Appropriated Funds	24,545,700	16,947,000	17,529,400	17,529,400	17,943,800	17,943,800
Federal Funds	1,550,600	1,572,200	1,752,200	1,572,200	1,572,200	1,572,200
<b>TOTAL - ALL SOURCES</b>	<b>38,603,600</b>	<b>31,353,000</b>	<b>33,060,200</b>	<b>32,891,500</b>	<b>32,610,000</b>	<b>32,607,600</b>

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$956,100	7.4%	\$(698,300)	(5.1)%

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

Performance Measure	FY 96	FY 97
	Actual	Estimate
Number of Claims Cases Processed	152,457	155,000

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

<b>Pay Annualization</b>	<b>\$ 178,500 OF</b>
<b>ERE Rates</b>	<b>13,400 OF</b>
<b>Risk Management</b>	<b>(600) OF</b>
<b>Eliminate One-time Equipment</b>	<b>(23,800) OF</b>

**Optical Disk Library Replacement 614,000 OF**

The JLBC Staff recommends an increase of \$600,200 in Equipment and an increase of \$13,800 in Other Operating Expenditures to replace the optical disk library unit that processes all worker compensation activities and stores the information on computer platters. The unit is nearing the maximum number of recommended transactions. The Executive concurs.

**Employer Database 194,500 OF**

The Auditor General recommended in its 1995 audit that the Industrial Commission of Arizona take an active role in conducting health inspections rather than waiting for claims to be made. The purchase of a new employer database will allow the Industrial Commission of Arizona to follow the Auditor General's advice by identifying non-compliant employers before claims are filed. The current database is incomplete and primarily consists of past non-compliant employers. Many non-compliant employers are not identified because they are not in the current database. The new database will include a complete record of employers within the state and will allow for the identification of non-compliant employers before a claim is made. This will be done through a random inspection of the complete list of employers within the new database. The recommended amount includes an estimated \$53,000 for the acquisition of the database and \$50,000 for consulting services. The JLBC Staff also recommends an increase in Personal Services/ERE Rates of \$36,900 and an increase of \$5,000 in Equipment for an EDP analyst to assist with the acquisition of the new employer database and other programming duties. In addition, since the acquisition of the employer database will allow for an increase in the number of investigations of high-risk employers, the JLBC Staff recommends an increase of \$29,100 in Personal Services/ERE Rates, an increase of \$3,500 in Travel, and an increase of \$17,000 in Equipment associated with the addition of a safety inspector. The Executive concurs.

**Professional and Outside Services (149,000) OF**

This amount reflects a decrease in Professional and Outside Services of \$(149,000) due to the elimination of funding for

data processing services. Data processing that was previously done by the Arizona Department of Administration is now done internally. The Executive concurs.

**Awards Processing 43,800 OF**

This amount represents an increase of \$23,300 in Personal Services, \$5,800 in ERE Rates, and \$14,700 in Equipment associated with the addition of 1 FTE Position in the Claims Division. Statute mandates that claims determinations be made no later than 90 days from receipt of request. The agency's goal of determining 90% of claims awards within 80 days is only achieved 30% of the time. Funding for an additional 1 FTE Position will enable meeting the goal 100% of the time. The Executive does not recommend funding for this issue.

**Administrative Law Judge Secretary 26,600 OF**

This amount reflects funding for 1 FTE Position in Phoenix to assist with secretarial duties. The increase in Personal Services equals \$17,000 with \$4,900 in related ERE Rates and \$4,700 in Equipment. The Tucson secretary is needed to bring down the average time to issue a decision in a Tucson case from 155 days to the 130-day Phoenix average. The Executive concurs.

**Administrative Assistants 58,700 OF**

The acquisition of the employer database will lead to an increase in collections activity. The JLBC Staff recommends an increase in Personal Services/ERE Rates of \$45,200, an increase of \$3,600 in Other Operating Expenditures, and an increase of \$9,800 in Equipment associated with the funding of an administrative assistant and an administrative secretary. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>Eliminate One-time Equipment</b>	<b>(704,400) OF</b>
<b>ERE Rates</b>	<b>6,100 OF</b>

\* \* \*

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

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Department of Insurance

JLBC: Brad Regens  
House Sub: Cooley

OSPB: Marcel Benberou  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	102.9	102.9	99.0	99.0	99.0	99.0
Personal Services	2,096,400	2,263,200	2,331,000	2,316,800	2,333,800	2,316,800
Employee Related Expenditures	505,100	499,100	504,800	503,100	509,600	507,400
All Other Operating Expenditures:						
Professional and Outside Services	53,300	66,400	15,000	15,000	15,000	15,000
Travel - In State	3,500	9,200	4,200	4,200	4,200	4,200
Travel - Out of State	10,100	10,100	10,100	10,100	10,100	10,100
Other Operating Expenditures	1,138,400	805,100	701,100	720,900	709,700	721,200
Equipment	20,300	0	9,400	16,300	0	25,700
<b>OPERATING SUBTOTAL</b>	<b>3,827,100</b>	<b>3,653,100</b>	<b>3,575,600</b>	<b>3,586,400</b>	<b>3,582,400</b>	<b>3,600,400</b>
<b>SPECIAL LINE ITEMS</b>						
Insurance Rate Publication	39,200	72,000	42,000	42,000	42,000	42,000
Fraud Unit	682,300	671,100	685,200	690,300	686,000	691,100
<b>AGENCY TOTAL</b>	<b>4,548,600</b>	<b>4,396,200</b>	<b>4,302,800</b>	<b>4,318,700</b>	<b>4,310,400</b>	<b>4,333,500</b>
<b>BY FUND SOURCE</b>						
General Fund	4,548,600	4,396,200	4,302,800	4,318,700	4,310,400	4,333,500
Other Non-Appropriated Funds	35,414,300	32,424,100	38,185,300	38,185,300	14,206,600	14,206,600
<b>TOTAL - ALL SOURCES</b>	<b>39,962,900</b>	<b>36,820,300</b>	<b>42,488,100</b>	<b>42,504,000</b>	<b>18,517,000</b>	<b>18,540,100</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 regulations, and administration of companies in receivership.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$(77,500)	(1.8)%	\$14,800	0.3%

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
Pay Annualization  
ERE Rates

**\$73,100 GF**  
**(6,300) GF**

**Fund Source Allocation for Overhead Expenses**

**(150,600) GF**

The JLBC Staff recommends a decrease of \$(150,600) to reallocate the Risk Management, Rent, and Operations and Maintenance overhead charges between the department's

General Fund appropriation and non-appropriated funds. The JLBC Staff recommendation is based on the General Fund, the Insurance Examiners' Revolving Fund and other non-appropriated funds being charged for overhead expenses based on the number of FTE Positions funded from each fund source. For FY 1998 and FY 1999, 34.1 FTE Positions (25.6% of all FTE Positions) will be funded from non-appropriated fund sources. The JLBC Staff recommends that non-appropriated funds be charged 25.6% of overhead costs. This allocation will more accurately reflect actual overhead usage by fund source. The Executive concurs.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Base Adjustments**

**-0- GF**

The JLBC Staff recommends a shift in appropriation from Professional and Outside Services \$(51,400), Travel - In State \$(5,000) and Insurance Rate Publication Special Line Item \$(30,000) into Other Operating Expenditures \$66,400 and the Fraud Unit Special Line Item \$20,000. The base adjustments cover increased costs for equipment maintenance, office supplies and Fraud Unit Attorney General services. The Executive recommends a transfer of appropriation from Professional and Outside Services, Travel - In State and Insurance Rate Publication into Other Operating Expenditures, the Fraud Unit Special Line Item and Personal Services. The increase in Personal Services would fund salary increases for 2 computer programmer positions and the department director.

Performance Measure	FY 96	FY 97
	Actual	Estimate
% of Fraud Unit Referrals Resulting in Successful Prosecution	15.0%	50.0%

**Vacant FTE Positions**

**(10,000) GF**

The JLBC Staff recommends a decrease of \$(10,000) in Employee Related Expenditures and the elimination of 3.9 vacant and unfunded FTE Positions. The Executive recommends a reduction of \$(10,000) and 3.0 FTE Positions.

**Replacement Equipment**

**16,300 GF**

The JLBC Staff recommends an increase of \$16,300 for office equipment replacement, including \$9,400 to replace 1 photocopy machine. The Executive recommends \$16,200 for replacement equipment.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

**ERE Rates** **5,100 GF**

**Rent** **300 GF**

**Eliminate One-time Equipment** **(16,300) GF**

**Replacement Equipment**

**25,700 GF**

The JLBC Staff recommends an increase of \$25,700 for equipment replacement, including \$18,800 to replace 2 photocopy machines. The Executive recommends \$15,000 for replacement equipment.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote concerning expenses paid from the Insurance Examiners' Revolving Fund. The Legislative intent has been established that only expenses specifically related to examinations be paid from the Revolving Fund.

**Other Issues for Legislative Consideration**

**Personal Services Increase**

The Executive recommends a shift of \$3,200 from Travel - In State to Personal Services and ERE for 6 months of salary adjustments in FY 1998. The amount reflects a salary and ERE increase for the department director. The Executive recommends an additional \$3,200 in FY 1999 to annualize this pay adjustment. The JLBC Staff does not recommend this increase as we believe the department has sufficient monies to fund this request.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Land Department

JLBC: Jim Rounds  
House Sub: Knaperek

OSPB: Bill Greeney  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	160.0	174.0	179.0	177.0	179.0	177.0
Personal Services	4,710,700	5,365,600	5,513,800	5,513,800	5,513,800	5,513,800
Employee Related Expenditures	1,087,400	1,184,100	1,219,400	1,219,200	1,231,000	1,229,100
All Other Operating Expenditures:						
Professional and Outside Services	436,400	501,600	490,600	607,200	490,600	539,200
Travel - In State	168,000	241,400	242,000	242,000	242,000	242,000
Travel - Out of State	8,200	2,200	2,200	2,200	2,200	2,200
Other Operating Expenditures	2,755,400	4,233,900	3,741,000	3,870,500	3,748,100	3,875,000
Equipment	115,000	211,700	105,700	123,900	78,100	103,200
<b>OPERATING SUBTOTAL</b>	<b>9,281,100</b>	<b>11,740,500</b>	<b>11,314,700</b>	<b>11,578,800</b>	<b>11,305,800</b>	<b>11,504,500</b>
<b>SPECIAL LINE ITEMS</b>						
Litigation Expenses	16,700	0	0	0	0	0
Legal Advertising	7,400	0	0	0	0	0
CAP User Fees	1,155,800	1,521,200	1,872,300	1,872,300	1,872,300	1,872,300
Water Rights Filing Fees	1,500	0	0	0	0	0
Water Litigation	29,200	0	0	0	0	0
Illegal Dump Supervision	50,000	0	0	0	0	0
Natural Resource Conservation Districts	310,700	320,000	475,000	460,000	475,000	460,000
Conservation Education	30,000	30,000	30,000	330,000	30,000	330,000
Board of Appeals	11,100	0	0	0	0	0
Streambed Ownership	184,500	185,000	234,900	234,400	235,000	234,400
Legal Assistance	143,300	200,000	200,000	200,000	200,000	200,000
Land 2000	36,800	0	0	0	0	0
<b>AGENCY TOTAL</b>	<b>11,258,100</b>	<b>13,996,700</b>	<b>14,126,900</b>	<b>14,675,500</b>	<b>14,118,100</b>	<b>14,601,200</b>
<b>BY FUND SOURCE</b>						
General Fund	11,258,100	13,098,200	13,228,300	13,777,000	13,219,300	13,702,700
Other Appropriated Funds	0	898,500	898,600	898,500	898,800	898,500
Other Non-Appropriated Funds	4,565,100	5,003,300	2,668,900	2,668,900	2,547,800	2,547,800
Federal Funds	1,013,600	1,042,900	972,900	972,900	960,200	960,200
<b>TOTAL - ALL SOURCES</b>	<b>16,836,800</b>	<b>20,042,900</b>	<b>17,768,700</b>	<b>18,317,300</b>	<b>17,626,100</b>	<b>18,109,200</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.*

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$678,800	5.2%	\$(74,300)	(0.5)%
Other Appropriated Funds	-0-	0.0%	-0-	0.0
<b>Total Appropriated Funds</b>	<b>\$678,800</b>	<b>4.9%</b>	<b>\$(74,300)</b>	<b>(0.5)%</b>

Performance Measure	FY 96	FY 97
	Actual	Estimate
Total Sales of Land/Rights of Way (millions)	\$55.1	\$42.5
Total Lease Income (millions)	\$5.2	\$4.9

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
<b>Pay Annualization</b>	<b>\$120,200 GF</b>
<b>ERE Rates</b>	<b>10,000 GF</b>
<b>Risk Management</b>	<b>(97,100) GF</b>
<b>Rent</b>	<b>92,300 GF</b>
<b>Eliminate One-time Equipment</b>	<b>(211,700) GF</b>

**CAP User Fees Increase 351,100 GF**

The department receives an allocation of 39,006 acre-feet of Central Arizona Project (CAP) water for use on state trust urban lands. This allotment is held by the department under a 50-year subcontract to repay a portion of federal construction debt. The Central Arizona Water Conservation District began to exercise a contract option in 1993 which allows the district to increase the annual capital charges to all subcontractors. This in effect speeds up the rate at which the federal debt is paid off by the subcontractors.

The JLBC Staff recommends a \$351,100 increase to meet the FY 1998 required payment for these construction costs. Failure to appropriate sufficient funds to make the next payment will result in a forfeiture of the terms of contract and of the state's allotment of CAP water. Arizona would then lose the ability to associate some amount of water rights with the lease or sale of state land. These water rights are expected to increase the value of state land substantially in the future. In addition, it is likely that either California or Nevada would absorb the state's allocation if Arizona were to default on the CAP contract. The Executive concurs.

**NRCDS 140,000 GF**

The JLBC Staff recommends a total increase of \$140,000 to the state's 31 Natural Resource Conservation Districts (NRCDS). This increase boosts total funding to \$460,000 or \$15,000 per NRCDS.

The increase is necessary due to changes in the 1996 Farm Bill. This federal legislation combines several grant

programs to protect livestock, soils, and graze lands, while passing on the responsibility for planning in local areas to the ranchers and farmers themselves. The NRCDS are now the conduit for prioritizing needs in a given area, and then requesting technical assistance from federal employees. The \$15,000 each NRCDS would receive with this increase will pay basic costs for supplies and meeting materials.

The Executive does not recommend this increase. Instead, the Executive recommends eliminating General Fund support of local-level planning and decision-making in regard to conservation issues. The Executive recommends a \$(255,000) decrease in General Fund monies for the NRCDS, and a \$410,000 increase in Environmental Special Plate monies for the NRCDS. By statute, the special plate funding may only be used for environmental education. The NRCDS are a conduit for funding this education. However, the Executive recommendation removes almost all planning monies and replaces these monies with funding for education only. The JLBC Staff recommendation retains planning monies and funds all environmental education programs per statute.

**Distribution of Environmental Plate Grants -0- OF**

The recommended change would authorize 2 FTE Positions and \$64,100 be expended from the Environmental Special Plate Fund. This recommendation in turn decreases the amount available for grants from the fund by the same dollar amount. The Executive concurs.

The Land Department is required to provide administrative support to the Arizona Advisory Council on the Environment. The council awards grants with available environmental plate monies for environmental education projects based on current scientific information and including a discussion of economic and social implications. The Executive concurs.

**Environmental Education Centers -0- OF**

The Environmental Special Plate Fund was transferred from the Department of Education to the State Land Department during FY 1997. This fund receives revenues from the sale of specially-designed license plates and proceeds are distributed as grants to provide environmental education. While the fund is subject to legislative appropriation, the Arizona Advisory Council on Environmental Education decides how grants to environmental programs should be distributed.



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

The recommended transfer provides the maximum amount allowable under state law to be provided to each of the 12 existing environmental education centers, which is \$15,000 each, and 4 grants of \$30,000 each to 4 areas which do not have these centers. These grants, however, are subject to the approval of the council and may ultimately go to other sponsors of environmental programs. No increase in overall funds appears because this action represents a shift of monies from the Operating Budget to the Special Line Item. The Executive concurs but retains these funds in the other operating subtotal.

**Move Special Line Items -0- OF -0- GF**  
 The JLBC Staff recommends the transfer of 7 Special Line Items, funding \$316,100 in operations and 2 FTE Positions, to the department's operating budget. The net effect of this action will be \$0 General Fund. The Special Line Items recommended for transfer to the operating budget are Litigation, Legal Advertising, Water Rights Filing Fees, Water Litigation, Illegal Dump Supervision, Board of Appeals, and Land 2000. The table 3 above incorrectly displays these transfers as having already occurred in FY 1997.

This move would permit the agency to direct funds away from the particular requirements of each line item as needed. However, considering the relatively small dollar amount associated with each line item, very few substantial fund shifts should occur.

**Small Stream Navigability Criteria 68,000 GF**  
 The State Land Department provides in-house and contractual technical work to determine whether watercourses were navigable upon statehood. The analysis is used by the Arizona Navigable Stream Adjudication Commission in making decisions about stream navigability, which ultimately determines ownership of contested land along watercourses. As a first step in this process, Land engineers have created the criteria used for studying major rivers. Land personnel currently have a substantial workload analyzing all 23 major rivers, and are unable to devote any time or resources to creating the criteria to determine if minor rivers were navigable upon statehood. The JLBC Staff recommends a one-time \$68,000 increase to fund a contract with professional engineering consultants to create small watercourse navigability criteria. This would allow Land personnel the time to continue to provide factual data on individual major rivers, which is their primary duty to the commission. The Executive does not recommend this issue.

**Technical Support to ANSAC 49,400 GF**  
 The JLBC Staff recommends the addition of 1 FTE Position and \$46,200 to fund the salary, benefits, and start-up costs for an additional professional engineer. This position would supplement the existing engineers in the Streambed Ownership Special Line Item. The Land Department is

required to provide factual evidence to the Arizona Navigable Stream Adjudication Commission (ANSAC). The Commission is required to determine whether major and minor rivers were navigable when Arizona became a state. Land personnel are currently overburdened with the study of the state's 23 major rivers and find that the studies cost hundreds of dollars per mile. The recommended increase should make the heavy workload manageable and allow ANSAC to stay on schedule with its review of state watercourses. The Executive concurs in the amount of \$49,100.

**Colorado River Ownership Study 37,600 GF**  
 The recommended increase funds a contracted study of the ownership of land along the Colorado River. Due to the meanderings of this river, land on either side of the current watercourse is in dispute between Arizona and California. The recommendation funds the first of an expected 5 years of study and gives the Executive Branch data generated within the state for discussions with California officials. The Executive does not recommend this issue.

**New Equipment 119,000 GF**  
 The JLBC Staff recommends a total of \$119,000 for replacement and new equipment purchases. This amount will fund roughly \$72,000 in computer upgrades, 1 replacement microfiche viewer/printer, a replacement office copier, and 1 replacement full size truck used to fight wild fires on state lands. The current truck will have accumulated more than 100,000 miles on its odometer by FY 1998. The Executive concurs in the amount of \$103,200. The lower Executive recommendation for Equipment does not include funding for an additional replacement office copier and a map cabinet.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**  
**ERE Rates 9,900 GF**  
**Rent 4,500 GF**  
**Eliminate One-time Equipment (119,000) GF**  
**New Equipment 98,300 GF**

**Eliminate One-time Contract (68,000) GF**  
 The JLBC Staff recommends the removal of one-time funding for a contracted study performed in FY 1998. The study was to establish the criteria for determining small stream navigability.

\* \* \*

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

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

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.

for the 1996 fire season. During the 1997 season, it is expected that the department will again receive \$2,000,000 from the Fire Emergency Council to combat wildland fires.

**Other Issues for Legislative Consideration**

**Environmental Risk Assessment**

Prior to selling or leasing state lands, the department may sometimes test for environmental damage on the land. Previous tenants to the land may have left behind underground storage tanks and other materials that require remediation before the land may be occupied by new tenants. The department has requested \$107,200 for this testing.

Instead, the JLBC Staff recommends that the Arizona Department of Administration (ADOA) pay for the periodic tests with its Risk Management Fund appropriation. If damage is found, ADOA will pay for remediation with Risk Management monies as has been done in the past. The State Land Department will still be responsible for any costs unrelated to environmental contamination, such as the cost of cultural resource surveys. Cultural resource surveys are necessary to determine whether archeologically valuable remains exist on state land parcels.

**Wildland Fires — FY 1997 Supplemental**

The JLBC Staff recommends a FY 1997 supplemental of \$2,464,300 for wildland fire costs. Every year the State Land Department coordinates with local and federal agencies to combat fires that threaten or burn on state land. The state faced a serious drought in the Spring of 1996 and the threat for fire danger was high. The Governor's Emergency Council allocated \$1,070,200 for presuppression efforts to minimize the risk of large scale fires erupting. These preventive measures include public information programs, fuel hazard abatement and positioning fire fighters and equipment in advance of fires occurring. In addition, the State Land Department received a \$2,000,000 allocation from the Fire Emergency Council for actual fire fighting costs. The department used this money to fund a portion of the fire battles that were successfully fought throughout the state. After reconciling shares of expense with the other agencies involved, the department estimates that it still owes local and other fire crews \$2,464,300. This money is requested as supplemental funding in FY 1997 to pay off all obligations

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Law Enforcement Merit System Council

JLBC: Jim Hillyard  
House Sub: Cooley

OSP: Bill Greeney  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0	1.0	1.0	1.0
Personal Services	26,200	30,100	30,700	30,700	30,700	30,700
Employee Related Expenditures	5,300	5,900	8,200	8,200	8,200	8,200
All Other Operating Expenditures:						
Professional and Outside Services	1,700	2,100	2,100	3,900	2,100	3,900
Travel - In State	1,400	2,100	2,100	2,100	2,100	2,100
Other Operating Expenditures	10,100	5,100	6,000	5,100	5,100	5,100
Equipment	2,000	2,800	0	1,000	0	0
<b>AGENCY TOTAL</b>	<b>46,700</b>	<b>48,100</b>	<b>49,100</b>	<b>51,000</b>	<b>48,200</b>	<b>50,000</b>
<b>BY FUND SOURCE</b>						
General Fund	46,700	48,100	49,100	51,000	48,200	50,000
<b>TOTAL - ALL SOURCES</b>	<b>46,700</b>	<b>48,100</b>	<b>49,100</b>	<b>51,000</b>	<b>48,200</b>	<b>50,000</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$2,900	6.0%	\$(1,000)	(2.0)%

Performance Measure	FY 96 Actual	FY 97 Estimate
% of Employees Who Feel that the Hearing Process is Fair	NA	80.0%

**FY 1998 — Recommended Changes from FY 1997**

- Standard Changes
- Pay Annualization **\$700 GF**
- ERE Rates **2,200 GF**
- Eliminate One-time Equipment **(2,800) GF**

**Officer Testing Expenditures 1,800 GF**  
The recommended amount funds increased officer testing costs. The LEMSC's primary responsibility is ranking qualified sworn DPS personnel to determine how promotions are awarded and vacancies filled. This requires extensive testing of eligible personnel. In FY 1996 the cost of this

testing exceeded the amount budgeted by \$6,000. In FY 1997, the costs are \$2,000 over the budgeted amount. The council's business manager believes the recommended increase will cover testing costs in FY 1998 and FY 1999. The Executive does not recommend this issue.

**Replace Office Furniture 1,000 GF**  
The recommended amount would replace the desk, chair, and filing cabinet used by the LEMSC's Administrative Assistant. The current equipment has been on loan from DPS for many years and has begun to break down. The Executive concurs in the amount of \$900.

**FY 1999 — Recommended Changes from FY 1998**

- Standard Changes
- Eliminate One-time Equipment **(1,000) GF**

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

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Legislature — Auditor General

JLBC: Bob Hull  
House Sub: Weiers

OSPB: Pam Scharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	170.0	170.0	170.0	175.0	170.0	179.0
Personal Services	6,373,400	6,636,000	0	6,894,400	0	7,007,600
Employee Related Expenditures	1,197,400	1,250,700	0	1,269,000	0	1,295,200
All Other Operating Expenditures:						
Professional and Outside Services	248,200	328,100	0	328,100	0	328,100
Travel - In State	322,200	395,900	0	414,900	0	425,000
Travel - Out of State	15,200	20,000	0	20,000	0	20,000
Other Operating Expenditures	877,300	773,400	0	786,100	0	794,100
Equipment	94,700	136,400	0	179,500	0	154,500
<b>OPERATING SUBTOTAL</b>	<b>9,128,400</b>	<b>9,540,500</b>	<b>0</b>	<b>9,892,000</b>	<b>0</b>	<b>10,024,500</b>
<b>SPECIAL LINE ITEMS</b>						
Attorney General Special Review	98,000	0	0	0	0	0
Lump Sum Appropriation	0	0	9,634,100	0	9,643,500	0
<b>AGENCY TOTAL</b>	<b>9,226,400</b>	<b>9,540,500</b>	<b>9,634,100</b>	<b>9,892,000</b>	<b>9,643,500</b>	<b>10,024,500</b>
<b>BY FUND SOURCE</b>						
General Fund	9,226,400	9,540,500	9,634,100	9,892,000	9,643,500	10,024,500
Other Non-Appropriated Funds	921,400	1,053,400	1,145,300	1,145,300	1,145,300	1,145,300
<b>TOTAL - ALL SOURCES</b>	<b>10,147,800</b>	<b>10,593,900</b>	<b>10,779,400</b>	<b>11,037,300</b>	<b>10,788,800</b>	<b>11,169,800</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$351,500	3.7%	\$132,500	1.3%

Performance Measure	FY 96 Actual	FY 97 Estimate
% of Imposed Deadlines Met	74%	95%

**Eliminate One-time Equipment** **(154,400) GF**

**New Equipment** **158,000 GF**  
Reflects an increase of \$158,000 for replacement office and personal computer equipment.

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** **\$126,200 GF**  
**ERE Rates** **(25,100) GF**  
**Risk Management** **(3,100) GF**  
**Rent** **2,700 GF**

**Private Office Lease** **20,600 GF**  
Reflects an increase of \$20,600 for a private office lease entered into after the FY 1996 and FY 1997 appropriation.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Charter School Procedural Reviews 226,600 GF**

Reflects increases of 5 FTE Positions and \$226,600 to review audit contracts and audit reports of charter schools, to perform procedural reviews of charter schools, and to conduct follow-up compliance status reviews of actions taken by charter schools to correct problems cited in 90-day deficiency letters, as required by statute. The Auditor General estimates conducting 40 reviews of contracts and audit reports during FY 1998 and 100 during FY 1999, 6 procedural reviews per year, and 28 compliance status reviews in FY 1998 and 50 in FY 1999.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>2,100 GF</b>
<b>Rent</b>	<b>2,400 GF</b>
<b>Eliminate One-time Equipment</b>	<b>(179,500) GF</b>

**New Equipment 149,600 GF**

Reflects an increase of \$149,600 for replacement office and personal computer equipment.

**Charter School Procedural Reviews 157,900 GF**

Reflects increases of 4 FTE Positions and \$158,100 for the estimated additional reviews in FY 1999.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

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

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Legislature — House of Representatives

JLBC: Bob Hull  
House Sub: Weiers

OSPB: Pam Scharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
Lump Sum Appropriation	7,735,400	8,152,400	8,152,400	8,274,500	8,152,400	8,274,500
<b>AGENCY TOTAL</b>	<b>7,735,400</b>	<b>8,152,400</b>	<b>8,152,400</b>	<b>8,274,500</b>	<b>8,152,400</b>	<b>8,274,500</b>
<b>BY FUND SOURCE</b>						
General Fund	7,735,400	8,152,400	8,152,400	8,274,500	8,152,400	8,274,500
<b>TOTAL - ALL SOURCES</b>	<b>7,735,400</b>	<b>8,152,400</b>	<b>8,152,400</b>	<b>8,274,500</b>	<b>8,152,400</b>	<b>8,274,500</b>

**Agency Description** — *The House of Representatives is made up of 60 members, 2 of whom are elected from each of the legislative districts. The officers and employees of the house of Representatives consist of the Speaker of the House, a Chief Clerk of the House, and other employees as the House directs.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$122,100	1.5%	\$0	0%

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes  
Pay Annualization \$122,100 GF

**FY 1999 — Recommended Changes from FY 1998**

No Changes -0- GF

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

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

Included in the lump sum appropriation of \$8,274,500 for FY 1998 and \$8,274,500 for FY 1999 is \$1,000 each year for the purchase of mementos and items for visiting officials.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Legislature — Joint Legislative Budget Committee

JLBC: Bob Hull  
House Sub: Weiers

OSPB: Pam Scharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	34.0	34.0	34.0	34.0	34.0	34.0
Personal Services	1,463,300	1,529,800	0	1,554,100	0	1,554,100
Employee Related Expenditures	269,600	273,100	0	271,400	0	272,800
All Other Operating Expenditures:						
Professional and Outside Services	159,500	125,000	0	99,800	0	99,800
Travel - In State	13,900	13,000	0	7,000	0	7,000
Travel - Out of State	14,100	11,800	0	19,500	0	19,500
Other Operating Expenditures	111,100	134,500	0	158,500	0	158,500
Equipment	0	50,000	0	8,100	0	8,100
<b>OPERATING SUBTOTAL</b>	<b>2,031,500</b>	<b>2,137,200</b>	<b>0</b>	<b>2,118,400</b>	<b>0</b>	<b>2,119,800</b>
<b>SPECIAL LINE ITEMS</b>						
Lump Sum Appropriation	0	0	2,118,400	0	2,119,800	0
<b>AGENCY TOTAL</b>	<b>2,031,500</b>	<b>2,137,200</b>	<b>2,118,400</b>	<b>2,118,400</b>	<b>2,119,800</b>	<b>2,119,800</b>
<b>BY FUND SOURCE</b>						
General Fund	2,031,500	2,137,200	2,118,400	2,118,400	2,119,800	2,119,800
<b>TOTAL - ALL SOURCES</b>	<b>2,031,500</b>	<b>2,137,200</b>	<b>2,118,400</b>	<b>2,118,400</b>	<b>2,119,800</b>	<b>2,119,800</b>

**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.*

**Change in Funding Summary:**

	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$(18,800)	(0.9)%	\$1,400	0.1%

Performance Measure	FY 96 Actual	FY 97 Estimate
Legislator Satisfaction with Overall Performance		
Appropriations Members	3.47	3.50
Other Members	3.13	3.32
(4 high; 1 low)		

All Other Operating Expenditures have been reallocated to reflect expected expenditures in FY 1998.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

**ERE Rates**

**1,400 GF**

\* \* \*

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

**Pay Annualization**

\$ 27,100 GF

**ERE Rates**

(4,500) GF

**Risk Management**

(200) GF

**Realign All Other Operating Expenditures**

(41,200) GF

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

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

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Legislature — Legislative Council

JLBC: Bob Hull  
House Sub: Weiers

OSPB: Pam Scharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	47.0	51.0	48.0	53.0	48.0	54.0
Personal Services	1,869,900	2,041,100	0	2,106,400	0	2,136,400
Employee Related Expenditures	342,900	359,500	0	385,200	0	394,700
All Other Operating Expenditures:						
Professional and Outside Services	248,400	123,000	0	126,000	0	128,000
Travel - In State	1,100	11,500	0	7,500	0	7,500
Travel - Out of State	8,600	15,000	0	15,000	0	15,000
Other Operating Expenditures	579,100	673,100	0	925,200	0	790,700
Equipment	954,600	79,000	0	75,000	0	75,000
<b>OPERATING SUBTOTAL</b>	<b>4,004,600</b>	<b>3,302,200</b>	<b>0</b>	<b>3,640,300</b>	<b>0</b>	<b>3,547,300</b>
<b>SPECIAL LINE ITEMS</b>						
Ombudsman Citizens Aide Office	0	215,300	0	264,000	0	258,300
Lump Sum Appropriation	0	0	3,573,700	0	3,576,500	0
<b>AGENCY TOTAL</b>	<b>4,004,600</b>	<b>3,517,500</b>	<b>3,573,700</b>	<b>3,904,300</b>	<b>3,576,500</b>	<b>3,805,600</b>
<b>BY FUND SOURCE</b>						
General Fund	4,004,600	3,517,500	3,573,700	3,904,300	3,576,500	3,805,600
<b>TOTAL - ALL SOURCES</b>	<b>4,004,600</b>	<b>3,517,500</b>	<b>3,573,700</b>	<b>3,904,300</b>	<b>3,576,500</b>	<b>3,805,600</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$386,800	11.0%	\$(98,700)	(2.5)%

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

**Pay Annualization**                      **\$39,500 GF**

**ERE Rates**                                 **20,100 GF**

**Risk Management**                        **200 GF**

**Eliminate One-time Equipment**       **(102,100) GF**

**New Equipment**                            **75,000 GF**

Reflects an increase of \$75,000 for replacement office equipment.

**Operating Expenditures**                      **21,500 GF**

Reflects an increase of \$21,500 for All Other Operating Expenditures, including increases for outside computer consultants, supplies, dues, subscriptions, and building operation, and a decrease for in-state travel.

**Ombudsman Citizens Aide Office Workload**       **64,600 GF**

Reflects increases of 1 FTE Investigator Position and \$64,600 for an increased Ombudsman Office workload.



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Arizona Legislative Information System (ALIS) 268,000 GF**  
Reflects increases of 1 FTE Position and \$268,000 for an increased computer maintenance workload and to purchase updates and enhancements to the Arizona Legislative Information System.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

**ERE Rates 3,400 GF**  
**Eliminate One-time Equipment (81,000) GF**

**New Equipment 75,000 GF**  
Reflects an increase of \$75,000 for replacement office equipment.

**Arizona Legislative Information System (ALIS) (137,000) GF**  
Reflects a decrease of \$(137,000) in the purchase of updates and enhancements to ALIS.

**Legislative Service 40,900 GF**  
Reflects increases of 1 attorney/research FTE Position and \$40,900 to handle anticipated workload and operating increases.

\* \* \*

**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items by Agency. *(The JLBC Staff recommended format delineates the addition of the ombudsman resources on a separate line.)*

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

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

**Other Issues for Legislative Consideration**

**FTE Positions in the Ombudsman Citizens Aide Office**

The Ombudsman Citizens Aide Office Special Line Item includes 3 FTE Positions for FY 1997 and 4 FTE Positions for FY 1998 and FY 1999, which are included in the total FTE Positions shown in the table for Legislative Council.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Legislature — Library, Archives & Public Records

JLBC: Brad Regens  
House Sub: Weiers

OSP: Pam Scharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	119.1	119.1	0.0	120.1	0.0	120.1
Personal Services	2,665,500	2,904,200	0	2,986,800	0	2,986,800
Employee Related Expenditures	608,500	664,400	0	688,700	0	694,800
All Other Operating Expenditures:						
Professional and Outside Services	107,800	4,000	0	4,000	0	4,000
Travel - In State	12,800	13,800	0	13,800	0	13,800
Travel - Out of State	6,000	2,800	0	6,800	0	6,800
Other Operating Expenditures	795,500	874,100	0	1,436,200	0	1,432,300
Equipment	128,900	5,500	0	600	0	50,400
<b>OPERATING SUBTOTAL</b>	<b>4,325,000</b>	<b>4,468,800</b>	<b>0</b>	<b>5,136,900</b>	<b>0</b>	<b>5,188,900</b>
<b>SPECIAL LINE ITEMS</b>						
Library Acquisitions	438,400	469,200	0	469,200	0	469,200
Grants-in-Aid	452,000	390,400	0	390,400	0	390,400
Radio Reading for the Blind	60,000	60,000	0	77,000	0	77,000
Lump Sum Appropriation	0	0	5,525,000	0	5,527,100	0
<b>AGENCY TOTAL</b>	<b>5,275,400</b>	<b>5,388,400</b>	<b>5,525,000</b>	<b>6,073,500</b>	<b>5,527,100</b>	<b>6,125,500</b>
<b>BY FUND SOURCE</b>						
General Fund	5,275,400	5,388,400	5,525,000	6,073,500	5,527,100	6,125,500
Other Non-Appropriated Funds	254,000	483,300	0	282,800	0	198,500
Federal Funds	811,800	1,570,200	0	1,720,200	0	1,725,200
<b>TOTAL - ALL SOURCES</b>	<b>6,341,200</b>	<b>7,441,900</b>	<b>5,525,000</b>	<b>8,076,500</b>	<b>5,527,100</b>	<b>8,049,200</b>

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$685,100	12.7%	\$52,000	0.9%

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes  
Pay Annualization  
ERE Rates

\$75,200 GF  
11,200 GF

Risk Management  
Rent  
Eliminate One-time Equipment

2,300 GF  
73,300 GF  
(5,500) GF

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Radio Reading for the Blind** **17,000 GF**  
 The JLBC Staff recommends an increase of \$17,000 to help offset the costs of providing first time radio reading service to northern Arizona residents. On January 27, 1995 a new reading radio station opened in Flagstaff to provide print access service for individuals in northern Arizona who can not read due to visual, physical or learning disability.

**Records Management Center** **21,600 GF**  
 The JLBC Staff recommends an increase of \$21,600 and 1 FTE position to fund and equip 1 warehouse worker (Grade 11) to help resolve the current backlog of public records ready for destruction and to conduct an inventory audit. Staffing has remained constant at 5 FTEs since FY 1983 while the inflow of records has increased 658% (from 5,560 in FY 1983 to 42,133 in FY 1996). Record destruction has not kept pace and a backlog of 10,500 record boxes await destruction. Additionally, the Records Management Center (RMC) has never performed a quality control audit. RMC estimates that inventory may be in error by approximately 5% or 7,000 boxes of records. The increase of \$21,600 includes \$15,900 in Personal Services, \$4,600 in Employee Related Expenditures, \$500 in Other Operating Expenditures, and \$600 in Equipment.

Performance Measure	FY 96	FY 97
	Actual	Estimate
Cubic Feet of Public Records in Storage at Records Management Center	134,600	148,060

**State Law Library Rent** **486,000 GF**  
 The JLBC Staff recommends transferring \$486,000 from the Judiciary budget to the State Department of Library, Archives, and Public Records (DLAPR) budget to cover the lease-purchase payment for 27,770 square feet of space in the Arizona State Court Building. In FY 1995, responsibility for operating the State Law Library was transferred to DLAPR. Not transferred at the time was the appropriation for the Law Library Rent.

**Travel - Out of State** **4,000 GF**  
 The JLBC Staff recommended increase of \$4,000 would allow staff member attendance at 2 additional national conferences.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

ERE Rates	6,100 GF
Rent	(3,900) GF
Eliminate One-time Equipment	(600) GF

**Equipment** **50,400 GF**

The JLBC Staff recommends an increase of \$50,400 for equipment. The amount of \$50,400 would replace equipment throughout all the agency's divisions, including \$10,400 to replace the telephone system at the Braille and Talking Book Library (BTBL). A new phone system with voice mail capabilities would provide 24-hour service to the 12,000 existing Arizona patrons by allowing library material requests to be left after hours. BTBL annually pays \$21,600 to lease a phone system.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*New Footnotes*

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

*New Footnotes for FY 1997*

The amount of \$258,000 for Maintenance of Effort compliance shall revert to the General Fund if the U.S. Department of Education does not release to DLAPR withheld FY 1992 federal monies for library development. (This footnote applies to the FY 1997 supplemental appropriation. See Other Issues for Legislative Consideration for further explanation.)

**Other Issues for Legislative Consideration**

**FY 1997 Supplemental Appropriation** **258,000 GF**  
 The JLBC Staff recommends a supplemental appropriation of \$258,000 from the General Fund to the DLAPR FY 1997 budget to secure the release of \$1,239,800 in federal monies for library development. The federal funds have been withheld since FY 1992 due to non-compliance of the federal Maintenance of Effort (MOE) requirement regarding state aid to public libraries. The department plans to use the amount of \$739,800 in federal funds for grant awards and \$500,000 to develop a Public Access Catalog (PAC) to provide electronic, including Internet, access to the State Library's collections. The JLBC Staff recommends a new footnote be added which stipulates that the supplemental appropriation of \$258,000 revert to the General Fund if the U.S. Department of Education does not approve the DLAPR spending plan, including the PAC, and release the federal monies.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Legislature — Senate

JLBC: Bob Hull  
House Sub: Weiers

OSPB: Pam Scharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
Lump Sum Appropriation	5,556,000	6,070,300	6,144,800	6,144,800	6,144,800	6,144,800
<b>AGENCY TOTAL</b>	<b>5,556,000</b>	<b>6,070,300</b>	<b>6,144,800</b>	<b>6,144,800</b>	<b>6,144,800</b>	<b>6,144,800</b>
<b>BY FUND SOURCE</b>						
General Fund	5,556,000	6,070,300	6,144,800	6,144,800	6,144,800	6,144,800
<b>TOTAL - ALL SOURCES</b>	<b>5,556,000</b>	<b>6,070,300</b>	<b>6,144,800</b>	<b>6,144,800</b>	<b>6,144,800</b>	<b>6,144,800</b>

**Agency Description**— *The Senate is made up of 30 members elected from each of the legislative districts. The officers and employees of the Senate consist of the President of the Senate, a Secretary of the Senate, and other employees as the Senate directs.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$74,500	1.2%	\$-0-	0.0%

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes  
Pay Annualization **\$74,500 GF**

**FY 1999 — Recommended Changes from FY 1998**

No Changes **-0- GF**

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

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

Included in the lump sum appropriations of \$6,144,800 for FY 1998 and \$6,144,800 for FY 1999 is \$1,000 each year for the purchase of mementos and items for visiting officials.

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

DEPT: Department of Liquor Licenses and Control

JLBC: Chris Earnest  
House Sub: Cooley

OSPB: Shelli Silver  
Senate Sub: Cirillo

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	45.0	48.0	44.0	44.0	44.0	44.0
Personal Services	1,098,000	1,225,300	1,216,800	1,338,200	1,216,800	1,338,200
Employee Related Expenditures	333,900	315,600	320,800	340,300	322,100	340,600
All Other Operating Expenditures:						
Professional and Outside Services	46,400	27,900	27,900	43,300	27,900	43,300
Travel - In State	93,100	94,800	94,800	94,800	94,800	94,800
Travel - Out of State	0	1,000	1,000	1,000	1,000	1,000
Other Operating Expenditures	487,300	322,200	344,600	320,100	344,600	320,100
Equipment	17,800	0	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>2,076,500</b>	<b>1,986,800</b>	<b>2,005,900</b>	<b>2,137,700</b>	<b>2,007,200</b>	<b>2,138,000</b>
<b>SPECIAL LINE ITEMS</b>						
Automated Lease Purchase	543,200	543,200	558,600	543,200	558,600	543,200
<b>AGENCY TOTAL</b>	<b>2,619,700</b>	<b>2,530,000</b>	<b>2,564,500</b>	<b>2,680,900</b>	<b>2,565,800</b>	<b>2,681,200</b>
<b>BY FUND SOURCE</b>						
General Fund	2,653,300	2,530,000	2,564,500	2,680,900	2,565,800	2,681,200
Other Non-Appropriated Funds	576,800	337,400	346,500	346,500	348,700	348,700
Federal Funds	100,200	0	0	0	0	0
<b>TOTAL - ALL SOURCES</b>	<b>3,330,300</b>	<b>2,867,400</b>	<b>2,911,000</b>	<b>3,027,400</b>	<b>2,914,500</b>	<b>3,029,900</b>

**Agency Description** — *The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$150,900	6.0%	\$300	0.0%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Average Days to Complete the Investigation of a Complaint	60	55

**Risk Management** **(3,600) GF**  
**Rent** **1,500 GF**

**Elimination of 4 FTE Positions** **(14,400) GF**

The JLBC Staff recommends the elimination of 4 FTE Positions and a decrease of \$(14,400) in excess Personal Services and Employee Related Expenditures. The Positions being eliminated include 1 Deputy Director, 2 Special Investigators and 1 Office Administrative Assistant. The positions were abolished by the department in FY 1996. The Personal Services monies that were associated with the positions were largely used to upgrade other positions and

### FY 1998 — Recommended Changes from FY 1997

**Standard Changes**  
**Pay Annualization** **\$30,900 GF**  
**ERE Rates** **18,400 GF**

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

fund salary increases. The Executive concurs with the FTE Position elimination.

**Salary Increase: Special Investigators 102,700 GF**

The recommended amount includes an increase of \$102,700 in Personal Services and Employee Related Expenditures for the department to increase the hiring rate of Special Investigators and Special Investigator Supervisors. The current hire rates have made it difficult for the department to attract and retain Arizona Peace Officers Standards Training (A.P.O.S.T.) certified officers. The turnover rate for Special Investigators is 40%. The increase would allow the department to increase the Special Investigator's minimum salary from \$26,500 to \$33,800 and the Supervisors' from \$29,500 to \$37,600. The Executive does not concur.

**Automation System Maintenance 15,400 GF**

The warranties for the hardware and software used by the department's new automation system expire in June 1997. The JLBC Staff recommends an increase of \$15,400 in Professional and Outside Services to provide for maintenance contracts, system upgrades and technical support for the automation system. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

**ERE Rates 300 GF**

\* \* \*

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

**Other Issues for Legislative Consideration**

**FY 1997 Supplemental**

The JLBC Staff recommends a supplemental appropriation of \$49,200 from the Automated File and Retrieval Fund to the department's FY 1997 budget. This amount is to be used for maintenance and upgrades of the department's computer system. Certain licensing fees from Maricopa and Pima Counties had been deposited into this fund, but are now deposited in the General Fund. After the expenditure of this appropriation, no monies will remain in the fund.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona State Lottery Commission

JLBC: Jim Rounds  
House Sub: Cooley

OSPB: Pam Scharon  
Senate Sub: Cirillo

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	122.0	121.0	121.0	121.0	121.0	121.0
Personal Services	2,710,600	3,683,900	3,607,500	3,756,800	3,607,500	3,756,800
Employee Related Expenditures	679,500	847,100	766,900	786,100	772,800	792,200
All Other Operating Expenditures:						
Professional and Outside Services	341,700	196,900	97,100	196,900	97,100	196,900
Travel - In State	146,100	183,900	174,700	183,900	174,700	183,900
Travel - Out of State	13,500	16,700	8,500	16,700	8,500	16,700
Other Operating Expenditures	1,412,000	1,086,700	1,402,800	1,084,400	1,189,900	871,500
Equipment	431,200	68,800	607,000	607,000	0	0
<b>OPERATING SUBTOTAL</b>	<b>5,734,600</b>	<b>6,084,000</b>	<b>6,664,500</b>	<b>6,631,800</b>	<b>5,850,500</b>	<b>5,818,000</b>
<b>SPECIAL LINE ITEMS</b>						
On-Line Vendor Fees	1,869,500	5,080,900	5,683,500	4,956,900	5,854,000	4,619,000
Advertising	9,649,600	9,727,300	10,594,600	9,671,800	10,912,400	9,305,500
Retailer Commissions	15,530,400	15,774,000	17,180,400	15,684,000	17,695,800	15,090,000
Telecommunications	1,888,600	1,816,600	1,918,000	1,918,000	1,989,800	1,989,800
Sales Incentive Program	50,000	50,000	50,000	50,000	50,000	50,000
Instant Tickets	2,307,200	2,722,500	2,575,000	3,171,900	2,652,300	3,203,200
Attorney General Legal Services	0	0	59,200	0	59,200	0
<b>AGENCY TOTAL</b>	<b>37,029,900</b>	<b>41,255,300</b>	<b>44,725,200</b>	<b>42,084,400</b>	<b>45,064,000</b>	<b>40,075,500</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	37,029,900	41,255,300	44,725,200	42,084,400	45,064,000	40,075,500
Other Non-Appropriated Funds	135,122,500	136,708,000	135,928,000	135,928,000	130,780,000	130,780,000
<b>TOTAL - ALL SOURCES</b>	<b>172,152,400</b>	<b>177,963,300</b>	<b>180,653,200</b>	<b>178,012,400</b>	<b>175,844,000</b>	<b>170,855,500</b>

**Agency Description** — *The Arizona Lottery is currently responsible for the administration of 4 state-sanctioned games of chance:*

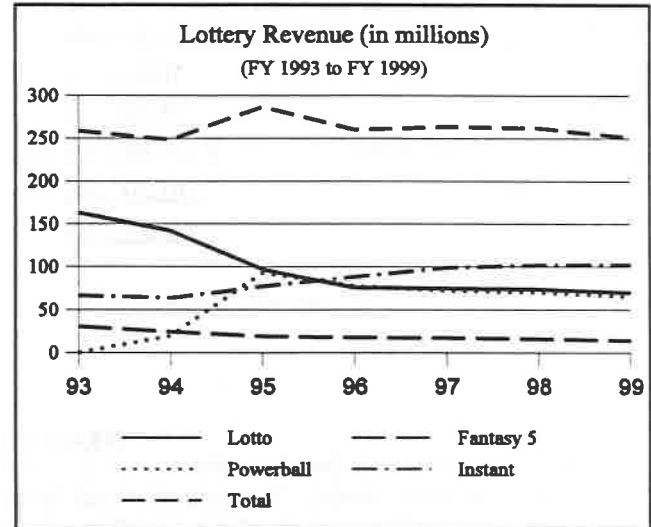
- *the Lotto — players attempt to match 6 of 42 balls in a bi-weekly drawing for a minimum jackpot of \$1 million and lower tier prizes.*
- *Fantasy Five — players attempt to match 5 of 35 balls in drawings for jackpots of \$50,000 and lower tier prizes.*
- *Powerball — a multi-state game played in 20 states and the District of Columbia; players attempt to match 5 of 45 balls plus 1 of 45 balls in a bi-weekly drawing for a minimum jackpot of \$2 million and lower tier prizes.*
- *Instant Tickets — players attempt to win immediate cash and retail prizes.*

*Lottery sales generate revenues for the Economic Development Commission, the Local Transportation Assistance Fund, the County Assistance Fund, the Heritage Fund, the Arizona Clean Air Fund, various health and welfare programs (Proposition 203), the General Fund and the Local Transportation Assistance Fund - Mass Transit. A portion of the unclaimed prizes support the Court Appointed Special Advocate (CASA) program.*

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$829,100	2.0%	\$(2,008,900)	(4.8)%

Performance Measure	FY 96 Actual	FY 97 Estimate
Government Revenue from Lottery Sales as a Percent of Personal Income	0.95%	0.87%



Forecast		
Lottery Revenue Distribution <sup>1/</sup>		
	FY 1998	FY 1999
Sales	\$261,400,000	\$251,500,000
Oper. Exp.	42,084,400	40,075,500
Prizes	135,928,000	130,780,000
Net Profit	\$83,387,600	\$80,644,500
Transfers:		
LTAf	\$23,000,000	\$23,000,000
CAF	7,650,000	7,650,000
Heritage	20,000,000	20,000,000
Clean Air	5,490,000	4,000,000
Econ. Dev.	2,437,500	2,437,500
Mass Transit	0	0
Prop. 203	0	2,630,000
General Fund	25,500,000	21,000,000
Total Transfer	\$84,077,500 <sup>2/</sup>	\$80,132,500 <sup>2/</sup>

<sup>1/</sup> See B - 133 for a diagram of the distribution.  
<sup>2/</sup> Transfers do not equal net profit as a result of technical adjustments.

format (see footnote). In addition, the manufacturer of the computer system will no longer provide support for the current processor. Also, the contract which allows for Powerball to be played within Arizona requires that the Arizona Lottery's computer systems either be redundant (have a back-up computer) or be fault-tolerant (have a back-up processor). Arizona is the only state that is not in compliance with this requirement. Other problems attributable to not having a system back-up include the occasional inability to activate tickets for sale, the occasional inability to access the accounting system, and the possibility of not being able to inform the Multi-State Lottery Association (MUSL) of the number of Arizona winners which would hold up national MUSL operations. The Executive concurs.

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
Pay Annualization	\$ 82,400 OF
ERE Rates	(70,500) OF
Risk Management	(2,300) OF
Eliminate One-time Equipment	(68,800) OF

**Processor Upgrade/System Redundancy 607,000 OF**  
 This amount represents an increase in Equipment expenditures of \$127,000 for the upgrade, and \$480,000 for the system backup of the AS400 computer. The current processor is not equipped to handle the processing of additional instant ticket games. The JLBC Staff believes that there will be an increase in the number of instant ticket games issued due to the recommended instant ticket funding

**Telecommunications 101,400 OF**  
 This amount represents an increase in the Telecommunications Special Line Item that is attributable to an expected 5.7% increase in retailer growth and thus an increase of 133 on-line terminals. The estimated marginal cost of an additional on-line terminal is \$63.50 per month. The Executive concurs.

**Sales Related Adjustments**  
 Recommended changes to the Special Line Items listed below are based upon the following JLBC Staff FY 1998 Lottery sales estimate. The Executive forecasts an increase in Lottery sales (from \$267,000,000 in FY 1997 to \$286,300,000 in FY 1998) while the JLBC Staff forecasts an overall decrease (from \$262,900,000 in FY 1997 to \$261,400,000 in FY 1998.) Therefore, the Executive



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

recommendation and the JLBC Staff recommendation on sales based issues will differ. Note, however, if Lottery sales are higher than the JLBC Staff forecast, the following appropriated amounts will be increased in accordance with the later described footnotes.

Lotto	\$ 74,000,000	
Powerball	70,000,000	
Fantasy 5	<u>15,900,000</u>	
Subtotal - On-line Games	\$ 159,900,000	
Instant Tickets	<u>101,500,000</u>	<sup>1/</sup>
<b>TOTAL</b>	<b><u>\$ 261,400,000</u></b>	

<sup>1/</sup> Includes \$7,500,000 from dedicated economic development games.

**Instant Tickets** **449,400 OF**

The estimated increase is based on the rate of \$25 per \$1,000 ticket face value printed. The estimated total funds the printing of \$126,875,000 worth of tickets (125% of the FY 1998 estimated sales level of \$101,500,000). Historically, about one-quarter of all tickets go unsold. Previously, the Instant Ticket appropriation was linked to the number of tickets purchased. The JLBC Staff recommends funding be done on a ticket value basis rather than on a ticket quantity basis due to the recently established Bingo game tickets being twice the size and therefore twice the printing cost of other tickets. The recommended increase is based on an increase from \$22 to \$25 in the cost to print \$1,000 worth of instant tickets. Also included in the increase is the JLBC Staff's estimated increase in instant ticket sales (\$101,500,000 in FY 1998 versus \$99,000,000 in FY 1997). The appropriated amount will be based on a percentage of actual sales. On a comparable basis, the Executive recommends an decrease of \$(147,500). Although the Executive has a higher instant ticket sales forecast, the net change is negative because the Executive recommends appropriating 100% of forecasted sales, as opposed to the 125% FY 1997 appropriation used in the base.

**Advertising** **(55,500) OF**

The Lottery may expend 3.7% of sales, but not exceed \$11,000,000 on advertising. The decrease of \$(55,500) for advertising is based on the JLBC Staff's estimated reduction in sales (\$261,400,000 in FY 1998 versus \$262,900,000 in FY 1997). On a comparable basis, the Executive recommends an increase of \$867,300. The difference is attributable to the Executive's higher total sales forecast of \$286,300,000.

**Retailer Commissions** **(90,000) OF**

Retailers who sell Lottery products are paid 6% of their gross ticket sales. The decrease of \$(90,000) is based on the JLBC Staff's estimated reduction in sales for FY 1998. On a comparable basis, the Executive recommends an increase of \$1,406,400. The difference is attributable to the Executive's higher total sales forecast of \$286,300,000.

**On-Line Vendor Fees** **(124,000) OF**

On-line vendor fees are paid to the contractor who operates Lotto, Powerball, and Fantasy 5 for the Arizona Lottery. Currently, the Lottery is in negotiations concerning the contract cost as a percentage of sales. The current contractor is temporarily providing service to the Lottery at 3.1% of sales. Based on this current figure and the JLBC Staff's estimated on-line sales of \$159,900,000, on-line vendor fees will amount to \$4,956,900 in FY 1998 versus \$5,080,900 in FY 1997. If the contractual percentage changes during negotiations, the appropriated amount will reflect the new rate. On a comparable basis, the Executive recommends an increase of \$602,600. The difference is attributable to the Executive's higher on-line sales forecast of \$183,300,000.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>6,100 OF</b>
<b>Rent</b>	<b>(24,400) OF</b>
<b>Eliminate One-time Equipment</b>	<b>(607,000) OF</b>

**Lease-Purchase Agreement** **(188,500) OF**

The recommendation includes a decrease of \$(188,500) in Other Operating Expenditures which reflects the payoff portion of the Lottery's lease-purchase agreement on the AS400 computers. The Executive concurs.

**Telecommunications** **71,800 OF**

This amount reflects an increase in the Telecommunications Special Line Item of \$71,800 that is attributable to an expected 3.75% increase in retailer growth and thus an increase of 93 on-line terminals. The estimated marginal cost of an additional on-line terminal is \$63.50 per month. The Executive concurs.

**Sales Related Adjustments**

Recommended changes to the Special Line Items listed below are based upon the following JLBC Staff FY 1999 Lottery sales estimate. The Executive forecasts an increase in Lottery sales (from \$286,300,000 in FY 1998 to \$294,900,000 in FY 1999) while the JLBC Staff forecasts an overall decrease (from \$261,400,000 in FY 1998 to \$251,500,000 in FY 1999.) Therefore, the Executive recommendation and the JLBC Staff

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

recommendation on sales based issues will differ. Note, however, if Lottery sales are higher than the JLBC Staff forecast, the following appropriated amounts will be increased in accordance with the later described footnotes.

\* \* \*

Lotto	\$ 70,000,000
Powerball	65,000,000
Fantasy 5	<u>14,000,000</u>
Subtotal - On-line Games	149,000,000
Instant Tickets	<u>102,500,000</u> <sup>1/</sup>
<b>TOTAL</b>	<b><u>\$251,500,000</u></b>

<sup>1/</sup> Includes \$7,500,000 from dedicated economic development games.

**On-Line Vendor Fees (337,900) OF**  
 This estimated decrease represents a reduction in on-line vendor fees. The reduction is due to an estimated decrease in on-line sales (\$149,000,000 in FY 1999 versus \$159,900,000 in FY 1998). If the contractual percentage changes during negotiations, the appropriated amount will reflect the new rate. The Executive recommends an increase of \$170,500. The difference is attributable to the Executive's higher on-line sales forecast of \$188,800,000.

**Advertising (366,300) OF**  
 The Lottery may expend 3.7% of sales but not exceed \$11,000,000 on advertising. The decrease of \$(336,300) for advertising is based on the JLBC Staff's estimated reduction in sales (\$251,500,000 in FY 1999 versus \$261,400,000 in FY 1998). The Executive recommends an increase of \$317,800. The difference is attributable to the Executive's higher total sales forecast of \$294,900,000.

**Retailer Commissions (594,000) OF**  
 Retailers who sell Lottery products are paid 6% of their gross ticket sales. The decrease of \$(594,000) is based on the JLBC Staff's estimated reduction in sales for FY 1999. The Executive recommends an increase of \$514,400. The difference is attributable to the Executive's higher total sales forecast of \$294,900,000.

**Instant Tickets 31,300 OF**  
 The estimated increase is based on the rate of \$25 per \$1,000 ticket face value printed. The estimated increase is based on the JLBC Staff's estimated increase in instant ticket sales (\$102,500,000 in FY 1999 versus \$101,500,000 in FY 1998). The appropriated amount will be based on 125% of actual sales. The Executive recommends an increase of \$77,300. The Executive's net increase is attributable to the Executive's higher instant ticket sales forecast of \$106,100,000. Note, the Executive recommendation is based on 100% of sales (as opposed to the JLBC Staff recommended 125% of sales).

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Notwithstanding A.R.S. § 35-173C, any transfer to or from the amounts appropriated for Instant Tickets, Telecommunications, Advertising, Retailer Commissions, On-Line Vendor Fees, and Sales Incentive Program shall require approval of the Joint Legislative Budget Committee.

If the number of on-line terminals exceeds 2,483 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.

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.

*Modification of Prior Year Footnotes*

In addition to the amounts shown above, an amount equal to 3.7% of GROSS ~~net~~ Lottery game sales, but not 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 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. (*Advertising appropriations are based on a percentage of gross sales, not on a percentage of net sales.*)

In addition to the amounts shown above for the operating budget, an amount equal to 6% of GROSS ~~net~~ 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. (*Retailers receive a percentage of gross sales, not a percentage of net sales.*)

An amount equal to a percentage of GROSS ~~net~~ 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. (*The on-line vendor receives a percentage of gross sales, not a percentage of net sales.*)

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

### *New Footnotes*

In addition to the amounts shown above for the operating budget, funding for the printing of instant tickets (equal to 125% of annual instant ticket sales) is appropriated at the rate of \$25 per \$1,000 face value. This amount is currently estimated to be \$3,171,900 in FY 1998 and \$3,203,200 in FY 1999. *(The JLBC Staff recommends deleting the prior year footnote that linked the instant ticket appropriation to the estimated sales forecast. See Instant Ticket policy issue for further explanation.)*

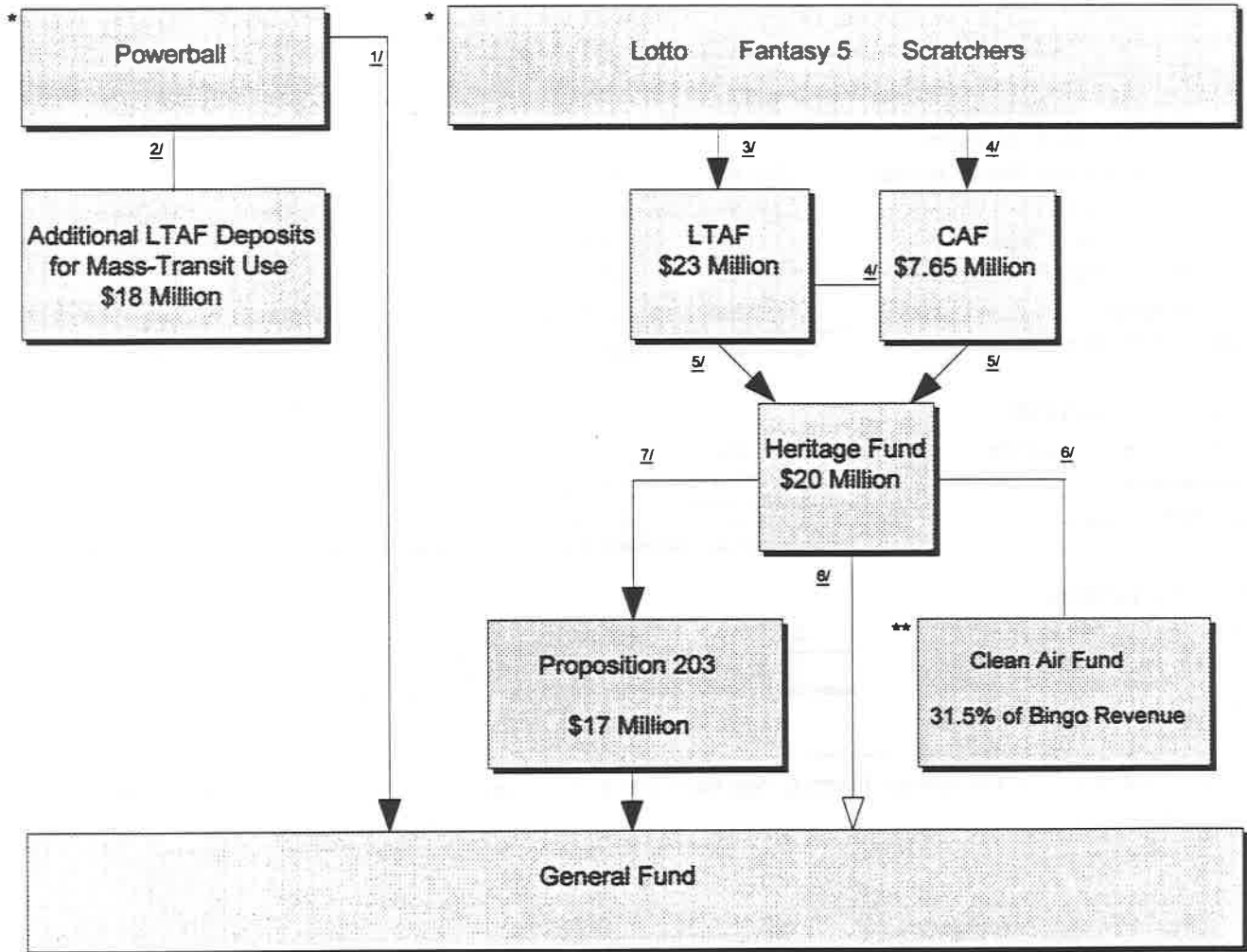
### **Other Issues for Legislative Consideration**

#### **AWI Settlement — FY 1997 Supplemental**

The JLBC Staff is recommending a \$1,600,000 supplemental for FY 1997. In FY 1996, the Lottery terminated its contract with AWI, the on-line vendor. In the prior months, the Lottery experienced numerous problems with the on-line contractor that resulted in Lottery and retailer lost revenues. The out-of-court agreement between the Lottery and AWI called for \$8,000,000 to be transferred to the state. The Lottery would also settle its remaining debts with AWI. The Lottery agreed to pay retailers \$1,600,000 out of the agreement for lost earnings.

Currently, the monies are deposited in a separate account. The Lottery only has spending authority to make payments to the on-line vendor directly.

**The Flow of Lottery Profits**



- Min. 50% of total revenue is devoted to Prizes; Max. of 18.5% is devoted to operations; Min. of 31.5% is distributed to other funds.
- Percentage is based on annual Bingo game sales.
- 1/ Powerball monies are only distributed to the G.F.. Interpretation based upon forecast revenue and A.R.S. 5-504.
- 2/ Additional LTAf Mass Transit deposit if GF first receives \$45 million: A.R.S. 5-522.
- 3/ 75% of remaining revenue, up to a maximum of \$23 million, flows to the LTAf: A.R.S. 5-522.
- 4/ 25% of remaining revenue, up to a maximum of \$7.65 million, flows to the CAF; Stipulation: If monies available to cities, towns, and counties do not amount to \$30.65 million, then the LTAf receives additional monies until the maximum is reached: A.R.S. 5-522.
- 5/ The Heritage Fund receives remaining monies until the maximum of \$20 million is reached: A.R.S. 5-522.
- 6/ The ACAf receives up to 31.5% of Bingo revenue once the G.F. receives \$25.5 million in FY 1998. There are no G.F. deposit stipulations in FY 1999, therefore, all Bingo profits will go directly to the ACAf in FY 1999.
- 7/ Proposition 203 programs are eligible for Lottery monies after the FY 1998 G.F. stipulations and ACAf deposits are met. However, in FY 1999, there are no G.F. deposit stipulations and Proposition 203 programs will receive monies after Heritage Fund deposits.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Board of Medical Examiners

JLBC: Jim Hillyard  
House Sub: Weiers

OSPB: Matt Gottheiner  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	43.5	44.5	43.5	44.5	43.5	44.5
Personal Services	1,148,700	1,351,300	1,345,700	1,345,700	1,345,700	1,345,700
Employee Related Expenditures	264,000	292,100	299,100	305,900	298,500	308,600
All Other Operating Expenditures:						
Professional and Outside Services	513,800	651,700	589,400	651,400	662,700	724,700
Travel - In State	36,000	50,300	50,300	50,300	50,300	50,300
Travel - Out of State	7,900	9,800	8,800	8,800	8,800	8,800
Other Operating Expenditures	443,600	442,900	454,200	454,400	454,500	454,700
Equipment	7,800	12,800	50,000	93,000	0	0
<b>OPERATING SUBTOTAL</b>	<b>2,421,800</b>	<b>2,810,900</b>	<b>2,797,500</b>	<b>2,909,500</b>	<b>2,820,500</b>	<b>2,892,800</b>
<b>SPECIAL LINE ITEMS</b>						
Attorney Genral - Legal Fees	196,200	196,400	196,400	197,100	196,400	197,300
Examinations	0	254,800	16,500	16,500	16,500	16,500
<b>AGENCY TOTAL</b>	<b>2,618,000</b>	<b>3,262,100</b>	<b>3,010,400</b>	<b>3,123,100</b>	<b>3,033,400</b>	<b>3,106,600</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	2,618,000	3,262,100	3,010,400	3,123,100	3,033,400	3,106,600
<b>TOTAL - ALL SOURCES</b>	<b>2,618,000</b>	<b>3,262,100</b>	<b>3,010,400</b>	<b>3,123,100</b>	<b>3,033,400</b>	<b>3,106,600</b>

**Agency Description** — *The agency licenses, regulates and conducts examinations of medical doctors and physician's assistants.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	(139,000)	(4.3)%	(16,500)	(0.5)%

Performance Measure	FY 96 Actual	FY 97 Estimate
Average Case Investigation Time	180	180

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	<b>\$29,700 OF</b>
ERE Rates	<b>14,500 OF</b>
Risk Management	<b>(1,600) OF</b>
Rent	<b>(100) OF</b>
Eliminate One-time Equipment	<b>(21,300) OF</b>

**Computer Equipment and Software 93,000 OF**  
The recommended amount would fund the upgrading of 20 outdated 386 computers to Pentium processors, an operating system upgrade, and the purchase of software. This hardware and software upgrade will greatly improve the board's efficiency. For example, the time required to respond to public requests for information about doctors will be reduced by 50%. As a result, individuals now kept on hold for 5 minutes or more awaiting database searches will be served in approximately 2 minutes. The board's request for this equipment has been reviewed and approved by the Department of Administration's Information Services Division. The Executive recommends the replacement of the 20 outdated computers but does not

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

recommend any of the software upgrades for a total of \$50,000.

**Court Reporting Costs** **22,000 OF**  
Between FY 1995 and FY 1996, the Board of Medical Examiners (BOMEX) experienced a 125% increase in formal hearings requiring the services of a court reporter. While such dramatic growth is not projected to continue, the JLBC Staff's recommendation provides additional funding should some growth continue to occur. The Executive concurs in the amount of \$15,000.

**Elimination of One-Time Expenses** **(18,400) OF**  
The recommended amount reflects the elimination of \$(5,000) in education funding and \$13,400 in one-time Professional and Outside Services funding. The Executive concurs.

**Monitored Aftercare Base Adjustment** **(18,500) OF**  
Laws 1996, Chapter 220 eliminated the non-appropriated BOMEX Monitored Aftercare Fund. Monies in this fund were used to monitor the rehabilitation of physicians impaired by drug or alcohol abuse. From FY 1998 forward, these efforts will be funded through appropriations from the Board of Medical Examiners Fund. BOMEX's FY 1996 actual and FY 1997 estimated expenditures have been adjusted to include these monies for comparability purposes. The JLBC Staff's recommendation reflects the elimination of one-time monies expended in FY 1997. The Executive concurs.

**Medical Examinations** **(238,300) OF**  
In FY 1996, BOMEX arranged for the national physician's licensing exam, the Special Purpose Examination (SPEX), to be given by an independent testing center. BOMEX will, therefore, no longer bear the costs associated with testing. The Staff's recommendation reflects the elimination of this expense. An amount of \$16,500 has been left in the Examinations Special Line Item to fund tests ordered by the board. When, in the course of an investigation, the board orders a physician to take the examination, the board must bear the cost of the examination. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**  
**ERE Rates** **2,900 OF**  
**Rent** **300 OF**  
**Eliminate One-time Equipment** **(93,000) OF**

**Monitored Aftercare Contract** **73,300 OF**  
BOMEX contracts with outside vendors for group therapy and body fluid testing associated with the monitored aftercare

program. Due in part to projected increases in the number of physicians in treatment, BOMEX's contract for these services calls for a 14% increase in FY 1999. The recommended amount would fund this increase. The Executive concurs.

\* \* \*

**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items by Agency. *(In FY 1997, BOMEX had a Detailed Line Item by Agency format. Over the past year, BOMEX has demonstrated a level of fiscal control that does not require this format. As a result, the JLBC Staff recommends BOMEX's FY 1998 and FY 1999 budgets be given an Operating Lump Sum with Special Line Items by Agency format.)*

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

*Modification of Prior Year Footnotes*

The \$197,100 appropriated for Attorney General - Legal Fees in FY 1998 and the \$197,300 appropriated for Attorney General - Legal Fees in FY 1999 is specifically designated to pay for the ~~Personal Services and Employee Related Expenses~~ 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. *(BOMEX's interagency agreement with the Attorney General allows for the payment of other operating expenditures associated with the Assistant Attorney General positions and the Legal Secretary position. The JLBC Staff recommends deleting the portion of the footnote limiting the expenditure of these monies to Personal Services and Employee Related Expenditures. In addition, in FY 1996, the Personal Services and Employee Related Expenditures associated with an Administrative Assistant position were transferred into this Special Line Item. The Staff recommends modifying this footnote to reflect this transfer.)*

**Other Issues for Legislative Consideration**

**Executive Recommendation**

The Executive recommends a decrease of (1) FTE Position. BOMEX currently has an Administrative Assistant III position which supports the Assistant Attorney Generals assigned to the board. The Executive recommendation would move this position from BOMEX's budget to the Attorney General's budget. The JLBC Staff does not recommend moving this position.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Board of Medical Student Loans

JLBC: Bruce Groll  
House Sub: Knaperek

OSPB: Melodie Jones  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0	0.0	0.0	0.0
<b>SPECIAL LINE ITEMS</b>						
Medical Student Loans	284,200	294,900	303,700	305,600	313,300	316,400
<b>AGENCY TOTAL</b>	284,200	294,900	303,700	305,600	313,300	316,400
<b>BY FUND SOURCE</b>						
General Fund	113,900	236,600	284,300	286,200	292,700	295,800
Other Appropriated Funds	170,300	58,300	19,400	19,400	20,600	20,600
<b>TOTAL - ALL SOURCES</b>	284,200	294,900	303,700	305,600	313,300	316,400

**Agency Description**— *The board is authorized to grant loans to students of the University of Arizona College of Medicine, make a full investigation of the ability, character and qualification of each loan applicant, and administer the loan program. Medical students who participate in the Medical Student Loans program agree to serve the State of Arizona in medically underserved areas for at least 2 years, or 1 year of service for each year of loan support, whichever is longer, upon graduation. As an incentive for service, the board is authorized to impose upon participants who have signed contracts, liquidated damages equal to the full amount borrowed, in addition to repaying the loan at a 7% interest rate.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$ 49,600	21.0%	\$9,600	3.4%
Medical Student Loan Fund	(38,900)	(66.7)%	1,200	6.2%
Total Appropriated Funds	\$10,700	3.6%	\$10,800	3.5%

Performance Measure	FY 96 Actual	FY 97 Estimate
Number of Physicians Continuing Service in a Medically Underserved Area After Service Requirement is Complete	16	16

**FY 1998 — Recommended Changes from FY 1997**

**Medical Student Loans      \$(38,900) OF      \$49,600 GF**

The JLBC Staff recommendation provides a net increase of \$10,700 for Medical Student Loans (MSL) and funds the legal maximum loan level for 16 medical students. The \$286,200 from the General Fund and an estimated \$19,400 from the Medical Student Loan Fund (which is appropriated

beginning FY 1998) will provide a total sum available for medical student loans of \$305,600. This sum will provide an average loan amount of \$19,123 for each of 16 medical students receiving loans who, upon graduation, have agreed to serve the State of Arizona in medically underserved areas. The \$(38,900) reduction to the Medical Student Loan Fund is anticipated as more graduating medical students continue to choose service in medically underserved areas in Arizona rather than repayment of their student loans at a 7% interest rate plus liquidated damages equal to the full amount borrowed (Laws 1992, Chapter 338).

The following table shows the Arizona Medical Student Loan Program participant status. As of 1996, more than 50% of the 72 MSL program graduates have fulfilled their service requirement or are currently serving in Arizona in medically underserved areas.

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<u>Status</u>	<u># of Participants</u>	<u>% of MSL Graduates</u>
Service Completed	31	43.1%
Serving	6	8.3%
Paid in Full	24	33.3%
Repaying	7	9.7%
Deferred	1	1.4%
Pending	<u>3</u>	<u>4.2%</u>
MSL Graduates	<u>72</u>	<u>100.0%</u>
In Residency Students	13	--
Other	17	--
	<u>2</u>	--
Total	104	--

The Arizona Medical Student Loan funded at \$19,123 meets approximately 82% of the average standard cost of education for a medical student (\$23,320 per year). Until FY 1992, the maximum loan amount was \$6,000 per student per year. However, Laws 1992, Chapter 338 (H.B.2228), authorized the Board of Medical Student Loans to grant the maximum loan amount for tuition of \$6,580, plus no more than \$10,000 for each student in FY 1993. Beginning in FY 1994, and continuing each year thereafter as provided by the law, the maximum loan amount in excess of tuition shall be \$10,000 adjusted for inflation based on the percentage change in the GDP Price Deflator. For FY 1998, based on a 2% change in the GDP Price Deflator, this amount is \$11,363. Tuition of \$7,760 plus the \$11,363 stipend equals \$19,123, as shown in the table below.

	<u>Stipend</u>	<u>Tuition</u>	<u>Total</u>
FY 1997	\$11,140	\$7,360	\$18,500
GDP Deflator @ 2.0%	223	--	223
Tuition Change	--	<u>400</u>	<u>400</u>
FY 1998	11,363	7,760	19,123
GDP Deflator @ 2.3%	261	--	261
Tuition Change	--	<u>400</u>	<u>400</u>
FY 1999	\$11,624	\$8,160	\$19,784

The board funded 16 medical student loans at an average loan amount of \$18,433 in FY 1997. For FY 1998, with only a \$49,600 increase in General Fund support, the board would be able to continue funding for 16 medical students at the legal maximum loan amount of \$19,123. No operating expenses are charged to the program and support staff is provided by the University of Arizona Medical School.

The Executive recommends a \$47,700 increase in the General Fund appropriation for Medical Student Loans and

concur with the \$(38,900) reduction to the Medical Student Loan Fund recommended by the JLBC Staff.

**FY 1999 — Recommended Changes from FY 1998**

**Medical Student Loans            1,200 OF            9,600 GF**  
 The FY 1999 JLBC Staff recommendation funds the legal maximum loan level for 16 medical students and is based on a combined General Fund appropriation of \$295,800 and Medical Student Loan Fund repayments of \$20,600 for a total amount available for medical student loans of \$316,400 or \$19,784 per student. For FY 1999, as shown in the stipend and tuition table above, this total includes a tuition amount of \$8,160 per student (a \$400 increase over FY 1998) plus "other education costs" (books, instruments, transportation, room and board) of \$11,624, which is a \$261, or 2.3%, increase over FY 1998 adjusted per A.R.S. § 15-723 using the estimated percentage change in the GDP Price Deflator. Due to expected stabilization of future loan repayment revenue for FY 1999, only an additional \$9,600 General Fund support is needed to continue funding for 16 students at the legal maximum loan amount of \$19,784

The Executive recommends a \$8,400 increase in the General Fund appropriation for Medical Student Loans and concurs with the \$1,200 increase to the Medical Student Loan Fund recommended by the JLBC Staff.

\* \* \*

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



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Mine Inspector

JLBC: Chris Earnest  
House Sub: Knaperek

OSPB: Bill Greeney  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	14.0	19.0	19.0	19.0	19.0	18.0
Personal Services	418,200	475,200	516,800	518,000	522,700	523,900
Employee Related Expenditures	92,400	102,500	104,400	104,900	105,800	107,800
All Other Operating Expenditures:						
Professional and Outside Services	5,100	0	0	0	0	0
Travel - In State	56,800	83,300	82,000	82,000	82,000	82,000
Travel - Out of State	2,400	1,700	5,300	3,600	5,300	3,600
Other Operating Expenditures	107,800	103,600	143,600	118,800	143,400	121,400
Equipment	26,700	50,900	13,900	43,900	2,500	43,900
<b>OPERATING SUBTOTAL</b>	<b>709,400</b>	<b>817,200</b>	<b>866,000</b>	<b>871,200</b>	<b>861,700</b>	<b>882,600</b>
<b>SPECIAL LINE ITEMS</b>						
Mined Land Reclamation	0	100,000	98,600	100,000	93,700	60,500
<b>AGENCY TOTAL</b>	<b>709,400</b>	<b>917,200</b>	<b>964,600</b>	<b>971,200</b>	<b>955,400</b>	<b>943,100</b>
<b>BY FUND SOURCE</b>						
General Fund	709,400	917,200	964,600	971,200	955,400	943,100
Federal Funds	298,600	332,600	265,000	265,000	265,000	265,000
<b>TOTAL - ALL SOURCES</b>	<b>1,008,000</b>	<b>1,249,800</b>	<b>1,229,600</b>	<b>1,236,200</b>	<b>1,220,400</b>	<b>1,208,100</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$54,000	5.9%	\$(28,100)	(2.9)%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Reportable Accidents	580	340

**Abandoned Mines Program 69,200 GF**  
 Laws 1994, Chapter 118 requires the State Mine Inspector's office to establish an Abandoned Mines Program beginning January 1997. The department's FY 1997 appropriation included an additional 3 FTE Positions and \$110,100 for half-year funding and one-time equipment for the new program. The JLBC Staff recommends an increase of \$69,200 to provide full-year funding for the Abandoned Mines Program. The Executive concurs.

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	\$ 10,900 GF
ERE Rates	(3,200) GF
Risk Management	600 GF
Rent	11,600 GF
Eliminate One-time Equipment	(50,900) GF

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Replacement Equipment 13,900 GF**

The recommended amount includes an increase of \$13,900 for replacement equipment. This increase allows the department to replace 3 computers and 1 gas detector pump, and provides for local area network wiring and connectivity to the state AFIS and HRMS systems. The Executive concurs.

**Inspector Certification 1,900 GF**

The State Mine Inspector's office requires each of its inspectors to be certified with the Federal Mine Health and Safety Administration. Certification occurs every 2 years; however, it has been 8 years since any of the inspectors have attended. The recommended amount includes an increase of \$1,900 for Travel - Out of State to allow 3 inspectors to attend training in FY 1998. The Executive concurs at a higher amount.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

**ERE Rates 2,100 GF**  
**Rent 2,600 GF**

**Mined Land Reclamation (39,500) GF**

The JLBC Staff recommends a decrease of (1) FTE Position and \$(39,500) to the Mined Land Reclamation Special Line Item. The majority of the plan review phase of the reclamation program should be completed by FY 1999. The recommended decrease still provides for 1 FTE Position to finish the plan reviews and oversee implementation of reclamation plans. It is anticipated that in FY 2000 resources for this program will be further reduced. The Executive does not concur.

**Elected Officials Salary Adjustment 6,700 GF**

The JLBC Staff recommends half-year funding to increase the salary of the State Mining Inspector from \$38,200 to \$50,000. With the exception of legislators, elected official salaries are determined by the recommendations of the Governor and the Commission on Salaries for State Elected Officials. At the beginning of the prior regular session, the Governor and Commission recommended the \$50,000 salary for the State Mine Inspector. Since the Legislature took no action to disapprove of this recommendation, current law requires the salary adjustment to take place on January 1, 1999. The Executive concurs.

\* \* \*

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

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Department of Mines and Minerals Resources

JLBC: Chris Earnest  
House Sub: Knaperek

OSP: Bill Greeney  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	8.0	8.0	8.0	8.0	8.0	8.0
Personal Services	261,900	266,100	271,200	271,200	271,200	271,200
Employee Related Expenditures	54,300	57,600	60,600	60,600	61,000	61,000
All Other Operating Expenditures:						
Professional and Outside Services	100	2,500	0	0	0	0
Travel - In State	3,500	5,300	5,300	5,300	5,300	5,300
Other Operating Expenditures	362,600	371,000	385,500	386,100	399,900	400,500
Equipment	9,300	4,000	0	0	2,700	2,700
<b>AGENCY TOTAL</b>	<b>691,700</b>	<b>706,500</b>	<b>722,600</b>	<b>723,200</b>	<b>740,100</b>	<b>740,700</b>
<b>BY FUND SOURCE</b>						
General Fund	691,700	706,500	722,600	723,200	740,100	740,700
Other Non-Appropriated Funds	67,900	90,700	81,200	81,200	68,700	68,700
<b>TOTAL - ALL SOURCES</b>	<b>759,600</b>	<b>797,200</b>	<b>803,800</b>	<b>804,400</b>	<b>808,800</b>	<b>809,400</b>

**Agency Description** — *The department promotes the development of the state's mineral resources by providing technical and educational assistance and information to the mining and mineral industry and the general public. The department also operates the Mining and Mineral Museum, which is the official repository for mineral specimens, ores, gemstones and lapidary material found in the state. These minerals are identified, cataloged and displayed at the museum.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$16,700	2.4%	\$17,500	2.4%

Performance Measure	FY 96 Actual	FY 97 Estimate
General Museum Visitors	38,131	35,000

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	\$ 5,800 GF
ERE Rates	2,300 GF
Risk Management	600 GF
Rent	14,500 GF
Eliminate One-Time Equipment	(6,500) GF

**FY 1999 — Recommended Changes from FY 1998**

Standard Changes	
ERE Rates	400 GF
Rent	14,400 GF

\* \* \*

**Replacement Equipment** 2,700 GF  
The JLBC Staff recommends an increase of \$2,700 to replace a photocopy machine. The Executive concurs.

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

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Naturopathic Physicians Board of Medical Examiners JLBC: Jim Hillyard  
House Sub: Knaperek

OSP: Christine Sato  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0	1.0	1.0	1.0
Personal Services	41,900	31,600	30,800	32,200	30,800	32,200
Employee Related Expenditures	9,200	5,800	6,000	6,100	6,100	6,100
All Other Operating Expenditures:						
Professional and Outside Services	11,800	17,900	20,100	20,100	20,400	20,400
Travel - In State	800	300	300	300	300	300
Other Operating Expenditures	6,400	16,400	8,800	7,400	8,800	7,400
Equipment	0	0	2,700	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>70,100</b>	<b>72,000</b>	<b>68,700</b>	<b>66,100</b>	<b>66,400</b>	<b>66,400</b>
<b>SPECIAL LINE ITEMS</b>						
Examination Writing	0	0	11,000	11,000	0	0
<b>AGENCY TOTAL</b>	<b>70,100</b>	<b>72,000</b>	<b>79,700</b>	<b>77,100</b>	<b>66,400</b>	<b>66,400</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	70,100	72,000	79,700	77,100	66,400	66,400
<b>TOTAL - ALL SOURCES</b>	<b>70,100</b>	<b>72,000</b>	<b>79,700</b>	<b>77,100</b>	<b>66,400</b>	<b>66,400</b>

**Agency Description**— *The board licenses and regulates physicians and medical assistants who practice naturopathy; certifies physicians to dispense natural remedies; and accredits and approves naturopathic medical schools, internships, and programs. Naturopathy is a system of medical diagnosis and treatment based on the use of natural remedies and non-invasive methods. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	5,100	7.1%	(10,700)	(13.9)%

Performance Measure	FY 96	FY 97
Number of Days to Resolve a Complaint	Actual 189	Estimate 146

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	<b>\$700 OF</b>
ERE Rates	<b>200 OF</b>
Risk Management	<b>(9,000) OF</b>
State Boards' Office Costs	<b>2,200 OF</b>

**Examination Writing** **11,000 OF**  
The recommended amount would allow the Naturopathic Physicians Board to write its own professional licensing exam. In the past, the board has contracted for the NPLEX examination from the test's national distributor. The NPLEX is the current standard in states which regulate Naturopathic Physicians. In the last 2 years, a dispute has developed between the Arizona Naturopathic Physicians Board and NPLEX. The board accuses NPLEX of failing to provide adequate information for applicant challenges of exam results. NPLEX cites the board's unwillingness to agree to test security guidelines and charges the board with past

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security breaches. As a result, the board has chosen not to use the NPLEX exam and NPLEX will not make its exam available to Arizona's board. The JLBC Staff recommends funding for external consulting services to allow the board to develop its own exam. The board estimates an exam fee of \$575 and would generate \$19,900 in FY 1998 revenue. The exam fee is currently \$575. The Executive concurs.

### **FY 1999 — Recommended Changes from FY 1998**

#### **Standard Changes**

**State Boards' Office Costs** 300 OF

**Examination Writing** (11,000) OF

The recommended amount reflects the elimination of one-time examination writing funding. The Executive concurs.

\* \* \*

**JLBC Staff Recommended Format** — Detailed Line Item by Agency. *(In FY 1996 and FY 1997, the Naturopathic Physicians Board's budget had a Lump Sum by Agency format. As discussed in "Other Issues for Legislative Consideration," the Legislature should exercise greater oversight of this budget. As a result, the JLBC Staff recommends a Detailed Line Item by Agency format. The Executive concurs.)*

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

##### *Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

##### *New Footnotes*

The \$11,000 appropriated for Exam Development 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. *(As noted under Other Issues for Legislative Consideration, the board has previously reallocated monies to other areas of its budget. The recommended footnote would provide additional legislative oversight should the board desire to expend these monies for purposes other than examination development.)*

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

##### **Expenditure of Surplus FY 1996 Risk Management Funds**

For FY 1996, the Department of Administration's Risk Management Division assessed the Naturopathic Physicians Board a premium of \$11,300. Following the passage of the FY 1996 and FY 1997 budgets, a bill lowering the board's Risk Management premium to \$2,300 was introduced and passed. As a result, the board had an extra \$9,000 in its FY

1996 and FY 1997 budgets. The board's Executive Director assured the Legislature that he would not expend these monies and would allow them to revert at the end of each year. This has not occurred. In FY 1996, the \$9,000 in surplus Risk Management monies and \$6,500 in other monies were redirected to fund additional hours for the board's Executive Director. As a result, the board exceeded its appropriated FTE limit. The board attributes this reallocation to an administrative secretary who took 188 hours of leave before quitting, requiring the Director to cover her absence. The employee's annual leave was also paid out. This explains approximately \$11,300 of the \$15,500 reallocated. The remaining \$4,200 remains unexplained. As a result, the JLBC Staff recommends the board be moved to a budget format providing greater legislative oversight to prevent it from again exceeding its appropriated FTE limit. Please see "JLBC Staff Recommended Format."

Standard technical adjustments have automatically removed the excess Risk Management monies from the board's FY 1998 budget. The other reallocated monies have not been eliminated from the board's budget. The board continues to be appropriated a total of 1 FTE Position, however. It will, therefore, have to reduce the number of hours worked to remain within its FTE limit.

##### **Executive Recommendation**

The Executive recommends \$2,700 to replace the board's outdated computer. The JLBC Staff has not recommended these funds. As noted above, in addition to the \$9,000 in Risk Management funds, the board reallocated \$6,500 in Other Operating Expenditures to fund additional hours for the board's Executive Director. The JLBC Staff has not deducted the \$6,500 from the board's base budget. Given the board's ability to reallocate these monies as discussed above, the Staff has not recommended additional funds.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Navigable Stream Adjudication Commission    JLBC: Jim Rounds    OSPB: Bill Greeney  
 House Sub: Knaperek    Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0	2.0	2.0	2.0
Personal Services	20,400	61,900	65,700	65,800	65,700	65,800
Employee Related Expenditures	9,200	12,200	14,600	14,300	14,700	14,700
All Other Operating Expenditures:						
Professional and Outside Services	19,800	22,900	22,900	22,900	22,900	22,900
Travel - In State	1,100	3,600	3,600	5,300	3,600	5,300
Other Operating Expenditures	24,800	16,800	49,500	31,100	49,800	31,400
Equipment	15,300	0	0	0	0	0
<b>AGENCY TOTAL</b>	<b>90,600</b>	<b>117,400</b>	<b>156,300</b>	<b>139,400</b>	<b>156,700</b>	<b>140,100</b>
<b>BY FUND SOURCE</b>						
General Fund	90,600	117,400	156,300	139,400	156,700	140,100
<b>TOTAL - ALL SOURCES</b>	<b>90,600</b>	<b>117,400</b>	<b>156,300</b>	<b>139,400</b>	<b>156,700</b>	<b>140,100</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$22,000	18.7%	\$700	0.5%

Performance Measure	FY 96 Actual	FY 97 Estimate
Recommendations to the Legislature on Navigability	-0-	10

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
 Pay Annualization                      \$ 1,700 GF  
 ERE Rates                                  1,900 GF  
 Rent    300 GF

**Board Member Per Diem**                      2,400 GF  
 The JLBC Staff recommends an increase of \$2,400 to supplement the existing budget for board member per diem. In addition to monthly meetings, members are being asked to review evidence and begin attending hearings concerning

navigability of major watercourses. The Executive concurs in the amount of \$3,000.

**Board Member In-State Travel**                      1,700 GF  
 The recommended increase of \$1,700 supplements the existing travel budget. The additional funds would permit all 5 board members to attend navigability hearings in the county seat of the county where each watercourse is located. The Executive does not recommend this issue.

**Public Notice**    14,000 GF  
 The recommended increase of \$14,000 funds advertisements in major newspapers. The commission expects to accept evidence concerning 20 watercourses and to hold public hearings on 10 watercourses. State law requires the commission to publish these events in a newspaper with statewide circulation. The Executive concurs in the amount of \$32,400. The difference is due to the Executive

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

forecasting a greater number of hearings and a higher cost per newspaper advertisement.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>400 GF</b>
<b>Rent</b>	<b>300 GF</b>

\* \* \*

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

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Board of Nursing

JLBC: Jennifer Vermeer  
House Sub: Weiers

OSPB: Matt Gottheiner  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	26.7	26.7	26.7	26.7	26.7	26.7
Personal Services	742,000	875,700	904,200	904,200	904,200	904,200
Employee Related Expenditures	147,600	180,100	180,200	181,100	181,500	182,400
All Other Operating Expenditures:						
Professional and Outside Services	161,300	160,000	211,000	211,000	211,000	211,000
Travel - In State	17,700	10,700	20,700	20,700	20,700	20,700
Travel - Out of State	18,600	14,300	11,200	11,200	10,400	10,400
Other Operating Expenditures	268,100	186,200	223,100	215,600	223,300	215,800
Equipment	134,300	120,000	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>1,489,600</b>	<b>1,547,000</b>	<b>1,550,400</b>	<b>1,543,800</b>	<b>1,551,100</b>	<b>1,544,500</b>
<b>SPECIAL LINE ITEMS</b>						
Supplemental Costs	59,500	0	0	0	0	0
<b>AGENCY TOTAL</b>	<b>1,549,100</b>	<b>1,547,000</b>	<b>1,550,400</b>	<b>1,543,800</b>	<b>1,551,100</b>	<b>1,544,500</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	1,549,100	1,547,000	1,550,400	1,543,800	1,551,100	1,544,500
Other Non-Appropriated Funds	401,900	436,700	436,700	436,700	436,700	436,700
<b>TOTAL - ALL SOURCES</b>	<b>1,951,000</b>	<b>1,983,700</b>	<b>1,987,100</b>	<b>1,980,500</b>	<b>1,987,800</b>	<b>1,981,200</b>

**Agency Description** — *The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$(3,200)	(0.2)%	\$700	0.0%

Performance Measure	FY 96 Actual	FY 97 Estimate
Average Number of Months to Investigate Complaints and Present to Board.	12	9

**Rent** **(200) OF**  
**Eliminate One-time Equipment** **(120,000) OF**

**Legal Costs** **51,000 OF**  
An increase of \$51,000 is recommended for Attorney General legal services due to large increases in complaint investigation and resolution workload. From FY 1995 to FY 1996 the number of complaints increased from 600 to 1435 and the number of consent agreements from 182 to 333. The Executive concurs.

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** **\$ 18,700 OF**  
**ERE Rates** **(2,800) OF**  
**Risk Management** **(1,400) OF**



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Position Reclassification 13,600 OF**

The recommended amount includes \$12,000 for Personal Services costs and \$1,600 for Employee Related Expenditure costs for the reclassification of positions within the licensing department. The licensing department has experienced a turnover rate of 150%. The vacancies and inexperienced staff have negatively impacted customer service and have resulted in a backlog of customer inquiries. Staff who have resigned and candidates refusing job offers cite the low hourly rate and difficult, high volume workload as their reason for taking another position. The Executive concurs.

**Newsletter 25,000 OF**

An increase of \$25,000 is recommended for increased postage and printing costs associated with the board's newsletter. The newsletter is used to notify the public of disciplinary actions taken by the board. The cost of the newsletter has increased due to a 50% increase in the number of investigations and an increase in the board's constituency. The Executive concurs but recommends \$32,000.

**Travel 6,900 OF**

The recommended amount includes a decrease of \$(3,100) for Travel - Out of State and an increase of \$10,000 for Travel - In State for a net change of \$6,900. This adjustment is recommended to reflect the board's actual travel expenses due to a higher number of complaint investigations. The Executive concurs.

**Dues and Subscriptions 6,000 OF**

The recommended amount includes an increase of \$6,000 for increased dues and fees associated with subscriptions to the board's professional organizations and publications. The Executive concurs but recommends \$6,500.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

**ERE Rates 1,300 OF**

**Rent 200 OF**

**Travel (800) OF**

The recommended amount includes a decrease of \$(800) due to fewer out-of-state conferences in FY 1999. The Executive concurs.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Board of Examiners of Nursing Care Institution  
Administrators and Adult Care Home Managers

JLBC: Jim Rounds  
House Sub: Knaperek

OSPB: Christine Sato  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	0.7	1.2	1.7	1.2	1.7	1.2
Personal Services	32,300	36,200	49,100	39,000	49,100	39,000
Employee Related Expenditures	7,800	9,300	13,800	10,200	14,000	10,200
All Other Operating Expenditures:						
Professional and Outside Services	27,400	34,800	41,200	41,200	41,400	41,400
Travel - In State	500	4,700	4,700	4,700	4,700	4,700
Travel - Out of State	1,200	1,100	1,100	1,100	1,100	1,100
Other Operating Expenditures	8,600	5,800	11,100	8,300	9,700	6,800
Equipment	0	0	0	400	0	0
<b>AGENCY TOTAL</b>	<b>77,800</b>	<b>91,900</b>	<b>121,000</b>	<b>104,900</b>	<b>120,000</b>	<b>103,200</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	77,800	91,900	121,000	104,900	120,000	103,200
<b>TOTAL - ALL SOURCES</b>	<b>77,800</b>	<b>91,900</b>	<b>121,000</b>	<b>104,900</b>	<b>120,000</b>	<b>103,200</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$13,000	14.1%	\$(1,700)	(1.6)%

Performance Measure	FY 96 Actual	FY 97 Estimate
Average Days to Investigate Complaint	127	120

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** \$ 700 OF  
**ERE Rates** 500 OF  
**State Boards' Office Costs** 6,400 OF

**Equipment** 400 OF  
 This amount represents funding for 1 printer. Currently, another agency's printer is used for small print jobs. The Executive concurs.

**Rules Revisions** 1,500 OF  
 This amount represents an increase in Other Operating Expenditures of \$1,000 for printing expenses and \$500 for postage to mail revised rules. The Executive recommends an increase of \$1,000 for rules revisions.

**Operating Supplies** 1,000 OF  
 This amount represents an increase of \$1,000 in Other Operating Expenditures for supply needs that are attributable to agency growth. The Executive recommends an increase of \$3,700 for operating costs.

**Salary Increase** 2,500 OF  
 This amount represents a \$2,200 board approved director's salary increase and the accompanying \$300 increase in Employee Related Expenditures. Justification is based on an increase in workload and additional supervisory

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

responsibilities for the director. Applications filed have increased from 280 in FY 1995 to 655 in FY 1996. The director's salary would increase from \$21,500 to \$23,700. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

Eliminate One-time Equipment	(400) OF
State Boards' Office Costs	200 OF

**Other Operating Expenditures** (1,500) OF

This amount reflects the elimination of the one-time funding associated with rules revisions. The Executive concurs.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Other Issues for Legislative Consideration**

**Administrative Assistant II**

The Executive recommends an increase of \$10,100 in Personal Services, the accompanying increase of \$3,500 in Employee Related Expenditures, and an increase of \$200 in Other Operating Expenditures associated with the addition of an 0.5 FTE Position. The JLBC Staff believes that the current number of FTE Positions are sufficient to handle the recent increases in agency workload and does not recommend this issue. The agency was appropriated an 0.5 FTE Position as a supplement for FY 1997 due to increases in workload.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Occupational Safety and Health Review Board

JLBC: Jim Rounds  
House Sub: Weiers

OSPB: Christine Sato  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0	0.0	0.0	0.0
Personal Services	600	700	700	700	700	700
All Other Operating Expenditures:						
Professional and Outside Services	6,600	7,400	7,400	7,400	7,400	7,400
Travel - In State	200	900	900	900	900	900
<b>AGENCY TOTAL</b>	<b>7,400</b>	<b>9,000</b>	<b>9,000</b>	<b>9,000</b>	<b>9,000</b>	<b>9,000</b>
<b>BY FUND SOURCE</b>						
General Fund	7,400	9,000	9,000	9,000	9,000	9,000
<b>TOTAL - ALL SOURCES</b>	<b>7,400</b>	<b>9,000</b>	<b>9,000</b>	<b>9,000</b>	<b>9,000</b>	<b>9,000</b>

**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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$-0-	0.0%	\$-0-	0.0%

Performance Measure	FY 96 Actual	FY 97 Estimate
Cases Reviewed	18	10

**FY 1998 — Recommended Changes from FY 1997**

No Changes -\$-0- GF

**FY 1999 — Recommended Changes from FY 1998**

No Changes -0- GF

\* \* \*

**JLBC Staff Recommended Format** — Special Line Item within the Industrial Commission's budget (*See Other Issues for explanation*).

**Other Issues for Legislative Consideration**

**Funding Format**

The JLBC Staff recommends the consolidation of the OSHA Review Board into the Industrial Commission's budget as a Special Line Item. The OSHA Review Board historically has been accounted for as a separate agency, however, the Industrial Commission has handled its accounting tasks. Due to this connection with the Industrial Commission, it appears practical to display the OSHA Review Board as part of the Industrial Commission. Since the OSHA Review Board hears unresolved disputes between the Industrial Commission's Occupational Safety and Health Division and various employers, it is important to maintain a sense of impartiality by the Board. The JLBC Staff believes that if funding is provided in a Special Line Item within the Industrial Commission, the Board would still be viewed as a separately funded entity and there would be no conflict of interest.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Board of Occupational Therapy Examiners

JLBC: Lisa Cotter  
House Sub: Weiers

OSPB: Melodie Jones  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0	2.0	0.0	2.0
Personal Services	52,700	55,800	56,900	57,000	56,900	57,000
Employee Related Expenditures	10,800	11,000	13,400	13,200	13,500	13,400
All Other Operating Expenditures:						
Professional and Outside Services	4,100	3,200	5,300	4,100	5,300	4,100
Travel - In State	1,000	3,200	5,600	4,500	5,600	4,500
Travel - Out of State	300	700	700	1,100	700	1,100
Other Operating Expenditures	27,200	18,400	22,200	22,600	22,400	22,800
Equipment	0	0	2,500	2,500	0	0
<b>AGENCY TOTAL</b>	<b>96,100</b>	<b>92,300</b>	<b>106,600</b>	<b>105,000</b>	<b>104,400</b>	<b>102,900</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	96,100	92,300	106,600	105,000	104,400	102,900
<b>TOTAL - ALL SOURCES</b>	<b>96,100</b>	<b>92,300</b>	<b>106,600</b>	<b>105,000</b>	<b>104,400</b>	<b>102,900</b>

**Agency Description** — *The board examines and licenses occupational therapists and occupational therapy assistants, investigates complaints, and holds hearings to enforce standards of practice.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$12,700	13.8%	\$(2,100)	(2.0)%

Performance Measure	FY 96	FY 97
	Actual	Estimate
% of Complaints Resolved within 90 Days	71%	88%

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** **\$1,300 OF**  
**ERE Rates** **2,100 OF**

**Rent** **2,000 OF**

In FY 1997, the agency's office space increased from 267 square feet to 419 square feet and the agency absorbed additional rent charges in FY 1997. The JLBC Staff recommends an increase of \$2,000 to fully fund the agency's higher rent payments. The Executive recommends a \$1,900 increase.

**Growth in Number of Licensees** **3,000 OF**

From FY 1994 to FY 1996, the number of new and renewal license applications increased by 43% from 860 to 1,233. A larger number of licensees has led to more complaints and hearings. The recommended amount includes an additional \$900 in Professional and Outside Services for court reporters to take verbatim minutes at hearings. In addition, the JLBC Staff recommends an Other Operating Expenditures increase of \$800 for postage and printing and a Travel - In State increase of \$1,300 to cover board member and staff travel costs. The Executive recommends increases of \$2,100 in Professional and Outside Services, \$2,400 in Travel - In State, and \$1,900 in Other Operating Expenditures.

**Travel - Out of State** **400 OF**

The JLBC Staff recommends an increase of \$400 to fully fund travel expenses for one annual national conference. The agency's Travel - Out of State expenditures vary from year

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

to year depending on the location of the conference. The Executive does not recommend this increase.

**Other Operating Expenditures 1,400 OF**

The JLBC Staff recommends an additional \$2,400 for periodic publications including a newsletter, a consumer's guide, and complaint procedures. The recommended amount also includes a reduction of \$(1,000) for repairs and maintenance due to the recommended replacement computer. The Executive does not address these issues.

**Equipment 2,500 OF**

Includes \$2,500 for a replacement computer. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>200 OF</b>
<b>Rent</b>	<b>200 OF</b>
<b>Eliminate One-time Equipment</b>	<b>(2,500) OF</b>

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the Special Agency Fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Board of Dispensing Opticians

JLBC: Jim Rounds  
House Sub: Knaperek

OSPB: Christine Sato  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	0.8	0.8	0.8	0.8	0.8	0.8
Personal Services	34,000	34,200	34,800	34,800	36,400	34,800
Employee Related Expenditures	5,800	5,800	6,200	6,000	6,400	6,100
All Other Operating Expenditures:						
Professional and Outside Services	19,000	17,400	19,200	16,700	15,400	15,400
Travel - In State	1,000	4,900	4,900	5,600	4,900	5,600
Other Operating Expenditures	4,000	4,900	7,800	6,700	5,000	4,900
<b>AGENCY TOTAL</b>	<b>63,800</b>	<b>67,200</b>	<b>72,900</b>	<b>69,800</b>	<b>68,100</b>	<b>66,800</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	63,800	67,200	72,900	69,800	68,100	66,800
<b>TOTAL - ALL SOURCES</b>	<b>63,800</b>	<b>67,200</b>	<b>72,900</b>	<b>69,800</b>	<b>68,100</b>	<b>66,800</b>

**Agency Description** — *The board licenses and regulates optical establishments and opticians. An optician fits and sells optical devices such as contact lenses and eye glasses. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$2,600	3.9%	\$(3,000)	(4.3)%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Applications Received	29	100

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** \$ 700 OF  
**ERE Rates** 100 OF  
**State Boards' Office Costs** (2,800) OF

**Legal Services** 1,500 OF  
 This amount represents an increase of \$1,500 in Professional and Outside Services. The board is in need of legal advice concerning the revision of rules associated with revised statutes. This amount will fund 20 hours of attorney time at \$75 per hour. The Executive recommends the funding of 30 hours of attorney time.

**Court Reporter** 600 OF  
 This amount represents an increase of \$600 in Professional and Outside Services. The board anticipates an increase in the number of legal hearings. This amount will fund the associated transcription costs. The Executive concurs.

**Travel - In State** 700 OF  
 This amount represents an increase in Travel - In State of \$700 to cover the total costs associated with board member travel. The Executive does not recommend funding for this issue.

**Other Operating Expenditures** 1,500 OF  
 This amount represents an increase of \$500 for postage and \$1,000 for printing costs associated with the distribution of revised rules. The Executive recommends an increase of \$2,900.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Examination Equipment** 300 OF  
This amount reflects the costs associated with purchasing eyeglasses for applicant testing. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

**ERE Rates** 100 OF  
**Eliminate One-time Equipment** (300) OF  
**State Boards' Office Costs** 200 OF

**Professional and Outside Services** (1,500) OF  
This amount reflects the elimination of one-time funding for attorney fees. The Executive concurs.

**Other Operating Expenditures** (1,500) OF  
This amount reflects the elimination of the one-time funding associated with the printing and postage of revised rules. The Executive concurs.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Other Issues for Legislative Consideration**

**Funding Format**

The Executive recommends a Lump Sum appropriation to the board. The funding was changed to a Modified Lump Sum format due to the director's salary increases that were not approved by the Legislature. The JLBC Staff does not recommend removing this restriction at this time in light of the recommended increases in funding for attorney fees and rules revisions. This will restrict these monies from being transferred to Personal Services without Joint Legislative Budget Committee approval.



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Board of Optometry

JLBC: Jim Hillyard  
House Sub: Knaperek

OSPB: Christine Sato  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	1.8	1.8	1.8	1.8	1.8	1.8
Personal Services	58,900	61,900	63,700	63,700	63,700	63,700
Employee Related Expenditures	10,900	10,500	11,100	10,700	11,100	10,800
All Other Operating Expenditures:						
Professional and Outside Services	20,000	22,800	22,100	21,700	22,300	21,900
Travel - In State	4,500	6,500	7,500	7,500	7,500	7,500
Travel - Out of State	300	700	700	700	700	700
Other Operating Expenditures	5,400	7,500	7,500	7,500	7,500	7,500
<b>AGENCY TOTAL</b>	<b>100,000</b>	<b>109,900</b>	<b>112,600</b>	<b>111,800</b>	<b>112,800</b>	<b>112,100</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	100,000	109,900	112,600	111,800	112,800	112,100
<b>TOTAL - ALL SOURCES</b>	<b>100,000</b>	<b>109,900</b>	<b>112,600</b>	<b>111,800</b>	<b>112,800</b>	<b>112,100</b>

**Agency Description**— *The board licenses and regulates optical establishments and opticians. An optician fits and sells optical devices such as contact lenses and eye glasses. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$1,900	1.7%	\$300	0.3%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Average Number of Days to Resolve a Complaint	120	100

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** \$ 2,000 OF  
**State Boards' Office Costs** (1,400) OF

**Travel - In State** 1,000 OF  
 The JLBC Staff recommends \$1,000 of Travel - In State to fund the increased mileage reimbursement costs associated with the replacement of a board member residing in Phoenix by a new member residing in Sierra Vista. The Executive also recommends \$1,000 in additional Travel - In State.

**Professional and Outside Services** 300 OF  
 The recommended amount would fund projected increases in the cost of giving the board's licensing examination. For the examination, the board must provide proctors, stand-in patients, testing rooms, and medical equipment. Increases in the number of test applicants increase these costs. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**  
**ERE Rates** 100 OF  
**State Boards' Office Costs** 200 OF

\* \* \*

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

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Other Issues for Legislative Consideration**

**Executive Recommendation**

The Executive recommends an additional \$500 for court reporting transcription costs. The board is currently funded for 1 formal hearing per year. The Executive's recommended increase would provide funding should the board require 2 formal hearings. The JLBC Staff does not recommend funding for this issue as the board has not had any formal hearings in the last 3 years.

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

DEPT: Arizona Board of Osteopathic Examiners

JLBC: Chris Earnest  
House Sub: Weiers

OSP: Matt Gottheiner  
Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	5.5	5.5	5.5	6.0	5.5	6.0
Personal Services	181,800	190,400	193,700	224,800	193,700	224,800
Employee Related Expenditures	36,200	41,400	36,400	40,700	36,700	41,100
All Other Operating Expenditures:						
Professional and Outside Services	32,900	50,800	45,000	50,800	45,000	50,800
Travel - In State	2,100	7,500	4,000	7,500	4,000	7,500
Travel - Out of State	9,000	3,800	9,000	3,800	9,000	3,800
Other Operating Expenditures	67,200	46,700	66,500	48,200	66,500	48,200
Equipment	0	0	7,400	15,000	0	0
<b>AGENCY TOTAL</b>	<b>329,200</b>	<b>340,600</b>	<b>362,000</b>	<b>390,800</b>	<b>354,900</b>	<b>376,200</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	329,200	340,600	362,000	390,800	354,900	376,200
<b>TOTAL - ALL SOURCES</b>	<b>329,200</b>	<b>340,600</b>	<b>362,000</b>	<b>390,800</b>	<b>354,900</b>	<b>376,200</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$50,200	14.7%	\$(14,600)	(3.7)%

Performance Measure	FY 96 Actual	FY 97 Estimate
Average Days to Resolve a Complaint	102	100

### FY 1998 — Recommended Changes from FY 1997

**Standard Changes**

Pay Annualization	\$ 3,700 OF
ERE Rates	(6,000) OF
Risk Management	700 OF
Rent	800 OF

**Computer Equipment** 15,000 OF  
The recommended amount includes a \$15,000 increase for replacement and upgraded computer equipment. The agency already has a Local Area Network (LAN) in place and needs

replacement equipment and upgrades to fully develop its client-server system. The current system's database is outdated and does not allow the agency to create and print ad hoc licensing queries. The agency has developed a strategy with the Arizona Department of Administration's Information Resource Management Group that includes database inquiry and reporting capabilities, electronic mail, calendar and planning capabilities, and Internet access. The plan also includes memory upgrades to 5 computers. These upgrades will improve the agency's ability to track and respond to public inquiries concerning licenses and complaints. The Executive does not concur.

**Part-Time Physician** 36,000 OF  
The JLBC Staff recommends an increase of 0.5 FTE Position and \$36,000 in Personal Services and Employee Related Expenditures for the agency to hire a part-time physician. The position is needed due to the amount and volume of

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

cases pending before the board of a technical nature. The board currently has 1 part-time physician that not only needs to assist in the monitoring of physicians under probation, but also has a caseload of 165 pending complaints, as well as the review of any technical irregularities in licensure applications. The additional part-time physician will help the agency address the increased caseload. The Executive does not concur.

### **FY 1999 — Recommended Changes from FY 1998**

#### **Standard Changes**

<b>ERE Rates</b>	<b>400 OF</b>
<b>Eliminate One-time Equipment</b>	<b>(15,000) OF</b>

\* \* \*

**JLBC Staff Recommended Format** — Lump Sum by Agency  
*(In the FY 1997 budget, the department had a Modified Lump Sum by Agency format. The board has hired a new director to address the problems that necessitated a Modified Lump Sum by Agency format. The JLBC Staff recommends a Lump Sum by Agency format for FY 1998 and FY 1999.)*

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

##### *Standard Footnote*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

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

##### **Executive Recommendation**

The Executive recommends an increase of \$15,000 for rent. This amount would provide for the rent if the board were to move to the Doubletree property in Scottsdale. The JLBC Staff does not concur with this recommendation. Because the state is considering selling the Doubletree property, a move to this location would not be a viable long-term solution. Instead, the JLBC Staff recommends an \$800 net increase for the board to stay at their current location until a better location is found.

The Executive also recommends \$7,400 for a new copy machine. The JLBC Staff does not concur.

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

DEPT: Arizona State Parks Board

JLBC: Bruce Groll  
House Sub: Knaperek

OSPB: Marcel Benberou  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	182.5	180.5	213.5	214.5	216.5	214.5
Personal Services	4,476,200	4,652,700	4,827,600	4,910,500	4,886,100	4,910,500
Employee Related Expenditures	1,234,900	1,074,500	1,252,500	1,283,600	1,291,900	1,303,600
All Other Operating Expenditures:						
Professional and Outside Services	27,900	38,100	38,100	38,100	38,100	38,100
Travel - In State	90,600	94,300	95,300	95,300	96,300	95,300
Travel - Out of State	4,200	4,100	4,100	4,100	4,100	4,100
Other Operating Expenditures	1,713,800	1,872,800	2,002,000	2,120,700	2,046,000	2,124,600
Equipment	180,800	132,200	144,500	132,200	177,800	149,800
<b>OPERATING SUBTOTAL</b>	<b>7,728,400</b>	<b>7,868,700</b>	<b>8,364,100</b>	<b>8,584,500</b>	<b>8,540,300</b>	<b>8,626,000</b>
<b>SPECIAL LINE ITEMS</b>						
Arizona Conservation Corps	227,000	56,700	0	0	0	0
State Trust Land Leases	177,000	183,800	189,200	189,200	194,800	194,900
Kartchner Caverns Operating	0	0	937,800	946,000	870,700	946,000
Kartchner Caverns Capital Development	0	807,100	553,900	403,900	150,000	0
Law Enforcement & Boating Safety	633,300	800,000	850,000	850,000	850,000	894,600
Reservation Surcharge Revolving Fund	0	30,000	30,000	30,000	30,000	30,000
<b>AGENCY TOTAL</b>	<b>8,765,700</b>	<b>9,746,300</b>	<b>10,925,000</b>	<b>11,003,600</b>	<b>10,635,800</b>	<b>10,691,500</b>
<b>BY FUND SOURCE</b>						
General Fund	6,378,100	6,121,600	7,285,300	7,392,600	7,261,600	7,419,100
State Parks Enhancement Fund	1,754,300	2,794,700	2,759,700	2,731,000	2,494,200	2,347,800
Law Enforcement & Boating Safety Fund	633,300	800,000	850,000	850,000	850,000	894,600
Reservation Surcharge Revolving Fund	0	30,000	30,000	30,000	30,000	30,000
Other Non-Appropriated Funds	16,143,100	28,071,400	25,211,600	25,211,600	21,115,600	21,115,600
Federal Funds	556,700	829,700	516,000	516,000	475,000	475,000
<b>TOTAL - ALL SOURCES</b>	<b>25,465,500</b>	<b>38,647,400</b>	<b>36,652,600</b>	<b>36,731,200</b>	<b>32,226,400</b>	<b>32,282,100</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 State Parks Board consists of 7 members appointed by the Governor. Major functions of the State 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.*

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$1,271,000	20.8%	\$ 26,500	0.4%
Other Appropriated Funds	(13,700)	(0.4)%	(338,600)	(9.4)%
<b>Total Appropriated Funds</b>	<b>\$1,257,300</b>	<b>12.9%</b>	<b>\$(312,100)</b>	<b>(2.8)%</b>

Performance Measure	FY 96 Actual	FY 97 Estimate
Annual Park Attendance	2,301,056	2,440,872

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$ 25,500 OF	\$ 128,400 GF
ERE Rates	17,300 OF	135,100 GF
Risk Management	5,500 OF	21,700 GF
Rent	1,400 OF	5,600 GF
Eliminate One-time Equipment	(24,400) OF	(107,800) GF

**Replacement Equipment 24,400 OF 107,800 GF**

The JLBC Staff recommends an additional \$132,200 for replacement equipment including: from the General Fund, \$74,200 for 3 "heavy duty" trucks, \$30,200 for 2 mowers and 2 utility vehicles, and \$3,400 for a cash register and an air compressor; and from the Enhancement Fund, \$17,500 for 1 pickup truck, \$2,500 for 2 portable generators, \$2,500 for a fire suppression pump, and \$1,900 for 2 portable radios. The Executive recommends an additional \$144,500: \$104,900 from the General Fund and \$39,600 from the Enhancement Fund.

**Arizona Conservation Corps (56,700) GF**

The State Parks Board requests and the JLBC Staff recommends a decrease of \$(56,700) and (1) FTE Position in FY 1998 for the Arizona Conservation Corps (ACC) Special Line Item to terminate the program and that the ACC Fund balance (≈\$333,200) be returned to the State General Fund. The Executive concurs.

Funding was provided for FY 1997 to complete the program phase-out, including financial reconciliation, inventory reconciliation, and contract compliance. The ACC was a young adult work program established in 1989 to provide employment and opportunities for personal development. Program monies came from a major federal grant (AMERICORPS), which was discontinued in federal FY 1996, and several other agreements that also were not renewed. The General Fund support was intended to provide operating monies for the program to secure grants for youth and community development programs. Without outside grants and funding, the program cannot perform its functions and there is no need for General Fund support. Moreover, the

ACC program changed its focus from conservation to social services, such as housing rehabilitation, and no longer encompassed the State Parks Board's mission—to manage and conserve Arizona's natural, cultural, and recreational resources.

**State Trust Land Leases 5,400 GF**

The recommended increase covers lease costs as determined by the State Land Department for state parks occupying State Trust lands. The Executive concurs.

**Kartchner Caverns One-Time Start-Up (403,200) OF**

Kartchner Caverns, an underground limestone cave located in Benson, is the 27th park in Arizona's state park system. When opened, the cave will remain protected while offering visitors a tour through multi-colored cave formations. Construction is proceeding on schedule and the grand opening of the entire park (campground, visitor center, and cave) is being planned for November 1997. Total development costs (including \$19,400,000 already committed or spent) are estimated at \$22,000,000 and include monies from the Enhancement Fund, Heritage Fund, General Fund, and State Highway Fund. If there are cost overruns or unanticipated costs, the JLBC Staff recommends the State Parks Board fund them from other Non-General Fund sources.

Last year, as part of the 1996 General Appropriation Act, the Legislature approved an additional \$807,100 from the development portion of the Enhancement Fund for start-up funding for FY 1997 based on a State Parks Board request and JLBC Staff recommendation for a total of \$1,211,000 for all start-up operating costs between FY 1997 and FY 1998. For FY 1998, the JLBC Staff recommends reducing the use of development funds from \$807,100 to \$403,900, a difference of \$(403,200), and funding the final one-time amount as a Special Line Item entitled Kartchner Caverns Capital Development from the Enhancement Fund to complete start-up costs through the park's November 1997 opening. The Executive concurs.

This one-time recommended increase for FY 1998 is primarily for purchasing supplies and equipment that need to be installed as the visitor center is finished and for items that require a lead time for bidding, contracting or procurement as specified below:

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

- \$46,100 is for general building equipment and supplies including fire prevention, first aid and janitorial purposes;
- \$128,900 is for visitor center, contact station and cave entry buildings equipment and supplies including tickets, cash registers, furniture, drop safe, audio visual and public address systems, and computer equipment;
- \$33,000 is for dormitory furniture and appliances; and
- \$195,900 is for an additional tram with 2 trailers to transport visitors between the visitor center and cave (for security purposes and people flow management, visitors will not be permitted to walk to the cave entrance, but must use the trams).

**Kartchner Caverns Operating 946,000 GF**

With completion of development and planned opening of Kartchner Caverns in November 1997, and annual visitation estimated at 150,000 park visitors, the State Parks Board will need additional on-going operating funds and additional staff to make the park successful. Therefore, the JLBC Staff recommends an additional \$946,000 and 29 FTE Positions for operating Kartchner Caverns for a full year beginning July 1, 1997. The JLBC Staff also recommends creating a Special Line Item for Kartchner Caverns Operating to separately account for the General Fund appropriations and revenues derived from park user fees from the rest of the State Parks Board's operating budget; thus making it easier to depict the cost and revenue of this special park.

Although the park's facilities will not be open to the public until November, the recommended amount includes resources to recruit and train personnel prior to the opening of the cave. The State Parks Board's \$946,000 operating request for Kartchner provides a comprehensive organization plan and detailed budget. The functional areas of the park include the visitor center, cave tour unit, business unit, transportation unit, building maintenance unit, and resident park manager and assistant park manager positions.

The recommended line item operating budget for FY 1998 for Kartchner Caverns is:

Personnel Services	\$564,100
ERE	144,300
Travel	4,000
Other Operating Expenditures	<u>233,600</u>
Total	\$946,000

Utility related expenses (electric, telephone, gas and water) comprise nearly one-half of the Other Operating Expenditures with insurance, advertising, and maintenance and repairs making up a majority of the balance. The Executive recommends \$937,800 from the General Fund, including a one-time amount of \$67,100 for the caverns grand opening (see *Other Issues for Legislative*

*Consideration*), and an additional \$150,000 from the Enhancement Fund for Kartchner Other Operating Expenditures.

**Kartchner Central Administrative Support 85,500 GF**

The JLBC Staff recommends 3 additional FTE Positions, including \$66,900 for Personal Services and \$18,600 for Employee Related Expenditures, for central office administrative support. These positions were requested to meet the expected workload increase in bills processing, purchasing, payroll, personnel and technology needs directly attributable to Kartchner Caverns State Park. The Executive does not address this issue.

**Additional Park Staffing 289,800 OF**

The JLBC Staff recommends a \$289,800 net increase from the Enhancement Fund. The recommended amount includes an increase of \$288,800 and 3 FTE Positions for additional staffing, operating and equipment needs related to park visitation increases averaging more than 6.5% per year for the 8-year period FY 1988 to FY 1996, and a \$1,000 base increase for the Fool Hollow Land Lease. The Enhancement Fund, which receives park user fees, concession fees and donations as revenues, is equally divided into 2 portions: operating and development. The operating portion of the Enhancement Fund (distribution of which is shown below) is appropriated for the State Parks Board operating budget each fiscal year.

	FY 1997 Estimate	FY 1998 JLBC Rec.	FY 1999 JLBC Rec.
FTE Positions	36.5	39.5	39.5
Personal Services	\$992,300	\$1,073,600	\$1,073,600
ERE	250,300	290,100	292,400
P&O	6,600	6,600	6,600
Travel-In	27,700	28,700	28,700
OOE	683,100	903,700	904,500
Equipment	<u>24,400</u>	<u>24,400</u>	<u>42,000</u>
Operating Sub-Total	1,984,400	2,327,100	2,347,800
Capital (Kartchner)	<u>807,100</u>	<u>403,900</u>	<u>0</u>
Total	\$2,791,500	\$2,731,000	\$2,347,800

The Executive recommends \$190,600 and 2 FTE Positions for additional staffing, operating and equipment expenses.

The development portion of the Enhancement Fund (for acquisition, development and improvement of real property) is non-appropriated, but requires Joint Committee on Capital Review approval for expenditures. Currently by statute (A.R.S. § 41-511.11B), the development portion is designated to pay the Tonto Natural Bridge lease-purchase payment and to develop Kartchner Caverns, after which the monies are subject to annual legislative appropriation.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Law Enforcement & Boating Safety Fund**                    **50,000 OF**  
 The JLBC Staff recommends an increase of \$50,000 from the Law Enforcement and Boating Safety Fund (LEBSF), as total funds available are estimated at \$850,000 for FY 1998. Revenues consist of 47% of watercraft licensing fees collected by the Game and Fish Department and transferred to State Parks. The Arizona Outdoor Recreation Coordinating Commission distributes monies from the fund as grants to counties for boating law enforcement, personnel, training, and equipment. The Executive concurs.

**Reservation Surcharge Revolving Fund**                    **-0- OF**  
 The Campsite Reservation Program funding for state parks with campgrounds is managed through the Reservation Surcharge Revolving Fund. The fund uses reservation fees to pay operating costs of the reservation system. No new monies are recommended for this program for FY 1998. This program was established as a Special Line Item in FY 1997 from the operating budget to separate the Campsite Reservation Program's operating monies from the rest of the State Parks Board's operating budget and make it easier to depict the cost of this program. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>\$ 2,300 OF</b>	<b>\$ 17,700 GF</b>
<b>Rent</b>	<b>800 OF</b>	<b>3,100 GF</b>
<b>Eliminate One-time</b>		
<b>Equipment</b>	<b>(24,400) OF</b>	<b>(107,800) GF</b>

**Replacement Equipment**                    **42,000 OF**                    **107,800 GF**  
 The JLBC Staff recommends an additional \$149,800 for replacement equipment. This amount includes a continued General Fund appropriation at the FY 1998 level for motor vehicle, field and office equipment replacement; and a \$17,600 increase from the Enhancement Fund over the FY 1998 amount to meet equipment replacement needs due to increased parks visitations. The Executive recommends an additional \$177,800: \$126,500 from the General Fund and \$51,300 from the Enhancement Fund.

**Kartchner Caverns One-Time Start-Up**                    **(403,900) OF**  
 The JLBC Staff recommends the reduction of \$(403,900) appropriated as a Special Line Item from the development portion of the State Parks Enhancement Fund as a one-time increase in FY 1998 for Kartchner Caverns start-up funding. The Executive concurs.

**State Trust Land Leases**                    **5,700 GF**  
 The recommended increase covers lease costs as determined by the State Land Department for state parks occupying State Trust lands. The Executive concurs.

**Law Enforcement & Boating Safety Fund**                    **44,600 OF**

The JLBC Staff recommends an increase of \$44,600 to the appropriations limit from the Law Enforcement and Boating Safety Fund (LEBSF), as total funds available are estimated at \$894,600 for FY 1999. Revenues consist of 47% of watercraft licensing fees collected by the Game and Fish Department and transferred to State Parks. The Executive recommends no additional funds.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

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 \$150,000 in FY 1998, 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.

The appropriation for Law Enforcement and Boating Safety Fund projects is an estimate representing all monies distributed to this fund, including balance forward, revenue, and transfers, during FY 1997. These monies are appropriated to the Arizona State Parks Board for the purposes established in A.R.S. § 5-383. The appropriation shall be adjusted as necessary to reflect actual final receipts credited to the Law Enforcement and Boating Safety Fund.

*Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote concerning the monies appropriated for the Arizona Conservation Corps program, placed in the Arizona Conservation Corps Fund authorized by A.R.S. § 41-519.05, since the program has been discontinued and the statutory reference to the program is recommended for elimination.

The JLBC Staff recommends deleting the footnote concerning exempting the FY 1996-1997 total appropriation from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, until June 30, 1998, since it was intended as a one-time footnote for FY 1997, to keep the department's FY 1997 total appropriation from lapsing until the end of FY 1998 and to give state parks more purchasing flexibility until Kartchner Caverns State Park is open.

The JLBC Staff recommends deleting the footnote concerning the appropriation for the Reservation Surcharge Revolving Fund since it was intended as a one-time footnote for FY 1997 to allow adequate time to develop a revenue and



## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

expenditure base for more accurately estimating expenditures for future fiscal years.

### **JLBC Staff Recommended Statutory Changes**

The JLBC Staff recommends a session law change to divert all State Parks Enhancement Fund revenues above the FY 1997 collections to the early pay-off of the Tonto State Park lease-purchase. See *Other Issues for Legislative Consideration* for more information.

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

#### **Kartchner Caverns Grand Opening Celebration**

The State Parks Board is requesting for FY 1998 a one-time General Fund appropriation of \$67,100 to host a series of promotional events prior to the planned public opening of the park in November 1997. The proposed 5-day event would include local residents, school groups, VIPs and legislators tours and luncheons. Funds will be used for travel, lodging, bands, local transportation, food, event planning, promotions, rental equipment, printing, insurance and other related expenses. The State Parks Board is pursuing "working relationships" with event planners active in Super Bowl XXX. The JLBC Staff has encouraged the department to seek private donations and sponsorships to raise the requested monies for these events.

#### **Tonto State Park Lease-Purchase**

With the completion of development of Kartchner Caverns State Park, the JLBC Staff recommends accelerating the lease-purchase of Tonto State Park. Tonto State Park was acquired as a \$3.9 million lease-purchase in October, 1990. Over the remaining years of the agreement, the state's annual lease-purchase payments average \$386,400. The lease-purchase will be completed in 2012 under the current payment schedule.

The lease-purchase payments are made from the acquisition and development portion of the State Parks Enhancement Fund. All park fees are deposited into the Enhancement Fund. Under current law, one-half of the monies is dedicated to operating expenses and is subject to legislative appropriation; the remaining one-half is dedicated to pay for the acquisition and development of Kartchner and the purchase of Tonto. Subsequent to these 2 acquisitions, the development portion will also become subject to appropriation.

With the opening of Kartchner, Enhancement Fund proceeds are estimated to be \$4.3 million in FY 1997. In FY 1998, these Enhancement Fund revenues are projected to be \$4.7 million; and in FY 1999, \$5.2 million. The JLBC Staff recommends a session law provision to dedicate the revenue growth in the Enhancement Fund above FY 1997 levels to expedite pay-off of the Tonto lease-purchase. These monies would be diverted to a Tonto Park pay-off subaccount of the

Enhancement Fund. With revenue growth projected to be \$400,000 in FY 1998 and \$900,000 in FY 1999, this policy would allow the purchase of Tonto by 2002, which would be 10 years earlier than anticipated.

This policy would have several advantages: 1) early pay-off of lease-purchase financing would save the state nearly \$1 million in interest expenses (consistent with the state's recent general policy to discontinue the use of lease-purchase in favor of pay-as-you-go financing); 2) a total of \$3.3 million will continue to be available to the Parks Board for development projects (\$1.6 million from the Enhancement Fund at the FY 1997 base level in addition to \$1.7 million of Heritage Fund monies) and the additional revenues from Kartchner will now be obligated for the accelerated Tonto pay-off; and 3) this policy would continue to tie the Kartchner and Tonto parks together (as noted above, the development portion of the Enhancement Fund remains non-appropriated until Kartchner and Tonto are both acquired).

#### **Enhancement Fund Field Staff and Operations**

The JLBC Staff recommends no additional funding in FY 1999 for field staff and operations since additional positions and funding were provided for FY 1998 and may be redeployed as needed to accommodate increased parks visitation. The Executive recommends an additional 3 FTE Park Ranger positions and \$124,400 from the Enhancement Fund in FY 1999 to fund anticipated visitation increases.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Personnel Board

JLBC: Lynne Smith  
House Sub: Knaperek

OSPB: Matt Gottheiner  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0	3.0	3.0	3.0
Personal Services	80,800	83,900	83,800	84,800	83,800	84,800
Employee Related Expenditures	16,600	17,200	16,900	16,900	17,000	17,000
All Other Operating Expenditures:						
Professional and Outside Services	141,300	168,000	167,500	167,500	169,900	167,500
Travel - In State	500	1,000	1,100	1,000	1,100	1,000
Other Operating Expenditures	31,800	38,000	39,200	39,600	40,000	40,400
Equipment	14,300	2,500	1,000	1,500	0	0
<b>AGENCY TOTAL</b>	<b>285,300</b>	<b>310,600</b>	<b>309,500</b>	<b>311,300</b>	<b>311,800</b>	<b>310,700</b>
<b>BY FUND SOURCE</b>						
General Fund	285,300	310,600	309,500	311,300	311,800	310,700
<b>TOTAL - ALL SOURCES</b>	<b>285,300</b>	<b>310,600</b>	<b>309,500</b>	<b>311,300</b>	<b>311,800</b>	<b>310,700</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$700	0.2%	\$(600)	(0.2)%

Performance Measure	FY 96 Actual	FY 97 Estimate
Appeals and Complaints Heard	110	121

**Operating Expenditures** **-0- GF**  
The recommended amount reallocates \$500 from Professional and Outside Services to Other Operating Expenditures to enable the board to purchase voice mail and storage space. The Executive concurs.

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	\$2,000 GF
ERE Rates	(400) GF
Rent	1,100 GF
Eliminate One-time Equipment	(2,500) GF

**Equipment** **1,500 GF**  
The recommended amount includes a total of \$1,500 for replacement file cabinets. The Executive recommends \$1,000 for these files.

**Personal Services** **(1,000) GF**  
The recommended amount fully funds the board's Personal Services and ERE. The Executive recommends a \$(2,100) reduction.

**FY 1999 — Recommended Changes from FY 1998**

Standard Changes	
ERE Rates	100 GF
Rent	800 GF
Eliminate One-time Equipment	(1,500) GF

\* \* \*

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

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

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

#### **Professional and Outside Services**

The Executive recommends an increase of \$2,400 in FY 1999 for hearing officer rates, caseload increases, and court reporters. The JLBC Staff recommends that the board pay for these costs from the existing Professional and Outside Services appropriation, which allows room for 18.5% growth over FY 1996 expenditures.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona State Board of Pharmacy

JLBC: Lisa Cotter  
House Sub: Weiers

OSPB: Pam Scharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0	12.0	12.0	12.0
Personal Services	393,500	440,200	448,000	448,000	448,000	448,000
Employee Related Expenditures	86,900	97,400	103,100	102,600	104,000	103,500
All Other Operating Expenditures:						
Professional and Outside Services	49,300	52,900	30,700	27,500	30,700	27,500
Travel - In State	26,300	36,500	29,300	29,300	29,300	29,300
Travel - Out of State	2,500	4,000	4,700	4,000	4,700	4,000
Other Operating Expenditures	75,700	77,800	78,000	79,500	79,900	81,900
Equipment	22,800	0	0	10,200	0	2,500
<b>OPERATING SUBTOTAL</b>	<b>657,000</b>	<b>708,800</b>	<b>693,800</b>	<b>701,100</b>	<b>696,600</b>	<b>696,700</b>
<b>SPECIAL LINE ITEMS</b>						
Examinations	12,500	20,500	45,900	10,000	45,900	10,000
<b>AGENCY TOTAL</b>	<b>669,500</b>	<b>729,300</b>	<b>739,700</b>	<b>711,100</b>	<b>742,500</b>	<b>706,700</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	669,500	729,300	739,700	711,100	742,500	706,700
Federal Funds	11,800	11,800	11,800	11,800	11,800	11,800
<b>TOTAL - ALL SOURCES</b>	<b>681,300</b>	<b>741,100</b>	<b>751,500</b>	<b>722,900</b>	<b>754,300</b>	<b>718,500</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$(18,200)	(2.5)%	\$(4,400)	(0.6)%

Performance Measure	FY 96 Actual	FY 97 Estimate
# of Days to Resolve a Complaint	120	120

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	<b>\$8,800 OF</b>
ERE Rates	<b>4,200 OF</b>
Risk Management	<b>(400) OF</b>
Rent	<b>1,000 OF</b>

**Examinations (35,900) OF**  
In FY 1997, the agency received a total of \$45,900 to cover the rising cost of national examinations. Of the \$45,900 for examinations, \$25,400 was placed in Professional and Outside Services and \$20,500 was placed in the Examinations Special Line Item. At the time of the FY 1997 appropriation, national exam test-takers paid the agency a \$250 exam fee and the agency then paid the National Association of Boards of Pharmacy (NABP). At present, national exam test-takers pay the NABP directly, reducing the agency's revenues and expenditures from national exams. Because the agency no longer pays the cost of national

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exams, the JLBC Staff recommends reducing the examinations appropriation by \$(35,900). The JLBC Staff recommends leaving \$10,000 for national examinations in the Examinations Special Line Item to cover other costs associated with administering exams. The Executive recommends that the \$25,400 for examinations in Professional and Outside Services be transferred to the Examinations Special Line Item.

**Travel** (7,200) OF  
The JLBC Staff recommends a decrease of \$(7,200) in Travel - In State to reflect the agency's request. The Executive concurs.

**Telephone Line** 1,100 OF  
The JLBC Staff recommends an increase of \$1,100 in Other Operating Expenditures for the installation and operation of a new telephone line that will provide database access for the Tucson office and telecommuters. The Executive concurs.

**Equipment** 10,200 OF  
The recommended amount includes money for a replacement copier and 4 computer memory upgrades. The Executive does not recommend equipment.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**  
**ERE Rates** 900 OF  
**Rent** 2,600 OF  
**Eliminate One-time Equipment** (10,200) OF

**Telephone Line** (200) OF  
The decrease reflects the elimination of \$(200) for one-time telephone line installation costs. The Executive concurs.

**Equipment** 2,500 OF  
The recommended amount is for 1 replacement computer. The Executive does not recommend equipment.

\* \* \*

**JLBC Staff Recommended Format — Modified Lump Sum with Special Line Items by Agency**

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*  
Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Other Issues for Legislative Consideration**

**Executive Recommendation**

The Executive recommends an increase of \$3,200 in Professional and Outside Services for data processing requirements and an increase of \$700 in Travel - Out of State.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Board of Physical Therapy Examiners

JLBC: Jim Rounds  
House Sub: Knaperek

OSPB: Christine Sato  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	1.0	1.0	2.0	1.5	2.0	1.5
Personal Services	35,400	32,500	54,500	46,200	54,500	46,200
Employee Related Expenditures	6,500	6,100	11,200	8,900	11,200	8,900
All Other Operating Expenditures:						
Professional and Outside Services	35,900	43,000	48,800	48,800	49,000	49,000
Travel - In State	1,700	3,200	3,200	3,200	3,200	3,200
Travel - Out of State	500	700	700	700	700	700
Other Operating Expenditures	9,300	7,500	11,400	10,300	10,400	8,800
Equipment	0	0	0	800	0	0
<b>AGENCY TOTAL</b>	<b>89,300</b>	<b>93,000</b>	<b>129,800</b>	<b>118,900</b>	<b>129,000</b>	<b>116,800</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	89,300	93,000	129,800	118,900	129,000	116,800
<b>TOTAL - ALL SOURCES</b>	<b>89,300</b>	<b>93,000</b>	<b>129,800</b>	<b>118,900</b>	<b>129,000</b>	<b>116,800</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$25,900	27.8%	\$(2,100)	(1.8)%

Performance Measure	FY 96 Actual	FY 97 Estimate
Average Days to Issue a Temporary License	2	2

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** \$ 700 OF  
**Risk Management** (100) OF  
**State Boards' Office Costs** 5,800 OF

**Secretary** 10,400 OF  
 This amount includes \$7,600 for Personal Services, \$2,000 for Employee Related Expenditures and \$800 for office equipment associated with the addition of a 0.5 FTE Position. The recent increase in workload is primarily due to an

increase in clerical duties. The addition of a part-time secretary will allow the director to focus on the non-clerical aspects of the job. The JLBC Staff believes that the addition of a part-time secretary will be adequate to meet the workload demands of the agency. The Executive recommends a full-time position.

**Other Operating Expenditures** 1,400 OF  
 This amount includes \$800 for postage, \$300 for printing, and \$300 for supplies associated with the production and distribution of a newsletter informing the public of the agency's responsibilities. The Executive does not address this issue.

**Director's Salary** 6,200 OF  
 This amount includes \$5,500 for a director's salary increase and \$700 for the associated Employee Related Expenditure expenses. The increase in salary is board-recommended

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and is comparable to the director's salary in other central board agencies. The director's salary will increase from \$32,500 to \$38,000. The Executive concurs.

**Rules Revisions** **1,500 OF**  
This amount reflects an increase in Other Operating Expenditures of \$1,000 for printing and \$500 for postage of revised rules. The Executive recommends \$2,900 for this issue.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**  
**Eliminate One-time Equipment** **(800) OF**  
**State Boards' Office Costs** **200 OF**

**Other Operating Expenditures** **(1,500) OF**  
This amount represents the elimination of one-time funding associated with rules revisions. The Executive does not address this issue.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Pioneers' Home

JLBC: Jennifer Vermeer  
House Sub: Weiers

OSP: Matt Gottheiner  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	107.4	107.4	107.4	107.4	107.4	107.4
Personal Services	2,361,500	2,278,800	2,337,600	2,341,400	2,337,600	2,341,400
Employee Related Expenditures	777,600	655,000	740,700	765,600	745,400	731,000
All Other Operating Expenditures:						
Professional and Outside Services	180,900	162,700	149,700	162,700	149,700	162,700
Travel - In State	11,300	10,800	9,200	10,800	9,200	10,800
Food	149,700	225,000	203,900	225,000	203,900	225,000
Other Operating Expenditures	787,700	549,700	721,500	667,900	721,500	667,900
Equipment	8,600	7,900	0	7,900	0	7,900
<b>AGENCY TOTAL</b>	<b>4,277,300</b>	<b>3,889,900</b>	<b>4,162,600</b>	<b>4,181,300</b>	<b>4,167,300</b>	<b>4,146,700</b>
<b>BY FUND SOURCE</b>						
General Fund	2,013,600	1,973,300	3,580,900	2,197,000	3,585,600	2,201,900
Other Appropriated Funds	2,263,700	1,916,600	581,700	1,984,300	581,700	1,944,800
Other Non-Appropriated Funds	513,900	606,000	810,100	810,100	810,100	810,100
<b>TOTAL - ALL SOURCES</b>	<b>4,791,200</b>	<b>4,495,900</b>	<b>4,972,700</b>	<b>4,991,400</b>	<b>4,977,400</b>	<b>4,956,800</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$223,700	11.3%	\$4,900	0.2%
Other Appropriated Funds	67,700	3.5%	(39,500)	(0.2)%
Total Appropriated Funds	\$291,400	7.5%	\$(34,600)	(0.8)%

Performance Measure	FY 96 Actual	FY 97 Estimate
Monthly Cost Per Resident	\$2,363	\$2,165

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes		
Pay Annualization	\$31,300 OF	\$41,800 GF
ERE Rates	36,400 OF	63,700 GF

**Fund Source Shift** **118,200 GF**  
The recommended amount reallocates a proportion of Risk Management charges to the General Fund according to the number of FTE Positions for each fund source. Currently, all Risk Management charges are paid from the Miners' Fund. The Executive does not address this issue.

**Revenue Decrease - State Charitable Fund** **-0- OF**  
In FY 1996 interest earnings from the Miners' Trust Fund were inappropriately deposited in the State Charitable Fund. This practice was corrected in FY 1997 which decreased the amount available for expenditure in FY 1997. For FY 1998, these costs have been transferred to the Miners' Fund. The



## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

recommended amount includes the following transfers from the State Charitable Fund to the Miners' Fund: \$(4,000) Personal Services, \$(19,000) Employee Related Expenditures, \$(162,700) Professional and Outside Services, \$(10,800) Travel - In State, and \$(7,900) Equipment, for a total of \$204,400. The Executive recommends transferring a total of \$369,100 to the General Fund.

### **FY 1999 — Recommended Changes from FY 1998**

#### **Standard Changes**

**ERE Rates** (39,500) OF 4,900 GF

\*\*\*

**JLBC Staff Recommended Format** — Detailed Line Item by Agency. *(The JLBC Staff recommends that the Pioneers' Home budget be changed to a Detailed Line Item format due to concerns about the agency's financial accountability. For further information see the Financial Issues discussion below.)*

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

##### *Standard Footnotes*

In addition to the amounts appropriated, earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated for the Pioneers' Home and the Hospital for Disabled Miners in compliance with the Enabling Act and the Constitution.

##### *New Footnotes*

Beginning July 1, 1997, the Arizona Pioneers' Home shall report any expenditures from the Miners' Fund beyond the appropriation to the Joint Legislative Budget Committee for its review. *(This footnote is recommended due to the declining fund balance in the Miners' Fund and concerns regarding the Pioneers' Home's internal financial controls. For further information see the Financial Issues discussion below.)*

The Pioneers' Home shall submit a plan for implementing budgeting, internal cost allocation, and financial monitoring processes to the Joint Legislative Budget Committee for its review by June 30, 1997. The plan shall include projected total expenditures for all fund sources, a plan for budgeting expenditures across fund sources, a plan for allocating costs to the internal divisions within the Home, and recommendations for reducing operating expenditures for FY 1998. Furthermore, it is the intent of the Legislature that future submissions of the agency strategic plan will include goals and performance measures for implementing financial management procedures. *(This footnote is recommended due to the declining fund balance in the Miners' Fund and concerns regarding the Home's internal financial controls.)*

*For further information see the Financial Issues discussion below.)*

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

##### **Financial Issues**

Several issues involving the Pioneers' Home's financial practices are cause for concern. First, while an appropriation is made from the Miners' Fund at the level of annual expendable revenues, the agency has consistently spent beyond the appropriation. Due to this practice, the Miners' Fund balance has declined from a high of \$7,070,800 in FY 1993 to \$5,449,400 in FY 1996, and at current expenditure and revenue levels, could decline to \$0 by FY 2004.

In addition, the agency has been unable to provide accurate accounting information on actual and projected expenditures. For example, reported expenditures for FY 1996 varied widely from state accounting system reports and transfers between funds could not be traced. Also, revenues from the Miners' Fund were inappropriately deposited and expended from the State Charitable Fund.

Finally, the agency's budgetary planning and internal financial controls are insufficient. For example, the agency does not currently project annual expenditures and budget for them across their available funding sources, and the agency does not have internal budgetary controls, such as budgeting costs by division, allocating costs by division and controlling the associated expenditures. Without accurate financial data, the efficiency and effectiveness of the Pioneers' Home cannot be evaluated by internal management or external policy makers. Furthermore, the declining Miners' Fund balance and lack of budgetary controls prompt concern for the long term solvency of the Home.

The JLBC Staff recommends the following actions which are intended to assist the agency in addressing these issues:

- a Detailed Line Item by Agency budget format to increase agency accountability for appropriated expenditures;
- a requirement that the agency report all Miners' Fund expenditures beyond the appropriation to increase agency monitoring and legislative oversight of these expenditures, and;
- a requirement that the agency develop a plan for implementing budgetary planning and controls.

In addition, 1 FTE Position has been recommended for the General Accounting Office within the Department of Administration (ADOA) budget to assist agencies in developing basic budgetary and financial controls. The position will also train agencies on how to use the state's accounting system for cost allocation and other management information features. The JLBC Staff further recommends

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

that the Pioneers' Home be considered for the FY 2000 Performance Authorization Reviews.

### **Executive Recommendation**

The Executive recommends that the agency discontinue using monies from the Miners' Fund and recommends transferring all operating costs currently appropriated from the Miners' Fund to the General Fund. The transfers include: 39 FTE Positions, \$856,300 Personal Services, \$271,900 Employee Related Expenditures, and \$101,100 Food, for a total increase of \$1,229,300 to the General Fund. However, as discussed in the Financial Issues section, the agency consistently spends beyond the appropriation from the Miners' Fund to supplement its operating expenditures. The Executive does not address these non-appropriated expenditures or any of the other financial issues raised in the JLBC Staff recommendation.

### **Capital Needs**

An evaluation of the Pioneers' Home structural, mechanical and facility needs was conducted in 1996 by 3 independent architectural firms contracted by the Department of Administration. The reports recommended a total of \$7,054,500 in needed repairs including \$5,318,900 for facility improvements, \$1,615,600 for heating, plumbing and fire prevention repairs, and \$120,000 for structural repairs. The reports cited numerous building code, licensing and Americans with Disabilities Act deficiencies, and that the present fire suppression system is not fully in compliance with any existing Life Safety Codes. In addition, the steam heating system, water piping, roof framing and other structural aspects of the building are in need of repair to avoid further and more costly deterioration. These estimates do not include asbestos and other hazardous material abatement.

### **Agency Mission**

Given the declining balance of Miners' Fund, concerns about the agency's financial practices, and the significant capital needs described above, the Legislature may want to reexamine the long term mission of the Arizona Pioneers' Home. A range of options exist in evaluating the long term mission of the Home.

For example, the Home may simply need to focus on reducing costs and increasing revenues by reducing patient census and staff and by requiring residents to declare their assets as part of their income evaluation (the practice in comparable state and private facilities) to raise revenue. Another option would be to change the level of care so that the Home would provide assisted living only. ADOA reports and licensure standards show, that the physical characteristics of the facility will never meet the standards for skilled care facility. As a result, perhaps the Home should return to its original mission of personal care and some intermediate care only, thereby reducing the need for nursing staff.

Also, the construction of a new building rather than renovation of the existing building should be considered. The cost of remodeling the existing Home will be close to the cost of new building, and a new building may allow the Home to collect Medicare and ALTCS payments for which it is currently ineligible due to the age of the facility. Policymakers should also consider that the Home's original mission to care for Arizona's pioneers no longer exists due to the disappearance of true pioneers (residents living in Arizona since before statehood). If the original mission no longer exists, perhaps the Home should be phased out.

### **Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec	FY 1999 JLBC Rec
Miners' Fund	\$1,427,300	\$1,327,600
State Charitable Fund	<u>549,700</u>	<u>549,700</u>
TOTAL	\$1,977,000	\$1,937,300

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Board of Podiatry Examiners

JLBC: Jim Hillyard  
House Sub: Knaperek

OSPB: Christine Sato  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0	1.0	1.0	1.0
Personal Services	32,400	32,500	39,100	39,100	39,100	39,100
Employee Related Expenditures	5,700	5,800	6,800	6,600	6,900	6,700
All Other Operating Expenditures:						
Professional and Outside Services	12,800	15,600	17,300	17,300	15,500	16,500
Travel - In State	700	1,800	1,800	1,800	1,800	1,800
Other Operating Expenditures	3,700	2,500	3,500	3,500	3,500	3,500
<b>AGENCY TOTAL</b>	<b>55,300</b>	<b>58,200</b>	<b>68,500</b>	<b>68,300</b>	<b>66,800</b>	<b>67,600</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	55,300	58,200	68,500	68,300	66,800	67,600
<b>TOTAL - ALL SOURCES</b>	<b>55,300</b>	<b>58,200</b>	<b>68,500</b>	<b>68,300</b>	<b>66,800</b>	<b>67,600</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$10,100	17.4%	\$(700)	(1.0)%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Average Number of Days to Resolve a Complaint	60	60

**Rules Consultant** **2,000 OF**  
The recommended amount funds the services of a contract Rules Consultant to assist the board in promulgating rules establishing licensing time frames as required by Laws 1996, Chapter 102. The Executive concurs.

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** **\$ 700 OF**  
**State Boards' Office Costs** **(300) OF**

**Other Operating Expenditures** **1,000 OF**  
The recommended amount would fund the additional printing and postage associated with producing and distributing the rule additions funded above. The Executive concurs.

**Executive Director Salary Increase** **6,700 OF**  
The recommended amount reflects a \$6,000 increase to the Executive Director's salary and \$700 in associated ERE. This increase would result in a total salary of \$34,000, placing the Director slightly below the average for state board agency directors. The Director's last increase was in 1994. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**  
**ERE Rates** **100 OF**  
**State Boards' Office Costs** **200 OF**

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Rule Additions (1,000) OF**

The regulatory reform initiated by Laws 1996, Chapter 102 requires agencies to submit licensing time frames to the Governor by December 31, 1998. As a result, only a half year of contract Rule Consultant funding is required in FY 1999. The Executive eliminates \$(2,000), providing no Rule Consultant funding in FY 1999.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Commission for Postsecondary Education

JLBC: Bruce Groll  
House Sub: Knaperek

OSP: Anne Barton  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	7.8	7.8	0.0	0.0	0.0	0.0
Personal Services	176,300	268,100	0	0	0	0
Employee Related Expenditures	37,200	53,700	0	0	0	0
All Other Operating Expenditures:						
Professional and Outside Services	20,600	214,800	0	0	0	0
Travel - In State	1,100	3,000	0	0	0	0
Travel - Out of State	1,800	10,000	0	0	0	0
Other Operating Expenditures	51,600	87,100	0	0	0	0
Equipment	0	2,000	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>288,600</b>	<b>638,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>SPECIAL LINE ITEMS</b>						
State Student Incentive Grants (SSIG)	1,220,800	1,220,800	0	0	0	0
State Student Incentive Grant-Local	1,052,200	1,001,100	0	0	0	0
State Student Incentive Grant-Federal	1,072,000	1,068,200	0	0	0	0
Paul Douglas Teacher Scholarship	0	234,300	0	0	0	0
AZ Postsecondary Voucher Program	0	100,000	0	0	0	0
<b>AGENCY TOTAL</b>	<b>3,633,600</b>	<b>4,263,100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>BY FUND SOURCE</b>						
General Fund	1,221,600	1,334,000	0	0	0	0
Other Appropriated Funds	2,412,000	2,929,100	0	0	0	0
<b>TOTAL - ALL SOURCES</b>	<b>3,633,600</b>	<b>4,263,100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Agency Description** — *The commission, established as the State Postsecondary Review Entity (SPRE) in FY 1995, is authorized to conduct, review and coordinate the review of postsecondary education institutions in order to determine the eligibility of those institutions for student financial aid monies; and enters into agreements and contracts with state regulatory agencies, accrediting bodies or other peer review systems to conduct program eligibility reviews. The commission also administers the Arizona Student Program Investing Resources in Education (ASPIRE) scholarship fund and 3 programs under Title IV of the higher education amendments of 1992; the state student incentive grant (SSIG) program; the federal family education loan program; and the Paul Douglas teacher scholarships program. Prior to FY 1995, the Commission for Postsecondary Education was a program under the Arizona Board of Regents' auspices.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$(1,334,000)	(100)%	\$ -0-	0.0%
Other Appropriated Funds	(2,929,100)	(100)%	-0-	0.0%
Total Appropriated Funds	\$(4,263,100)	(100)%	\$ -0-	0.0%

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**FY 1998 — Recommended Changes from FY 1997**

**Eliminate Funding        \$(2,929,100) OF        \$(1,334,000) GF**

The JLBC recommends eliminating 7.8 FTE Positions and all funding for the Commission for Postsecondary Education; and session law to suspend the Commission for Postsecondary Education's operations as per A.R.S. § 15-1851 through 15-1854. The principal purpose for which the agency was established is no longer applicable. Specifically, the federal State Postsecondary Review Entity (SPRE) program was repealed and federal funding discontinued last federal fiscal year. The Commission for Postsecondary Education was established as a separate agency by Laws 1994, Chapter 298, effective July 17, 1995, "... as the postsecondary review entity for this state for the conduct, supervision and coordination of the review of postsecondary education institutions to determine eligibility of those institutions for (federal) student financial aid monies pursuant to the provisions of part H, subpart 1 of the Higher Education Amendments of 1992 (P.L. 102-325; 106 Stat. 638; 20 United States code section 1099a)."

The Commission's funding would be transferred to other agencies. As a result, the proposed elimination would result in overall savings to state government of \$146,500 in State Student Incentive Grant (SSIG) program administrative costs, which would then be available for need-based loans for Arizonans. For FY 1998, the Commission's funding would be transferred as follows:

	OF	GF
Arizona Board of Regents:		
• State Student Incentive Grants	\$2,289,000	\$1,220,800
• Course Equivalency Guide	-0-	13,200
Sub-Total	2,289,000	1,234,000
Community Colleges, State Board:		
• AZ Postsecondary Voucher Program	-0-	100,000
Total Transfer	\$2,289,000	\$1,334,000

The Executive concurs.

**State Student Incentive Grant (SSIG) Program**

At the time of its inception, additional statutory authority to administer the State Student Incentive Grant (SSIG) program established under section 1203 of the Higher Education Act of 1962, was transferred to the commission from the Arizona Board of Regents (ABOR). The SSIG program provides grants to Arizona residents who demonstrate financial need and who are attending, on at least a half-time basis, an approved program at a properly accredited Arizona postsecondary educational institution. SSIG funding comes from 3 sources: federal, plus matching state and institutional

funds. Federal funding for the SSIG program was recently extended by Congress. For FY 1996, the federal contribution was \$1,068,200; the General Fund match was \$1,220,800; and the institutional net match was \$1,052,200 (\$1,220,800 less \$168,600, or 13% for administrative expenses). We note that although administration of the SSIG program requires only 0.5 FTE Position and approximately \$35,000, the commission received nearly 5 times this amount to subsidize its other activities. Although "excessive," these expenditures paid from institutional matching funds are within the commission's mandate to "... not exceed 13% of the funds in fiscal year 1996, and shall not exceed 18% of the funds in fiscal year 1997" for program administration.

The JLBC Staff recommends retaining the SSIG program, transferring the administrative responsibility back to ABOR, and providing a \$1,220,800 General Fund appropriation to ABOR from the SSIG State Matching Fund. The JLBC Staff also recommends transferring to ABOR and appropriating from the SSIG Institutional Matching Fund, \$1,220,800 (including not more than 6% or \$73,200 for related administrative costs); and from the SSIG Federal Matching Fund, \$1,068,200. The Executive concurs, except that they recommend the SSIG Federal Matching Fund revert to non-appropriated status.

**Paul Douglas Teacher Scholarships Program**

Also, at the time of its inception, additional statutory authority to administer the Paul Douglas teacher scholarships program established under title IV, part C of the Higher Education Amendments of 1992, was transferred to the commission from the ABOR. However, federal funding for the Paul Douglas teacher scholarships program has since been discontinued. The JLBC Staff recommends elimination of this program. The Executive concurs.

**Tuition Voucher Program**

The JLBC Staff recommends continuing the Tuition Voucher program and transferring program administration to the State Board of Directors for Community Colleges. Within the community college budget, the JLBC Staff recommends appropriating a total of \$217,500 from the General Fund for tuition vouchers to Arizona community college graduates who attend qualifying private postsecondary institutions in Arizona. The recommended amount, a \$117,500 increase above the FY 1997 appropriated amount, includes: \$90,000 to provide continued funding for current students entering the second year of the program; \$90,000 for 60 new first year students; and \$37,500 to the state board (plus use of 0.5 FTE of a currently unfilled 1 FTE Position) for administration of the voucher program. The Executive recommends a \$100,000 transfer to the community college board to continue the Voucher Program.

The Tuition Voucher program was established by Laws 1996, Chapter 341 (H.B. 2439) consisting of legislative

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

appropriations to be administered by the Commission. The sum of \$100,000 was appropriated from the state General Fund to the Commission for FY 1997 to provide up to 60 tuition vouchers at \$1,500 each, not to exceed a total amount per student of \$3,000 over a 3-year period, for qualifying Arizona residents who obtain an Associate degree from an Arizona community college and are selected to participate in the program. Appropriated monies are deposited in the Postsecondary Education Voucher Fund and are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, and thus, do not revert to the state General Fund at the close of a fiscal year.

### **Course Equivalency Guide (CEG)**

The JLBC Staff recommends transferring and appropriating \$13,200 from the General Fund to the ABOR for publication of the Course Equivalency Guide. The Executive concurs.

\* \* \*

**JLBC Staff Recommended Format** — None

**JLBC Staff Recommended Footnotes** — See Arizona Board of Regents

### **JLBC Staff Recommended Statutory Changes**

The JLBC Staff recommends a session law to suspend the Commission for Postsecondary Education's operations per **Title 15, Chapter 14, ARTICLE 5. COMMISSION FOR POSTSECONDARY EDUCATION** consisting of A.R.S. §§ 15-1851 to 15-1853, added by Laws 1994, Chapter 298, and A.R.S. § 15-1854, added by Laws 1996, Chapter 341, for 1 year, ending June 30, 1998. Under current law, the agency is already scheduled to expire on July 1, 1998, which is the beginning of FY 1999. The Sunset Law provision states that, "*The Commission for Postsecondary Education shall terminate on July 1, 1998, unless continued.*" (A.R.S. §§ 41-2998.19 and 41-2955). The Commission was established as an independent agency by the Arizona Legislature as the State Postsecondary Review Entity (SPRE) for the expressed purpose of overseeing the federally-funded SPRE program pursuant to the provisions of part H, subpart 1 of the Higher Education Amendments of 1992 (P.L. 102-325; 106 Stat. 638; 20 United States code section 1099a)." The federal State Postsecondary Review Entity (SPRE) program was repealed and federal funding discontinued last federal fiscal year. The Executive recommends amending A.R.S. § 15-1851 to eliminate the Postsecondary Education Commission.

The JLBC Staff recommends that separate permanent legislation apart from the Omnibus Reconciliation Bill be introduced to add new statutory language to **Title 15, Chapter 13, ARTICLE 2. ARIZONA BOARD OF REGENTS**, and **Title 15, Chapter 12, ARTICLE 2. STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES**, to enable implementation of the JLBC Staff

recommended funds, programs and responsibilities changes presented herein. The Executive concurs with the need for such legislation.

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

#### **Appropriation of All Funds Deposited into the Postsecondary Fund**

The JLBC Staff recommends transferring management responsibility for the Postsecondary Education Fund back to the Arizona Board of Regents and continuing the appropriation of all funding sources deposited into the fund including: General Fund monies for the state matching requirement for the SSIG program and the Course Equivalency Guide; and Other Appropriated Fund monies for the SSIG institutional and federal match. The Arizona Student Program Investing Resources in Education (ASPIRE) scholarship fund is specifically excluded, and is non-appropriated. This recommendation is based upon current practice, legislative intent and statutory language. The law requires: (1) All ". . . grants, monies or donations of monies received by the commission from the United States, this state or any federal or state agencies . . ." to be deposited in the Postsecondary Fund; and (2) "All monies deposited by the state treasurer . . ." in the Postsecondary Fund ". . . shall be subject to annual legislative appropriation."

#### **Transfer of All Other Non-Appropriated Funds, Programs and Responsibilities**

The JLBC Staff recommends transferring all remaining Non-Appropriated funds, programs and responsibilities from the Commission for Postsecondary Education to the ABOR, including ASPIRE, Arizona Teacher Incentive Program (ATIP), Western Governors University (WGU), Early Awareness, and Arizona Minority Education Policy Analysis Center (AMEPAC).

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Board for Private Postsecondary Education

JLBC: Bruce Groll

OSPB: Rita Sauv

House Sub: Knaperek

Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0	3.0	3.0	3.0
Personal Services	87,600	97,100	101,200	101,200	101,200	101,200
Employee Related Expenditures	22,100	23,200	23,900	23,600	24,100	23,900
All Other Operating Expenditures:						
Professional and Outside Services	3,900	6,000	7,800	7,800	7,800	7,800
Travel - In State	1,400	5,000	2,000	2,000	2,000	2,000
Other Operating Expenditures	19,700	29,000	28,100	28,100	28,600	28,600
<b>AGENCY TOTAL</b>	<b>134,700</b>	<b>160,300</b>	<b>163,000</b>	<b>162,700</b>	<b>163,700</b>	<b>163,500</b>

**BY FUND SOURCE**

Other Appropriated Funds	134,700	160,300	163,000	162,700	163,700	163,500
Other Non-Appropriated Funds	48,900	53,000	53,000	53,000	53,000	53,000
<b>TOTAL - ALL SOURCES</b>	<b>183,600</b>	<b>213,300</b>	<b>216,000</b>	<b>215,700</b>	<b>216,700</b>	<b>216,500</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.*

**Change in Funding Summary:**

	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$2,400	1.5%	\$800	0.5%

Performance Measure	FY 96 Actual	FY 97 Estimate
% of Investigated Student Complaints Mutually Resolved	67%	70%

meetings per year corresponding with increased student complaint investigations, license renewals, regulatory issues, and management of the tuition recovery fund. The net budgetary impact is zero when considered with the corresponding \$(2,600) reduction in All Other Operating Expenditures described below. The Executive concurs.

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
Pay Annualization	\$ 2,000 OF
ERE Rates	(100) OF
Rent	500 OF

**Personal Services and ERE 2,600 OF**

The JLBC Staff recommendation reflects an agency-requested base reallocation in Personal Services and Employee Related Expenditures to increase board member per diem and allow for up to 6 additional committee or board

**All Other Operating Expenditures (2,600) OF**

The JLBC Staff recommendation reflects an agency-requested base reallocation of \$1,800 for Professional and Outside Services, \$(3,000) for Travel - In State, and \$(1,400) for Other Operating Expenditures. The net budgetary impact is zero when considered with the corresponding \$2,600 increase in Personal Services and ERE described above. The Executive concurs.



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>300 OF</b>
<b>Rent</b>	<b>500 OF</b>

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

*Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote concerning reversion of funds appropriated for Fiscal Years 1996 and 1997, subject to specified increases in licensure fees, since the Legislature approved the fee increases by the state board as stipulated for FY 1997. However, as legislative approval for the fee increase did not occur until FY 1997, \$12,300 reverted to the State Board for Private Postsecondary Education Fund in FY 1996.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Board of Psychologist Examiners

JLBC: Jim Hillyard  
House Sub: Knaperek

OSPB: Christine Sato  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0	4.0	4.0	4.0
Personal Services	91,600	123,300	128,200	128,200	128,200	128,200
Employee Related Expenditures	16,000	22,100	24,100	23,000	24,300	23,300
All Other Operating Expenditures:						
Professional and Outside Services	44,200	74,400	47,900	46,300	47,900	46,300
Travel - In State	5,900	6,800	6,800	6,800	6,800	6,800
Travel - Out of State	1,000	2,500	2,500	2,500	2,500	2,500
Other Operating Expenditures	18,000	26,600	49,100	59,800	49,600	60,300
Equipment	2,500	0	5,000	0	0	0
<b>AGENCY TOTAL</b>	<b>179,200</b>	<b>255,700</b>	<b>263,600</b>	<b>266,600</b>	<b>259,300</b>	<b>267,400</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	179,200	255,700	263,600	266,600	259,300	267,400
<b>TOTAL - ALL SOURCES</b>	<b>179,200</b>	<b>255,700</b>	<b>263,600</b>	<b>266,600</b>	<b>259,300</b>	<b>267,400</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$10,900	4.3%	\$800	0.3%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Average Number of Days to Resolve a Complaint	140	125

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>	
Pay Annualization	<b>\$3,700 OF</b>
ERE Rates	<b>400 OF</b>
Rent	<b>2,400 OF</b>

**Psychologists Directory 8,600 OF**

The recommended funding would allow the board to print and distribute a copy of the Arizona Psychologists Directory to licensed psychologists. Statute requires this directory be provided free of charge. The board has been unable to compile the directory in past years due to the limitations of

the Department of Administration's mainframe database. The board has now established its own database and will begin to provide the required directory. The Executive does not recommend this issue.

**Separation from the State Boards' Office (4,200) OF**

The recommended amount reflects savings associated with the Board of Psychologist Examiners' separation from the State Boards' Office. The State Boards' Office provides centralized administrative support to the state's smallest regulatory agencies. These agencies then share the cost of these services. The Board of Psychologist Examiners has grown to the point where it can handle its own administrative duties more cost efficiently. This recommendation includes \$1,500 for a service contract on the board's newly acquired photocopier. Copying services were previously provided by the State Boards' Office. The recommended amount also includes an increase of \$1,700 in Personnel Services and ERE to reclassify an Administrative Secretary I to

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Administrative Secretary II to reflect the position's expanded duties following the separation from the State Boards' Office. The Executive concurs in the amount of \$(4,700). The Executive does not recommend the photocopier maintenance monies. However, the Executive calculated its adjustment based upon a State Boards' Office cost estimate that was (\$1,600) below the board's actual expenditures. The resulting adjustment is therefore, similar.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>300 OF</b>
<b>Rent</b>	<b>500 OF</b>

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Other Issues for Legislative Consideration**

**Executive Recommendation**

The Executive recommends \$5,000 for a new photocopy machine. The JLBC Staff has not recommended this issue as the board has obtained a copy machine from ADOA's surplus equipment. This machine currently has made less than half of its projected lifetime copies. The Staff has recommended funding for a service contract for this machine.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Department of Public Safety  
Agency Summary

JLBC: Jim Hillyard  
House Sub: Cooley

OSPB: Bill Greeney  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>						
Criminal Investigations	19,010,800	17,967,500	19,001,000	18,242,800	18,828,600	18,273,900
Highway Patrol	38,929,800	41,940,600	40,532,900	43,939,200	43,297,700	45,053,500
Agency Support	23,733,700	26,083,800	0	24,797,700	0	24,661,600
Criminal Justice Support	14,275,300	15,296,800	48,844,400	16,103,200	51,195,700	17,242,400
Director's Office	5,723,000	6,042,100	0	6,116,500	0	6,141,300
<b>AGENCY TOTAL</b>	<b>101,672,600</b>	<b>107,330,800</b>	<b>108,378,300</b>	<b>109,199,400</b>	<b>113,322,000</b>	<b>111,372,700</b>

**OPERATING BUDGET**

<i>Full Time Equivalent Positions</i>	1,619.5	1,629.5	1,687.5	1,689.5	1,750.5	1,733.5
Personal Services	57,848,500	60,627,300	63,461,200	63,636,400	65,885,500	65,722,500
Employee Related Expenditures	15,830,600	16,646,000	13,112,000	16,162,900	13,911,500	16,736,600
All Other Operating Expenditures:						
Professional and Outside Services	388,100	490,300	523,000	601,200	726,900	544,200
Travel - In State	464,300	533,700	569,700	577,900	595,400	567,000
Travel - Out of State	223,900	159,000	159,500	154,500	159,500	154,500
Other Operating Expenditures	14,982,900	14,339,500	15,042,200	14,286,600	15,342,800	14,307,400
Equipment	3,017,300	5,979,900	6,020,800	5,008,500	7,133,000	4,018,200
<b>OPERATING SUBTOTAL</b>	<b>92,755,600</b>	<b>98,775,700</b>	<b>98,888,400</b>	<b>100,428,000</b>	<b>103,754,600</b>	<b>102,050,400</b>

**SPECIAL LINE ITEMS**

Automated Fingerprint Identification						
Network	1,349,900	1,472,700	1,604,100	1,638,000	1,939,000	2,025,200
Crime Lab Aid to Locals	243,800	248,800	252,500	252,500	260,100	260,100
Licensing	700,100	835,100	803,000	810,300	798,800	968,100
Project GITEM	6,623,200	5,541,500	6,373,300	5,613,600	6,112,500	5,611,900
Sex Offender Notification	0	457,000	457,000	457,000	457,000	457,000
<b>AGENCY TOTAL</b>	<b>101,672,600</b>	<b>107,330,800</b>	<b>108,378,300</b>	<b>109,199,400</b>	<b>113,322,000</b>	<b>111,372,700</b>

**BY FUND SOURCE**

General Fund	42,586,700	55,521,400	58,259,900	60,943,900	62,648,000	67,371,400
Other Appropriated Funds	59,085,900	51,809,400	50,130,200	48,255,500	47,881,900	44,001,300
Other Non-Appropriated Funds	9,138,200	10,330,800	11,010,100	11,010,100	10,497,500	10,497,500
Federal Funds	9,110,900	10,922,300	8,493,000	8,493,000	8,493,000	8,493,000
<b>TOTAL - ALL SOURCES</b>	<b>119,921,700</b>	<b>128,583,900</b>	<b>127,893,200</b>	<b>128,702,500</b>	<b>129,520,400</b>	<b>130,363,200</b>

**Agency Description**— *The Department of Public Safety (DPS) is responsible for the enforcement of state criminal laws and traffic regulations. In addition to the Highway Patrol, DPS operates and maintains statewide communications systems, state crime laboratories and an automated fingerprint identification network, and performs aviation missions, special investigations, and other law enforcement activities.*

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	\$ Change	% Change	\$ Change	% Change
General Fund	\$5,422,500	9.8%	\$6,427,500	10.6%
Other Appropriated Funds	(3,553,900)	(6.9)%	(4,254,200)	(8.8)%
Total Appropriated Funds	\$1,868,600	1.7%	\$2,173,300	2.0%

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

Pay Annualization	\$ 21,000 OF	\$ 1,230,500 GF
ERE Rates	11,300 OF	52,400 GF
Risk Management	-0- OF	(538,400) GF
Rent	-0- OF	33,200 GF
Eliminate One-time		
Equipment	(90,000) OF	(5,440,800) GF
Other	(14,100) OF	-0- GF

**Highway Patrol Officers 3,026,000 GF**

The recommended amount funds the addition of 41 Officer I FTE Positions and all related equipment including patrol vehicles, communications equipment, uniforms, and side arms at a total cost of \$3,026,000. This represents a 6.5% increase in the number of highway patrol officers. This increase is needed to allow DPS to keep up with increases in Arizona's population and number of highway miles.

According to Arizona Department of Transportation (ADOT) statistics, the number of drivers in Arizona grew by 16% between FY 1994 and FY 1996. During the same period, total highway patrol officers increased by 10 FTE Positions, or 1.6%. The need for additional officers is reinforced by the department's Personnel Allocation Model (PAM). The PAM model was developed in 1993 by the Northwestern University Traffic Institute with funds provided by the National Highway Traffic Safety Administration and is currently in use in 13 states, including California, Colorado, Washington, and Oregon. The model uses a combination of workload data (i.e. traffic stops, accidents, motorist assists, etc.), ADOT Average Daily Traffic Count data, and highway miles patrolled to calculate the number of officers needed to provide coverage for Arizona's highways and interstates. The model currently indicates a need for an additional 115 officers.

The officers funded above represent the first part of a 2-year recommendation. In addition to the 41 highway patrol officers recommended above, the Staff recommends 17 officers in FY 1999 for a total of 58 new officers. Over 2 years, this recommendation would provide the department with a 9.2% increase in highway patrol officers. This increase will allow the department to meet its personnel needs. The Executive recommends the addition of 35 highway patrol officers in FY 1998 at a total cost of \$2,531,900. The Executive adds an additional 45 officers in

FY 1999 for a total increase of 80 officers, or 12.7% over 2 years.

**Patrol Vehicles 2,371,500 GF**

The JLBC Staff recommends the replacement of 93 patrol vehicles. This recommendation would provide a patrol capable vehicle with less than 100,000 miles at the end of FY 1998 to every sworn officer in the Highway Patrol Bureau. The Executive recommends the replacement of 122 patrol vehicles at a cost of \$2,968,800.

In addition, the JLBC Staff identified 9 patrol capable vehicles assigned to support and administrative services. In its FY 1997 budget recommendation, the Staff noted that in the future it would make the reassignment of low mileage vehicles assigned to support and administrative personnel part of its vehicle recommendation. In keeping with this, the recommended number of patrol vehicles has been adjusted to assume the reassignment of the 9 vehicles noted above. The Executive does not recommend the reassignment of any vehicles.

**Communications Equipment 900,500 GF**

DPS operates and maintains a statewide telecommunications network that links officers to dispatch centers and to other law enforcement agencies across the state. The basic infrastructure of this system is also used by a number of other state agencies. These agencies include ADOT, Arizona Department of Game and Fish, Arizona State Parks Board, State Land Department, State Department of Corrections, Arizona Department of Agriculture, the Veterans' Memorial Coliseum, and the Arizona Army National Guard.

DPS' system is based upon a network of analog microwave paths that provide radio access to every part of Arizona. In 1992, the Federal Communications Commission (FCC) announced plans to initiate "spectrum refarming." Spectrum refarming would narrow the bandwidth and decrease the broadcasting power available to radio spectrum users. The goal of these rule changes is to allow an increasingly full radio spectrum to accommodate more users. As a result, however, radio systems across the nation would be required to convert to new digital broadcasting systems. Following its initial announcement, opposition from law enforcement and other public users led the FCC to postpone its final decision while considering modifications to its plan. Without regard to the FCC's eventual decision, however, it appears a transition to a digital standard is likely. The Federal Bureau

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of Investigations is currently in the process of moving to a digital communications network of its own.

As a result, the JLBC Staff recommends \$50,000 to fund a study of DPS' Project Crystal. Project Crystal would establish a new statewide digital telecommunications system for use by state and local agencies across Arizona. The recommended study would allow Arizona to benefit from the experience of other states. The Executive recommends \$100,000 for the Project Crystal study.

As the first part of a 2-year plan, the JLBC Staff also recommends \$850,500 to replace 89 mobile radios, 240 portable radios, 8 base stations, and 3 microwave paths. Each DPS officer is equipped with a mobile car radio for communication with dispatch and a portable radio, which is worn as part of the officer's uniform. The Staff's recommendation would replace radios beyond their life span of 10 years for mobile radios and 7 years for portable radios to allow each patrol vehicle and officer to have a radio within its life span. The Staff also recommends \$192,500 to replace 8 base stations and 3 microwave paths. These items are part of the larger communications infrastructure and will allow the department to replace unserviceable equipment in the current communications network. The Executive recommends \$1,477,900 to replace a variety of communications equipment. The Executive's recommendation is based upon a replacement schedule that would replace all of the department's communications equipment as it reaches the end of its useful life span. The JLBC Staff has not adopted this approach as it assumes that each piece of equipment in the current inventory is needed. Instead, the Staff's recommendation would replace enough radios for each vehicle and officer to have a radio within its life span.

**CJEF Reallocation 1,525,100 OF (1,525,100) GF**

A 47% penalty is currently imposed on all civil and criminal motor vehicle statute violations. These monies are deposited in the Criminal Justice Enhancement Fund (CJEF) and then distributed on a percentage basis to various state agencies. (A listing of CJEF recipients can be found under the Arizona Criminal Justice Commission in the Non-Appropriated Funds Report.) The General Fund currently receives 9% of CJEF revenues. In FY 1998 this will amount to \$2,266,300. The JLBC Staff recommends that these monies be redirected to fund the operation of DPS' crime lab system. The Staff recommends using these monies to fund the crime lab policy issues "Additional Crime Lab FTEs" and "New Crime Lab Operations and Maintenance" discussed below. In addition, as the crime lab system currently receives significant General Fund support, the Staff recommends the \$1,525,100 in CJEF monies that remain after funding these 2 issues be used to reduce the crime lab system's dependence on General Fund monies. This recommended earmarking acknowledges that the DPS crime lab system benefits law enforcement at all levels in Arizona. For more information on the department's current CJEF revenues

and the effect of the Staff's recommended reallocation, please see the "FY 1998 CJEF Allocation" table on the last page of the DPS section. The Executive does not recommend this issue.

<b>CJEF Reallocation - FY 1998</b>	
Crime Lab FTEs	\$ 536,200
Crime Lab O&M	205,000
GF Offset	<u>1,525,100</u>
9.0% CJEF Revenues	\$ 2,266,300

**Additional Crime Lab FTEs**

**536,200 OF**

DPS' Scientific Analysis Section operates 3 crime labs across the state (Phoenix, Tucson, and Flagstaff). These labs are the primary providers of scientific analysis for federal, state, and local law enforcement agencies in the state of Arizona. In the last 10 years, the number of cases submitted to the crime labs have risen dramatically. The Scientific Analysis Section was able to keep pace with these increases by receiving a number of state and federal grants. In the last 3 years, however, increases in drug submissions have outpaced available grant dollars. Between 1993 and 1995, drug submissions increased from 9,881 to 18,468. As a result, a significant case backlog has developed. At present, 5,609 drug cases and 1,037 latent print cases remain unworked and accident reconstruction cases must wait 9 months to 1 year for services. The recommended amount represents the first year of a 2-year plan to address these backlogs and allow the DPS crime lab system to keep pace with workload increases. The Staff's recommendation would fund the addition of 1 Lab Technician position, 8 Criminalist II positions, 1 Officer III/Accident Reconstructionist position, and 1 Secretary position, for a total of 11 FTE positions at a cost of \$536,200 in Personal Services and Employee Related Expenditures (ERE). Please see "CJEF Fund Shift" above for information regarding the source of these funds. The Executive concurs.

<b>Performance Measure</b>	FY 96	FY 97
	<u>Actual</u>	<u>Estimate</u>
Crime Lab Submissions	32,721	40,803

**New Crime Lab Operations and Maintenance**

**205,000 OF**

At the beginning of FY 1998, the department's new crime lab building will open. The recommended amount would provide \$48,000 for contract janitorial services and \$157,000 for utilities to fund the operations and maintenance of this building. This building is over 60,000 square feet in size and is highly technical in nature. Construction cost to the state was approximately \$11,330,000. Please see "CJEF Fund Shift" for information regarding the source of these funds. The Executive concurs.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Officer Pay Plan 380,000 GF**

The DPS Officer Pay Plan approved in FY 1993 has built-in step promotions for sworn officers, based on longevity and testing. Officers move from Cadet through Officer I, II, III, and Sergeant classifications. Funding for promotions which will occur in FY 1998 under this plan total \$380,000 in Personal Services and ERE. The Executive concurs.

**Additional Dispatchers 312,200 GF**

The Department of Public Safety maintains 3 dispatch centers across the state of Arizona. These centers link DPS officers to each other and to other agencies, monitor officer safety, run background and warrant checks, and handle 911 calls. Dispatchers, therefore, provide the vital link in the communications chain. As a result, it is important to maintain dispatcher to officer ratios of 1 to 15-20. In recent years, DPS' growth has not been matched with additional dispatchers. Current dispatcher to officer ratios are as high as 1 to 40 in the metropolitan areas during rush hours. This leads to serious officer and public safety concerns. As the first part of a 2-year plan, the JLBC Staff recommends the addition of 1 Dispatcher I position, 6 Dispatcher II positions, and 2 Communication Console Workstations, for a total of 7 FTE Positions at a cost of \$215,000 in Personal Services and ERE and \$97,200 in Equipment. Following the second year of this recommendation, the department will have 1 dispatcher for each highway patrol district and 1 dispatcher for statewide criminal investigations operations. The Executive concurs in the amount of \$310,700.

**Automated Fingerprint Identification**

**Network (AFIN) 163,600 OF**

The department's AFIN system allows state and local agencies with the proper equipment to electronically scan and send fingerprints via phone line to DPS' fingerprint repository. In many cases, fingerprints can then be matched within minutes. Agencies without the required equipment must mail fingerprint cards to the department. AFIN is funded by a portion of the CJEF. These monies are specifically designated for the fingerprint network. In FY 1998, CJEF revenue growth will allow the department to purchase an additional \$132,900 in fingerprint scanning equipment for state and local agencies. The recommended amount would also provide \$32,700 to add a 1 FTE Secretary Position to assist with the increasing administrative work generated by the network's expansion. The Executive concurs with the JLBC Staff's Equipment recommendation but does not recommend the Secretary position.

**Sex Offender Notification -0- GF**

Laws 1996, Chapter 315 provided the department \$457,000 from the General Fund to coordinate the registration of sex offenders in the state and to distribute funds to local law enforcement agencies for community notification. The JLBC Staff recommends funding for Sex Offender Notification remain unchanged. The Executive concurs.

**Motor Carrier Safety (206,300) GF**

Laws 1996, Chapter 345 appropriated \$1,500,000 from the Safety Enforcement and Transportation Infrastructure Fund to the Arizona Department of Transportation (ADOT) to enhance motor carrier safety enforcement along the Mexican border in response to an increased flow of motor carrier traffic associated with the North American Free Trade Agreement (NAFTA). DPS and ADOT agreed to divide these monies equally. In FY 1998, the JLBC Staff recommends appropriating these dollars directly to DPS to enhance legislative oversight. The \$750,000 of the FY 1997 appropriation included \$206,300 in one-time start-up costs. The JLBC Staff recommends redirecting these savings in FY 1998 to fund highway patrol efforts within 25 miles of the Mexican border. Highway patrol officers routinely perform motor carrier safety inspections in the course of their duties. These Other Fund savings would, therefore, offset the department's General Fund requirement, resulting in a net General Fund savings of \$(206,300). The Executive eliminates \$(188,900) in one-time start-up costs but does not use these savings to fund existing Highway Patrol motor carrier safety enforcement.

**Public Safety Retirement (1,085,200) OF**

Sworn DPS employees are eligible to participate in the Public Safety Personnel Retirement System (PSPRS). In FY 1998, DPS PSPRS members will contribute 2.65% of their salary toward their retirement. The state, in turn, will contribute a total of \$3,100,100 to the PSPRS. This represents 6.91% of members' Personal Services, a decrease from the FY 1997 state contribution rate of 9.8%. This decrease results in a savings of \$(1,085,200) to the Highway Patrol Fund and is reflected in the Staff's recommendation. The Executive recommends a total PSPRS contribution of \$3,085,000.

**HURF/Highway Funds (7,100,000) OF 7,100,000 GF**

Highway User Revenue Funds (HURF) are collected from various highway related taxes and fees, including the motor vehicle license tax. These revenues are then distributed to cities, counties, and the state. The state's portion of this funding is deposited in the Highway Fund and ultimately used for highway construction. For a complete description of these funds please see ADOT's recommendation pages.

Laws 1995, Chapter 3, 1st Special Session altered an existing schedule in A.R.S. § 28-1598 and A.R.S. § 28-1822 which limits the amount of HURF and Highway Fund monies available to DPS for funding highway patrol costs. In accordance with current law, the JLBC Staff recommends reducing DPS' HURF/Highway Fund appropriation by \$(5,000,000) and increasing the department's General Fund appropriation by an equal amount. The Executive does not recommend this issue.

In addition, Laws 1996, Chapter 3, 5th Special Session mandated a transfer of \$2,100,000 from the department's General Fund appropriation back to the General Fund to be used to complete the purchase of the Maricopa County Auto License operation.

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

The department's Highway Fund appropriation was increased by an equal amount to offset this transfer. As this transfer will not be required in FY 1998, the Staff's recommendation reflects an additional \$(2,100,000) decrease in available Highway Funds and a corresponding \$2,100,000 increase in General Funds. The Executive does not recommend this issue.

**Highway Patrol Fund**                      **2,180,900 OF**                      **(2,180,900) GF**  
 The Highway Patrol Fund receives a portion of Arizona's insurance premium tax revenue. Monies in the fund are used to fund the PSPRS and the department's Concealed Weapon Permit center. Any monies that remain in the fund are used as an offset to the department's General Fund operating appropriation.

FY 1998 revenue projections for the Highway Patrol Fund are significantly higher than the FY 1997 projections. As a result of these higher revenues and the decrease in the PSPRS contribution rate discussed in "Public Safety Retirement" above, an additional \$2,180,900 of Highway Patrol Funds will be available to offset the department's General Fund operating appropriation. The total FY 1998 offset will equal \$7,680,900. The Staff's recommendation reflects this increase in available Highway Patrol Fund monies. The Executive recommends a total FY 1998 Highway Patrol Fund operating budget offset of \$7,102,100, an increase of \$1,602,100 over FY 1997.

**CJEF Offset**                                      **92,300 OF**                                      **(92,300) GF**  
 DPS currently receives a variety of CJEF revenues. Of these revenues, in FY 1998, the Crime Lab Assessment Fund, the DNA Identification Fund, and the CJEF Pass Through will each have revenues in excess of their anticipated expenditures. As each of the programs supported by these CJEF revenues also receive significant General Fund support, the JLBC Staff recommends using these excess CJEF funds to reduce the department's General Fund requirements. In FY 1998, this will amount to \$14,100 from the DNA Identification Fund, \$18,000 from the Crime Lab Assessment Fund, and \$60,200 in CJEF Pass Through revenues for a total of \$92,300. The Executive also recommends the use of excess CJEF monies to fund the department's operations. The Executive recommends a total offset of \$350,000 of CJEF Pass Through revenues. The majority of the monies recommended by the Executive are balance forward monies from FY 1997. As the CJEF Pass Through Fund does not become appropriated until FY 1998, however, there is no guarantee this balance forward will exist. The JLBC Staff has not, therefore, recommended these monies.

### FY 1999 — Recommended Changes from FY 1998

<b>Standard Changes</b>		
ERE Rates	-0- OF	97,700 GF
Rent	-0- OF	\$23,600 GF
Eliminate One-time		
Equipment	-0- OF	(3,360,400) GF
Other	26,200 OF	-0- GF

**Highway Patrol Officers**                                      **452,000 GF**  
 The recommended amount would fund the addition of 23 Officer I FTE Positions and all related equipment including patrol vehicles, communications equipment, uniforms, and side arms at a total cost of \$1,864,800. This represents the second year of the JLBC Staff's 2-year highway patrol officer recommendation. For more information on this recommendation as a whole, please see the Staff's FY 1998 recommendation. The Executive recommends the addition of 45 highway patrol officers at a total cost of \$3,249,300.

The recommended amount also includes the annualization of Personal Services and ERE costs and the elimination of one-time expenses for the 41 officers recommended in FY 1998. A portion of the officers recommended in FY 1998 will not enter the Police Academy until February of 1999, and as a result, will receive less than a full year of pay in FY 1998. Annualization of Personal Services and ERE for these officers will cost \$326,800. Elimination of one-time equipment and expenses associated with the officers amounts to a savings of \$(1,739,600).

**Patrol Vehicles**    **2,340,000 GF**  
 The JLBC Staff recommends the replacement of 90 patrol vehicles. This recommendation would provide a patrol capable vehicle with less than 100,000 miles at the end of FY 1999 to every sworn officer in the Highway Patrol Bureau. The Executive recommends the replacement of 118 patrol vehicles at a total cost of \$2,968,800.

**Communications Equipment**    **658,000 GF**  
 As the second part of the Staff's communication equipment replacement recommendation, the JLBC Staff recommends \$658,000 to replace 89 mobile radios and 240 portable radios. The Executive recommends \$1,477,900 for replacement communications equipment based upon the same methodology used in FY 1998. For more information on the JLBC Staff and Executive recommendations, please see the FY 1998 recommendation.

**Officer Pay Plan**    **616,000 GF**  
 Funding for promotions which will occur in FY 1999 under this plan total \$616,000 in Personal Services and ERE. Please see the FY 1998 recommendation for more information. The Executive concurs in the amount of \$628,000.

**Additional Crime Lab FTEs**    **551,400 GF**  
 The recommended amount represents the second year of the JLBC Staff's 2-year plan to address the personnel needs of the department's crime lab system. The Staff's recommendation would fund the addition of 2 Lab Technician positions, 5 Criminalist II positions, 2 Criminalist III positions, 2 Criminalist IV positions, and 1 Office Assistant for a total of 12 FTE Positions at a cost of \$551,400 in Personal Services and ERE. Please see the Staff's FY 1998 recommendation for more information.



## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

### **Additional Dispatchers 158,600 GF**

As the second part of the JLBC Staff's 2-year plan, the recommended amount reflects the addition of 1 Dispatcher I position, and 4 Dispatcher II positions, for a total of 5 FTE Positions at a cost of \$151,900 in Personal Services and ERE and \$6,700 in Other Operating Expenditures. When combined with the dispatchers added in FY 1998, this recommendation will allow the department to staff 1 dispatcher for each highway patrol district and 1 dispatcher for statewide criminal investigations operations.

### **Motor Carrier Safety (40,000) GF**

The recommended amount represents the elimination of one-time equipment purchased with Safety Enforcement and Transportation Infrastructure Funding. The JLBC Staff recommends that these savings be used to fund highway patrol efforts within 25 miles of the Mexican border. Highway patrol officers routinely perform motor carrier safety inspections in the course of their duties. These Other Fund savings would, therefore, offset the department's General Fund requirement, resulting in a net General Fund savings. Please see the Staff's FY 1998 "Motor Carrier Safety" recommendation for more information on these funds. The Executive concurs with the elimination of this one-time equipment but does not recommend using these monies to fund existing motor carrier safety enforcement.

### **Automated Fingerprint Identification**

#### **Network (AFIN) 387,200 OF**

The Staff's recommendation would fund the continued expansion of the AFIN system by purchasing additional latent fingerprint equipment for state and local agencies. Please see the Staff's FY 1998 recommendation for more information. The Executive recommends \$334,900 in additional funding.

### **Brady Weapons Center 119,700 OF**

DPS' Brady Weapons Center performs the federally mandated background checks required prior to handgun purchases by Phase I of the Brady Act. These activities are funded by a grant of CJEF monies from the Arizona Criminal Justice Commission. In FY 1999, Phase II of the Brady Act will become effective. This will require the Brady Weapons Center to perform a background check before the purchase of any firearm. Gun dealers in the Phoenix area estimate that approximately 60% of all sales are handguns. As a result, the Brady Weapons Center can anticipate a 40% increase in workload in FY 1999. To allow the Center to meet this increase in workload, the JLBC Staff recommends the addition of 4 Identification Clerk FTE Positions at a cost of \$84,300 in Personal Services and ERE and \$35,400 in associated Equipment and Other Operating Expenditures. The Executive does not recommend this issue.

### **Public Safety Retirement 105,200 OF**

While the state contribution rate for the PSPRS will remain 6.91% for FY 1999, new sworn officers added in FY 1998 and FY 1999 and the department's Officer Pay Plan will increase

Personal Services. As a result, the state PSPRS contribution will increase \$105,200 to a total of \$3,205,300. The Staff's recommendation would fund this increase. The Executive recommends a total PSPRS contribution of \$3,439,100.

### **Concealed Weapons Center 38,100 OF**

Arizona's concealed weapon permit legislation became effective in July of 1994. In the first year, 29,000 4-year permits were issued. FY 1999 will mark the first renewal period for these permits. The recommended amount would fund the addition of 2 temporary workers and related equipment to help process the renewal of these licences. The Executive does not recommend this issue.

### **HURF/Highway Funds (5,000,000) OF 5,000,000 GF**

A.R.S. § 28-1598 and A.R.S. § 28-1822 requires an additional \$(5,000,000) reduction in HURF and Highway Fund monies for funding highway patrol costs, which increases the General Fund appropriation by an equal amount. The Executive does not recommend this issue. At the end of FY 2000, the HURF and Highway Fund will each contribute \$10,000,000 to DPS operating costs.

### **CJEF Revenue Growth 237,700 OF (237,700) GF**

In FY 1999 the Staff recommends continuing to redirect the portion of CJEF revenues currently designated for deposit into the General Fund to DPS to fund crime lab operations. In FY 1999, growth in CJEF revenue will provide the department's crime lab system with an additional \$141,600. In addition, the Staff continues to recommend excess monies from the DNA Identification Fund, the Crime Lab Assessment Fund, and CJEF Pass Through revenues be used to support crime lab and criminal investigations activities. In FY 1999, these monies will total \$96,100. The use of CJEF monies will, therefore, in total reduce the department's need for General Fund dollars by \$237,700. Please see "CJEF Fund Shift" and "CJEF Reallocation" in the Staff's FY 1998 recommendation for more information. The Executive continues to recommend \$350,000 in CJEF Pass Through revenues.

### **Highway Patrol Fund (168,300) OF 168,300 GF**

The Highway Patrol Fund receives a portion of Arizona's insurance premium tax revenue. Monies in the fund are used to fund the PSPRS and the department's Concealed Weapon Permit Center. Any monies that remain in the fund are used as an offset to the department's General Fund operating appropriation.

FY 1999 revenue projections for the Highway Patrol Fund project growth over FY 1998, however, both PSPRS and other costs are also projected to be higher (See "Concealed Weapons Center" and Public Safety Retirement" for more information.) As a result, less Highway Patrol Fund monies are available to offset the department's General Fund operating appropriation. The Staff's recommendation reflects this decrease in available Highway Patrol Fund monies. In FY 1999 the JLBC Staff recommends a total Highway Patrol Fund offset of \$7,512,600.

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

The Executive recommends a total Highway Patrol Fund offset of \$7,320,100.

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**1 Program Authorization Review** — The JLBC and OSPB Staffs conducted a Program Authorization Review of the department's Gang Intelligence Team Enforcement Mission (GITEM) program during the last year. As a result of that review, the JLBC Staff recommends the GITEM program be modified in 2 ways. First, the JLBC Staff recommends the program's performance measures include a measure of the program's overall effectiveness in reducing street gang crime. Secondly, the Staff recommends GITEM's strategic plan show the program's progress in transitioning control of enforcement activities to local agencies.

Established in 1994, the GITEM task force is comprised of county, city, tribal, and DPS officers. The program's basic mission is to reduce street gang criminal activity through a combination of enforcement, intelligence gathering, training, and community work.

The PAR of the GITEM program found evidence regarding GITEM's overall effectiveness in reducing street gang criminal activity inconclusive. This can be largely attributed to the program's relative youth and a lack of gang crime data. It did become clear, however, that GITEM was not attempting to compile this data itself. While the program's performance measures illustrate the high level of arrests and intelligence gathered by GITEM, they do not attempt to gauge its overall effectiveness in reducing gang crime. As a result, the JLBC Staff recommends GITEM modify its performance measures to attempt to show the program's overall effect on gang crime. GITEM concurs with this recommendation and has committed to work aggressively with state and local agencies to compile measures of overall effectiveness.

As part of the department's plan to transition control of GITEM's enforcement functions to local officers, GITEM has identified 3 objectives. First, the ratio of local to DPS officers serving in the task force will be increased. Secondly, GITEM will establish gang enforcement command training to allow local officers to assume command of gang units. Finally, GITEM will apply the Regionalized Anti-Gang Training and Enforcement (RATE) model to its urban squads. RATE teams, comprised largely of local officers, are overseen by a RATE board comprised of the heads of the local law enforcement agencies. The JLBC Staff recommends these objectives be incorporated into GITEM's strategic plan. The department concurs with this recommendation, stating that it will modify its strategic plan to include the conversion of GITEM's enforcement functions to local control over a 4-year period beginning in FY 1998.

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

### JLBC Staff Recommended Footnotes

#### Modification of Prior Year Footnotes

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. *(This footnote must be modified to accommodate DPS' new biennial budget cycle. All appropriated DPS monies are deposited in a joint account, but there is no statutory language clarifying that unspent monies should revert to their original fund at the end of each fiscal year.)*

The sums appropriated, with the exception of the \$2,696,000 appropriated IN FY 1998 AND THE \$3,268,600 APPROPRIATED IN FY 1999 from the Criminal Justice Enhancement Fund, THE \$2,845,500 APPROPRIATED IN FY 1998 AND THE \$3,023,300 APPROPRIATED IN FY 1999 FROM THE CRIME LAB ASSESSMENT FUND, THE \$327,400 APPROPRIATED IN FY 1998 AND THE \$347,800 APPROPRIATED IN FY 1999 FROM THE DEOXYRIBONUCLEIC ACID IDENTIFICATION SYSTEM FUND, shall be deposited in the Department of Public Safety Joint Account for the purposes provided. *(Laws 1996, Chapter 335 made the Crime Lab Assessment Fund, DNA Identification Fund, and the CJEF Pass Through and Fingerprint Identification monies appropriated. These monies are designated to fund specific programs and cannot be commingled with the department's operating appropriation in the Joint Account.)*

#### Deletion of Prior Year Footnotes

The JLBC Staff recommends deleting the footnote allowing the Department of Public Safety to expend any additional revenues to the Highway Patrol Fund. *(The formerly non-appropriated Highway Patrol Fund was made appropriated by Laws 1996, Chapter 335.)*

The JLBC Staff recommends deleting the footnote requiring DPS to place the 10 officers added in FY 1996 in rural areas. *(The Staff's recommendation of adding 58 officers over 2 years makes this footnote unnecessary.)*

### JLBC Staff Recommended Statutory Changes

The JLBC Staff recommends a session law provision to redirect the 9% of CJEF revenues currently deposited to the General Fund to DPS to fund the operation of the department's crime labs. See the "CJEF Fund Shift" policy issue for more information.

### Other Issues for Legislative Consideration

#### Executive Recommendation

The Executive has recommend funding for 3 issues that do not appear in the Staff's recommendation. First, the Executive recommends the replacement of 1 of the department's helicopters

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

in FY 1999 at a cost of \$1,050,000. The department's fleet consists of 5 helicopters staged throughout the state for law enforcement, medical evacuations, and search and rescue operations. Secondly, the Executive has recommended funding for an additional squad of GITEM officers in FY 1998. This squad would consist of 5 DPS FTEs and 3 local officers at a cost of \$773,800. Finally, the Executive has recommended \$300,000 for the services of an Automation Consultant to evaluate the department's information services needs and resources. In its FY 1998 and FY 1999 budget recommendations, the JLBC Staff complied with legislative intent by continuing to shift the department's operating budget from the Highway Fund and Highway User Revenue Fund to the General Fund. As a result the JLBC Staff had less available resources to fund these additional initiatives.

**Crime Lab Fees**

The DPS currently expends approximately \$5,500,000 annually on its crime laboratories. The laboratories provide services free of charge to federal, state, and local organizations. Local jurisdictions currently account for approximately 66.6% of the lab system's total workload. There has been recent legislative interest in charging local jurisdictions a fee for lab services. This would encourage local jurisdictions to use these resources more efficiently and finance a portion of the laboratories' technical equipment.

As the implications of any laboratory fee policy are far reaching, the Staff has not made lab fees a part of its recommendation. When crafting a lab fee policy, it is important to balance the policy's revenue generating potential and efficiency incentive against its effects on local jurisdictions and the administrative requirements placed on the department. In addition, it is important to note that a county's proximity to California or Mexico has an impact on its crime rate and therefore on lab usage. In some cases, because these counties act as "ports of entry," local jurisdictions may intercept a disproportionately large amount of drugs and stolen goods bound for other counties.

Of the numerous possible lab fee policies, the Staff's research indicates that a *per test graduated fee billed retroactively* would provide the best mix of balance and flexibility. This policy would use the broadest possible definitions of "test" and graduated fees, considering each broad category of analysis 1 test and assigning 1 fee per category. Under this policy, therefore, all toxicology analysis performed would carry a fee of \$X and all drug analysis performed would carry a fee of \$Y. This would allow the Legislature to provide a greater efficiency incentive for certain types of test while minimizing the costs of others. In addition, the use of retroactive billing would assess each year's fees based on the prior year's usage. This eliminates the possibility that 1 large case could deplete an agency's laboratory services budget in mid-year. Under this policy, administrative costs are minimized since billing would be done once per year and some of the required data is already collected by the department.

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec	FY 1999 JLBC Rec
CJEF - Fingerprint Identification	\$1,638,000	\$ 2,025,200
CJEF - Pass Through Crime Lab Assessment Fund	1,058,000	1,243,400
DNA Identification Fund	2,845,500	3,023,300
Highway Patrol Fund	327,400	347,800
Highway User Revenue Fund	11,636,600	11,611,600
State Highway Fund	15,000,000	12,500,000
Safety Enforcement and Transportation Fund	15,000,000	12,500,000
<b>TOTAL</b>	<b>750,000</b>	<b>750,000</b>
	<b>\$48,255,500</b>	<b>\$44,001,300</b>

FY 1998 CJEF Allocation				
	%	\$	% JLBC	\$ JLBC
	Current	Current	Recomm.	Recommended
CJEF Revenues		25,181,000		25,181,000
DPS				
<b>Crime Lab Assessment</b>	2.30	579,200	11.30	2,845,500
DNA ID Fund	1.30	327,400	1.30	327,400
Fingerprint Network	6.46	1,626,700	6.46	1,626,700
Peace Officers' Training	16.64	4,190,100	16.64	4,190,100
State & Local Grants	7.26	1,828,100	7.26	1,828,100
<b>General Fund</b>	9.00	2,266,300	0.00	-0-
All Other	57.04	14,363,200	57.04	14,363,200

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Department of Racing

JLBC: Jim Rounds  
House Sub: Cooley

OSPB: Christine Sato  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>						
Commercial Racing	2,347,300	2,579,300	2,603,300	2,589,400	2,554,100	2,542,000
County Fair Racing	261,700	293,400	297,400	295,700	296,800	295,000
<b>AGENCY TOTAL</b>	<b>2,609,000</b>	<b>2,872,700</b>	<b>2,900,700</b>	<b>2,885,100</b>	<b>2,850,900</b>	<b>2,837,000</b>

**OPERATING BUDGET**

<i>Full Time Equivalent Positions</i>	56.4	55.4	55.4	54.8	55.4	54.8
Personal Services	1,411,900	1,570,500	1,603,400	1,603,400	1,603,400	1,603,400
Employee Related Expenditures	331,800	369,900	370,700	369,000	372,100	372,100
All Other Operating Expenditures:						
Professional and Outside Services	77,300	55,900	55,900	55,900	55,900	55,900
Travel - In State	161,800	159,800	159,800	159,800	159,800	159,800
Travel - Out of State	6,300	4,800	4,800	4,800	4,800	4,800
Other Operating Expenditures	202,000	241,500	222,300	208,400	223,900	210,000
Equipment	24,000	14,000	52,800	52,800	0	0
<b>OPERATING SUBTOTAL</b>	<b>2,215,100</b>	<b>2,416,400</b>	<b>2,469,700</b>	<b>2,454,100</b>	<b>2,419,900</b>	<b>2,406,000</b>

**SPECIAL LINE ITEMS**

Drug Testing and Quality Assurance	393,900	431,000	431,000	431,000	431,000	431,000
Yuma/Holbrook Commercial Racing	0	25,300	0	0	0	0
<b>AGENCY TOTAL</b>	<b>2,609,000</b>	<b>2,872,700</b>	<b>2,900,700</b>	<b>2,885,100</b>	<b>2,850,900</b>	<b>2,837,000</b>

**BY FUND SOURCE**

General Fund	2,347,300	2,579,300	2,603,300	2,589,400	2,554,100	2,542,000
Other Appropriated Funds	261,700	293,400	297,400	295,700	296,800	295,000
Other Non-Appropriated Funds	1,693,600	1,302,800	1,754,800	1,754,800	1,736,300	1,736,300
<b>TOTAL - ALL SOURCES</b>	<b>4,302,600</b>	<b>4,175,500</b>	<b>4,655,500</b>	<b>4,639,900</b>	<b>4,587,200</b>	<b>4,573,300</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$10,100	0.4%	\$(47,400)	(1.8)%
Other Appropriated Funds	2,300	0.8%	(700)	(0.2)
Total Appropriated Funds	\$12,400	0.4%	\$(48,100)	(1.7)%

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Performance Measure	FY 96	FY 97
	Actual	Estimate
Live Races Supervised	13,000	14,700

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$ 3,700 OF	\$ 33,500 GF
ERE Rates	(2,100) OF	(3,100) GF
Risk Management	(300) OF	(2,800) GF
Eliminate One-time Equipment	-0- OF	(14,000) GF

**Other Operating Expenditures** (30,000) GF

This amount represents the elimination of one-time funding for new telecommunications equipment/setup. The Arizona Department of Racing moved from the Capitol telecommunication system to a private system when the agency moved from the Capitol Complex and entered into a private office lease. The Executive concurs.

**Eliminate Yuma/Holbrook Commercial Racing**  
**Special Line Item** (25,300) GF

The JLBC Staff recommends removing funding for the regulation of the Holbrook racing site as the development of commercial racing at the site has ceased. The reduction in funding includes the elimination of an 0.6 FTE Position. The Yuma site is already closed. The Executive concurs.

**Equipment** 1,000 OF 8,600 GF

The recommended amount represents funding for 5 replacement cameras to be used for identification card production. Current equipment is outdated and replacement parts are not available. The Executive concurs.

**Replacement Vehicles** 43,200 GF

This amount represents funding for 3 replacement vehicles and includes \$11,500 for 1 compact pickup, \$14,300 for 1 mid-sized sedan, and \$17,400 for 1 minivan. The 3 vehicles will be able to replace 4 extended-use vehicles due to the minivan's ability to carry more passengers. The Arizona Department of Racing has an arrangement with the Arizona Department of Administration's motor pool to use 4 high-mile vehicles without the requirement of initial purchase. This agreement terminates at the end of FY 1997. The Arizona Department of Racing has required the 4 vehicles due to an increase in responsibility in monitoring 8 greyhound whelping farms and 67 off-track betting sites. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

Rent	-0- OF	1,600 GF
ERE Rates	300 OF	2,800 GF
Eliminate One-time Equipment	(1,000) OF	(51,800) GF

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote concerning Yuma/Holbrook racing as neither site will conduct races and funding for the Special Line Item has been eliminated.

**Other Issues for Legislative Consideration**

**Rent Increase**

The Executive recommends an increase of \$13,000 in rent. The JLBC Staff does not recommend funding for this issue. The Department of Racing was appropriated \$14.76 per square foot to occupy 5,440 square feet in the Capitol Center. Due to the high rent per square foot charge of the Capitol Center, no additional monies were needed to obtain private space. The resulting increase in rent is due to additional square feet rather than an increase in rental rates. Currently, the Arizona Department of Racing occupies 6,470 square feet at a rate of \$14 per square foot. The JLBC Staff believes that the increase in space is not warranted and funding should not be provided.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Radiation Regulatory Agency

JLBC: Lisa Cotter  
House Sub: Cooley

OSP: Christine Sato  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	27.0	28.0	25.0	25.0	25.0	25.0
Personal Services	665,700	715,500	820,100	759,600	820,100	759,600
Employee Related Expenditures	154,500	177,900	182,400	168,500	183,800	169,800
All Other Operating Expenditures:						
Professional and Outside Services	(21,600)	5,800	14,300	5,800	14,300	5,800
Travel - In State	26,900	30,000	33,000	30,000	33,000	30,000
Travel - Out of State	5,300	7,500	9,200	7,500	9,200	7,500
Other Operating Expenditures	200,900	182,400	208,600	181,100	208,600	181,100
Equipment	21,600	8,600	12,000	12,000	0	0
<b>OPERATING SUBTOTAL</b>	<b>1,053,300</b>	<b>1,127,700</b>	<b>1,279,600</b>	<b>1,164,500</b>	<b>1,269,000</b>	<b>1,153,800</b>
<b>SPECIAL LINE ITEMS</b>						
MRTBE	101,300	107,600	0	108,700	0	108,800
Nuclear Emergency Management Fund	367,900	399,000	0	0	0	0
<b>AGENCY TOTAL</b>	<b>1,522,500</b>	<b>1,634,300</b>	<b>1,279,600</b>	<b>1,273,200</b>	<b>1,269,000</b>	<b>1,262,600</b>
<b>BY FUND SOURCE</b>						
General Fund	1,421,200	1,526,700	1,170,900	1,166,800	1,160,200	1,160,800
Other Appropriated Funds	101,300	107,600	108,700	108,700	108,800	108,800
Federal Funds	124,600	124,600	124,600	124,600	124,600	124,600
<b>TOTAL - ALL SOURCES</b>	<b>1,647,100</b>	<b>1,758,900</b>	<b>1,404,200</b>	<b>1,400,100</b>	<b>1,393,600</b>	<b>1,394,200</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund*	\$36,800	3.3%	\$(10,700)	(0.9)%
Other Appropriated Funds	1,100	1.0%	100	0.1%
<b>Total Appropriated Funds*</b>	<b>\$37,900</b>	<b>3.1%</b>	<b>\$(10,600)</b>	<b>(0.8)%</b>

\*Excludes changes in Nuclear Emergency Management Fund Appropriation. Please see policy issue below for explanation.

Performance Measure	FY 96 Actual	FY 97 Estimate
# of X-ray Tubes Inspected	2,000	2,100

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$1,400 OF	\$15,600 GF
ERE Rates	(300) OF	(18,200) GF
Risk Management	(100) OF	(1,300) GF
Eliminate One-time Equipment	-0- OF	(8,600) GF

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Computer Support 37,300 GF**

The JLBC Staff recommends a new FTE Position for a Database Specialist I and \$30,300 in Personal Services and \$7,000 in Employee Related Expenditures to fund the position. The agency does not currently have any computer support personnel. An Auditor General performance audit of October 1995 found the agency lacked adequate database management. In addition, an Arizona Department of Administration automation needs analysis completed in October 1996 recommended the agency add a new staff position to manage its LAN and maintain hardware and software. The Executive concurs with the new FTE Position and recommends \$37,500 in associated funding.

**Equipment 12,000 GF**

The JLBC Staff recommends \$12,000 in FY 1998 for 2 victoreens. A victoreen is an instrument used to measure radiation levels during x-ray inspections. The agency's x-ray inspection staff increased by 2 in FY 1996 and FY 1997 and several of its victoreens are over 5 years old. New victoreens are needed to enable more inspectors to be out in the field at one time in order to bring down the inspections backlog. The Executive concurs.

**Nuclear Emergency Management Fund (399,000) GF**

The Legislature appropriated \$399,000 in FY 1997 to the Arizona Radiation Regulatory Agency's (ARRA's) Nuclear Emergency Management Fund (NEMF) for administering and enforcing the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. ARRA's NEMF operations are staffed by 4.0 FTE Positions. However, because by law this appropriation is handled through a special appropriation bill in which an assessment will determine NEMF appropriations for FY 1998 and FY 1999, the JLBC Staff recommendation does not include NEMF funding or FTE Positions.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

ERE Rates	100 OF	1,300 GF
Eliminate One-time Equipment	-0- OF	(12,000) GF

\* \* \*

**JLBC Staff Recommended Format — Lump Sum with Special Line Items by Agency** *(In the FY 1997 budget, the agency had a Lump Sum by Program format for its 2 cost centers. For FY 1998, the JLBC Staff recommends displaying the Medical Radiologic Technologist Board of Examiners program as a Special Line Item rather than a cost center in the Appropriations Report. The Executive recommends combining the 2 cost centers for display purposes.)*

**Other Issues for Legislative Consideration**

**May 1996 Performance Audit of the MRTBE Program**

In its May 1996 performance audit of the Medical Radiologic Technologist Board of Examiners, the Auditor General recommended that the MRTBE be eliminated in 3 years. The audit contends that although the MRTBE licenses radiation technicians, it has no inspectors and little or no enforcement power against unauthorized practitioners.

The audit recommends that since the Arizona Radiation Regulatory Agency (ARRA) has the power to inspect and sanction facilities that employ unauthorized radiation technicians, the ARRA should be assigned the responsibility of regulating radiation technicians. However, the audit recommends that the MRTBE be continued for 3 years to allow the ARRA to address its current x-ray inspection backlog. The JLBC Staff defers to the relevant standing committees to decide whether to follow this recommendation.

**Executive Recommendation**

The Executive recommends \$8,000 for temporary clerical assistance to accommodate the increase in activity resulting from the addition of inspector positions.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Rangers' Pension

JLBC: Brad Regens  
House Sub: Weiers

OSPB: Matt Gottheiner  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0	0.0	0.0	0.0
Other Operating Expenditures	10,300	10,500	10,800	10,800	11,100	11,100
<b>AGENCY TOTAL</b>	<b>10,300</b>	<b>10,500</b>	<b>10,800</b>	<b>10,800</b>	<b>11,100</b>	<b>11,100</b>
<b>BY FUND SOURCE</b>						
General Fund	10,300	10,500	10,800	10,800	11,100	11,100
<b>TOTAL - ALL SOURCES</b>	<b>10,300</b>	<b>10,500</b>	<b>10,800</b>	<b>10,800</b>	<b>11,100</b>	<b>11,100</b>

**Agency Description** — *Provides a monthly benefit for retired rangers and their surviving spouses.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$300	2.9%	\$300	2.8%

**FY 1998 — Recommended Changes from FY 1997**

**Other Operating Expenditures** **\$300 GF**  
 The JLBC Staff recommends a \$300 adjustment to the annual benefit received by the surviving spouse of an Arizona Ranger. The pension is adjusted annually to the GDP Price Deflator, as provided by A.R.S. § 41-951.B. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Other Operating Expenditures** **300 GF**  
 The JLBC Staff recommends a \$300 adjustment in accordance with the GDP Price Deflator. The Executive concurs.

\* \* \*

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



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Real Estate Department

JLBC: Brad Regens  
House Sub: Cooley

OSP: Pam Scharon  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	67.0	67.0	67.0	67.0	67.0	67.0
Personal Services	1,760,600	1,793,000	1,848,300	1,834,500	1,848,300	1,834,500
Employee Related Expenditures	413,300	401,000	405,100	403,400	408,500	406,700
All Other Operating Expenditures:						
Professional and Outside Services	44,500	7,200	5,000	5,000	5,000	5,000
Travel - In State	55,500	57,000	57,000	57,000	57,000	57,000
Travel - Out of State	5,700	7,100	7,100	7,100	7,100	7,100
Other Operating Expenditures	553,600	572,200	565,800	568,500	542,800	550,300
Equipment	10,400	12,300	15,000	16,800	10,000	17,100
<b>AGENCY TOTAL</b>	<b>2,843,600</b>	<b>2,849,800</b>	<b>2,903,300</b>	<b>2,892,300</b>	<b>2,878,700</b>	<b>2,877,700</b>
<b>BY FUND SOURCE</b>						
General Fund	2,843,600	2,849,800	2,903,300	2,892,300	2,878,700	2,877,700
Other Non-Appropriated Funds	220,200	244,200	250,200	250,200	296,000	296,000
<b>TOTAL - ALL SOURCES</b>	<b>3,063,800</b>	<b>3,094,000</b>	<b>3,153,500</b>	<b>3,142,500</b>	<b>3,174,700</b>	<b>3,173,700</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$42,500	1.5%	\$(14,600)	(0.5)%

Performance Measure	FY 96 Actual	FY 97 Estimate
Continuing Education Courses Audited or Monitored	359	380

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	<b>\$46,900 GF</b>
ERE Rates	<b>(3,000) GF</b>
Rent	<b>2,700 GF</b>
Eliminate One-time Equipment	<b>(12,300) GF</b>

**Professional and Outside Services (2,200) GF**  
Includes a reduction of \$(2,200) for data processing services no longer required by the department. The Executive concurs.

**Other Operating Expenditures (6,400) GF**  
Includes a reduction of \$(9,100) for lease-purchased data processing equipment no longer required by the department and an increase of \$2,700 for operating supplies. The Executive recommends a decrease of \$(9,100).

**Equipment 16,800 GF**  
The JLBC Staff recommends an increase of \$16,800 to replace 2 photocopy machines, 1 letter quality printer and 1 Ithica Slip printer. The Executive recommends \$15,000 for replacement equipment.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>3,300 GF</b>
<b>Rent</b>	<b>200 GF</b>
<b>Eliminate One-time Equipment</b>	<b>(16,800) GF</b>

**Other Operating Expenditures (18,400) GF**

Includes a reduction of \$(23,200) for lease-purchased data processing equipment no longer required by the department and an increase of \$4,800 for operating supplies. The Executive recommends a decrease of \$(23,200).

**Equipment 17,100 GF**

The JLBC Staff recommends an increase of \$17,100 to replace 2 fax machines, 1 photocopier machine, 1 laser printer and a rolling lateral file system. The Executive recommends \$10,000 for replacement equipment.

\* \* \*

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

**Other Issues for Legislative Consideration**

**Personal Services Increase**

The Executive recommends an increase of \$15,800 for salary adjustments in FY 1998. The amount of \$10,200 reflects a salary and Employee Related Expenditure (ERE) increase for the department's computer systems administrator. The amount of \$5,600 reflects a salary and ERE increase for the Director of the Administrative Actions Division. The JLBC Staff does not recommend this increase.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Residential Utility Consumer Office

JLBC: Brad Regens  
House Sub: Cooley

OSPB: Pam Scharon  
Senate Sub: Cirillo

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0	11.0	11.0	11.0
Personal Services	412,500	497,200	505,000	505,000	505,000	505,000
Employee Related Expenditures	79,500	92,000	97,400	97,300	98,100	98,000
All Other Operating Expenditures:						
Travel - In State	6,500	10,000	10,000	10,000	10,000	10,000
Travel - Out of State	2,800	4,600	4,600	4,600	4,600	4,600
Other Operating Expenditures	109,800	124,600	109,200	109,200	109,800	109,800
Equipment	0	2,000	3,800	3,800	9,400	9,600
<b>OPERATING SUBTOTAL</b>	<b>611,100</b>	<b>730,400</b>	<b>730,000</b>	<b>729,900</b>	<b>736,900</b>	<b>737,000</b>
<b>SPECIAL LINE ITEMS</b>						
Professional Witnesses	55,300	291,100	200,000	200,000	170,000	170,000
<b>AGENCY TOTAL</b>	<b>666,400</b>	<b>1,021,500</b>	<b>930,000</b>	<b>929,900</b>	<b>906,900</b>	<b>907,000</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	666,400	1,021,500	930,000	929,900	906,900	907,000
<b>TOTAL - ALL SOURCES</b>	<b>666,400</b>	<b>1,021,500</b>	<b>930,000</b>	<b>929,900</b>	<b>906,900</b>	<b>907,000</b>

**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.

**Change in Funding Summary:**

	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	(91,600)	(9.0)%	(22,900)	(2.5)%

Performance Measure	FY 96 Actual	FY 97 Estimate
Average Rate Increase Requested by Utilities	\$14.6 M	\$16.0 M
Average Increase Recommended by RUCO	0.2 M	1.6 M
Average Rate Increase Approved	3.4 M	4.8 M

**ERE Rates** 4,300 OF  
**Risk Management** (300) OF  
**Rent** 9,600 OF  
**Eliminate One-time Equipment** (2,000) OF  
**Eliminate One-time Phone System Purchase** (20,000) OF

**Professional Witnesses** (91,100) OF  
 This Special Line Item was established to fund technical studies and expert testimony on behalf of the RUCO Board. This testimony is then presented at utility rate hearings. Monies in the line item have historically constituted a non-reverting appropriation. Due to this, the line item has built up a healthy unexpended balance. The FY 1997

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** \$ 8,800 OF

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

appropriation should fully fund all necessary contracts during the fiscal year, leaving a balance of \$280,000 for future expenses.

The JLBC Staff recommends decreasing this appropriation by \$(91,100) to a total level of \$200,000. When the reduction is matched with an expected carry-forward balance in excess of \$280,000, this appropriation will fund all estimated expenditures of \$343,800, and still preserve a carry-forward of more than \$100,000. The Executive concurs.

**Operating Supplies (4,700) OF**  
Per the department's request, the JLBC Staff recommends a \$(4,700) decrease in operating supplies such as books and paper. The Executive concurs.

**Office Equipment 3,800 OF**  
The recommendation of \$3,800 in total funding provides for the purchase of a replacement fax machine, software upgrades, and 2 laptop computers. Funding for 2 replacement computers was appropriated to RUCO in FY 1996, but not expended. The agency allowed this appropriation to revert and has requested these laptop computers as part of their revised work plans. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

ERE Rates	700 OF
Rent	600 OF
Eliminate One-time Equipment	(3,800) OF

**Professional Witnesses (30,000) OF**  
The recommended decrease reflects the board's estimate of fewer studies during FY 1999 and preserves a carry-forward of more than \$100,000. This balance, plus a margin of error used in calculating estimated expenditures, should cover any unforeseen needs. The Executive concurs.

**Replace and Upgrade Office Equipment 9,600 OF**  
The recommended \$9,600 in total equipment funding replaces one copy machine and upgrades computer software. The Executive concurs in the amount of \$9,400.

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Monies in the Professional Witnesses Special Line Item are exempt from A.R.S. § 35-190 relating to lapsing of appropriations.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Board of Respiratory Care Examiners

JLBC: Lisa Cotter  
House Sub: Weiers

OSPB: Pam Scharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	3.0	4.0	4.0	4.0	0.0	4.0
Personal Services	80,000	106,500	113,600	113,600	113,600	113,600
Employee Related Expenditures	14,200	19,500	19,600	19,600	19,700	19,700
All Other Operating Expenditures:						
Professional and Outside Services	24,100	2,500	8,500	8,500	2,500	2,500
Travel - In State	1,600	2,000	2,000	2,000	2,000	2,000
Travel - Out of State	4,100	200	200	200	200	200
Other Operating Expenditures	34,200	34,000	36,400	36,400	34,800	34,800
Equipment	2,000	1,000	1,800	1,800	2,500	2,500
<b>AGENCY TOTAL</b>	<b>160,200</b>	<b>165,700</b>	<b>182,100</b>	<b>182,100</b>	<b>175,300</b>	<b>175,300</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	160,200	165,700	182,100	182,100	175,300	175,300
<b>TOTAL - ALL SOURCES</b>	<b>160,200</b>	<b>165,700</b>	<b>182,100</b>	<b>182,100</b>	<b>175,300</b>	<b>175,300</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$16,400	9.9%	\$(6,800)	(3.7)%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Average # of Days to Resolve Complaint	60	60

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	\$2,400 OF
ERE Rates	(800) OF
Rent	400 OF
Eliminate One-time Equipment	(1,000) OF

**Existing FTE Position** **5,600 OF**  
In FY 1997, the agency was appropriated an additional FTE Position for an investigator. However, the agency was not

appropriated the associated funding due to insufficient revenues. In FY 1997 the agency absorbed the cost of the investigator with monies carried forward from FY 1996. Since the agency's revenues have increased, the JLBC Staff recommends \$5,000 in Personal Services and \$600 in Employee Related Expenditures to fully fund the investigator position. The Executive concurs.

**Computer Tracking System** **9,800 OF**  
The agency's current computer system is unable to fully track its licensing and complaint process. In order to comply with A.R.S. § 41-1072 et seq. (Laws 1996, Ch. 102, § 42) and keep up with a growing number of licensees, the JLBC Staff recommends one-time funding of \$6,000 for programming in Professional and Outside Services, \$2,000 for software upgrades in Other Operating Expenditures, and \$1,800 for memory upgrades in Equipment. The Executive concurs.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>100 OF</b>
<b>Rent</b>	<b>400 OF</b>
<b>Eliminate One-time Equipment</b>	<b>(1,800) OF</b>

**Computer Tracking System** **(8,000) OF**  
Eliminates FY 1998 one-time funding of \$(6,000) in Professional and Outside Services and \$(2,000) in Other Operating Expenditures. The Executive concurs.

**Equipment** **2,500 OF**  
Includes funding for 1 replacement computer. The Executive concurs.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona State Retirement System

JLBC: Jeffrey Schmied  
House Sub: Weiers

OSP: Melodie Jones  
Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	114.0	121.0	121.0	122.0	121.0	123.0
Personal Services	3,077,600	3,685,900	3,730,000	3,813,100	3,730,000	3,841,500
Employee Related Expenditures	676,600	835,100	826,800	840,600	841,500	853,800
All Other Operating Expenditures:						
Professional and Outside Services	361,200	671,700	307,100	600,700	307,100	900,700
Travel - In State	32,000	36,100	35,700	36,100	35,700	36,100
Travel - Out of State	13,700	13,600	13,600	13,600	13,600	13,600
Other Operating Expenditures	913,000	1,852,200	2,024,600	2,017,300	1,964,500	1,901,400
Equipment	47,800	563,600	167,400	166,400	107,900	114,700
<b>OPERATING SUBTOTAL</b>	<b>5,121,900</b>	<b>7,658,200</b>	<b>7,105,200</b>	<b>7,487,800</b>	<b>7,000,300</b>	<b>7,661,800</b>
<b>SPECIAL LINE ITEMS</b>						
LTD Administration	607,200	681,100	755,000	755,000	755,000	755,000
PERIS Applications Development	0	501,000	785,000	785,000	0	0
<b>AGENCY TOTAL</b>	<b>5,729,100</b>	<b>8,840,300</b>	<b>8,645,200</b>	<b>9,027,800</b>	<b>7,755,300</b>	<b>8,416,800</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	5,729,100	8,840,300	8,645,200	9,027,800	7,755,300	8,416,800
<b>TOTAL - ALL SOURCES</b>	<b>5,729,100</b>	<b>8,840,300</b>	<b>8,645,200</b>	<b>9,027,800</b>	<b>7,755,300</b>	<b>8,416,800</b>

**Agency Description** — *The State Retirement System provides retirement, health, disability, and survivors' benefits to employees of Arizona school districts and state, county, and local governments. As of June 30, 1996, State Retirement System membership included approximately 160,000 active employees, 47,600 retired plan members, 2,500 long-term disability recipients, and approximately \$14,300,000,000 in assets (market value.)*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$187,500	2.1%	\$(611,000)	(6.8)%

Performance Measure	FY 96 Actual	FY 97 Estimate
% of Members Rating Service as Good or Excellent	N/A	70.0%

**Rent** 55,700 OF  
**Eliminate One-time Equipment** (563,600) OF

**Eliminate One-Time Expenditures** (376,500) OF  
 The recommended amount includes a reduction in Professional and Outside Services of \$(318,000) for a periodic member handbook, \$(50,000) for telecommunication consulting and \$(8,500) for health insurance consulting.

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**Pay Annualization** \$ 85,600 OF  
**ERE Rates** (13,600) OF  
**Risk Management** 14,400 OF

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

### **PERIS Applications Development 284,000 OF**

Over the past 2 years, the Arizona State Retirement System (ASRS) has been in the process of reengineering its computer system, PERIS (Public Employees' Retirement Information System.) Major improvements include the consolidation of existing applications to a single platform, implementation of a Local and Wide Area Network (LAN/WAN), retraining of the development staff and implementation of a new database and an integrated applications development tool. In FY 1997, the ASRS began an accelerated applications development and data purification project to coincide with the implementation of its new database management system.

The JLBC Staff recommends an increase of \$184,000 in FY 1998 to complete the accelerated applications development project and an increase of \$100,000 in FY 1998 to fund the final phase of the data purification project. No additional funding is recommended for FY 1999 as the projects are anticipated to be complete. The Executive concurs, with the stipulation that the Retirement Board shall not expend any funds for the completion of the accelerated applications development project until the Government Information Technology Agency (GITA) completes a full review of the PERIS system and provides a recommendation to the Joint Legislative Budget Committee and the Governor's Office of Management and Budget to authorize use of the funds.

### **Network Enhancement 259,100 OF**

The JLBC Staff recommends a total of \$259,100 for hardware and software development and training tools. Included is funding for an Internet Access, hardware upgrades, and additional servers to expand the agency's WAN and replace the existing Unisys 6000 minicomputer. Continued use of the Unisys minicomputer would require additional resources as the information system is expanded; the use of file servers increases the flexibility of the system and provides expandability at a fraction of the cost. The JLBC Staff recommends that no new funds be expended for network enhancements until the GITA completes a full review of the PERIS system and approves the network enhancement project plan. The Executive concurs, with the stipulation that the GITA present its recommendation to the Joint Legislative Budget Committee and the Governor's Office of Management and Budget prior to the expenditure of necessary funds to complete the project.

### **Outsource Retiree Payroll 245,200 OF**

The JLBC Staff recommends utilization of an outside vendor to process the retiree payroll. Monthly, in-house staff processes and mails 12,000 retirement checks, processes 34,000 direct deposits of retiree benefits and processes federal and state withholding. In addition, the ASRS annually processes 45,000 IRS Form 1099Rs. Beginning in FY 1998, the ASRS intends to modify the existing system to produce and mail direct deposit stubs to almost 34,000 retirees who currently receive no notification of benefit. This

feature is industry standard for most payroll systems. The total cost to contract with the custodial bank for the payroll service is expected to be \$600,000 annually. Annual operating cost savings from the transfer would be \$109,600, primarily from mailing cost savings. Approximately \$153,500 in operating costs to modify the existing system, and produce and mail direct deposit stubs would be avoided by utilizing an outside vendor. Also, it is expected that future enhancements can be offered to retirees at less cost than modifying the existing system. The ASRS also anticipates an additional \$175,000 in annual revenue resulting from interest earned on the "float." This means the retiree payroll would remain with the custodial bank, collecting interest, until each check is deposited. The JLBC Staff recommends an increase of \$245,200 to outsource the retiree payroll. The increase represents only a half-year of funding due to a proposed January 1, 1998 implementation date. The JLBC Staff also recommends redirecting 6 months of the annual operating savings, or \$54,800, to the cost of the payroll service. In combination with the increase of \$245,200, ASRS will have \$300,000 available for the first 6 months of the contract. The funding will need to be annualized in FY 1999. The Executive does not recommend this change.

### **New Staff 62,700 OF**

The JLBC Staff recommends \$31,200 in Personal Services, 6,900 in Employee Related Expenditures and \$2,000 in Other Operating Expenditures for the addition of an Internal Auditor position. The additional auditor will be responsible for at least 3 audits of internal functions annually. Of the public pension funds with assets larger than \$10 billion, the ASRS is the sole plan with an internal audit staff of less than 3. The recommended amount also includes \$22,600 in overtime payroll for the Information Services Division to assist in the Accelerated Applications Development project. The Executive does not recommend this change.

### **Contract Consulting 79,400 OF**

The recommended amount includes an increase of \$2,000 for legal expenses, \$73,900 for the continued outside administration of the Long Term Disability (LTD) program and \$3,500 for a LTD Program Assessment. A consultant, from the employee benefits industry, will assist the ASRS administration and participating employers in evaluating the LTD program's management and rehabilitative efforts. In 1994, an Auditor General's report identified the program as a candidate for restructuring. The Executive concurs with the increased funding for legal expenses and outside administration of the LTD program.

### **Replacement Equipment 50,400 OF**

The recommended amount includes funding for 10 personal computers, 2 laser printers, 2 desktop scanners and 1 copy machine.



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Quarterly Newsletter 4,700 OF**

The recommended amount includes \$4,700 in Other Operating Expenditures due to increased membership receiving the Quarterly Newsletter.

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

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

**ERE Rates 6,600 OF**  
**Rent 43,000 OF**  
**Eliminate One-time Equipment (50,400) OF**

**PERIS Applications Development (785,000) OF**

The JLBC Staff recommends a decrease of \$(785,000) in light of the anticipated completion of the PERIS Accelerated Applications Development and Data Purification projects. The Executive concurs.

**Network Enhancement (181,100) OF**

The JLBC Staff recommends a decrease of \$(115,100) in Other Operating Expenditures for one-time software expenditures. The recommended amount also includes a reduction of \$(66,000) for one-time equipment expenditures. The net reduction preserves \$78,000 for an additional file server and software to complete the 2-year Network Enhancement project. The Executive concurs.

**Outsource Retiree Payroll 245,200 OF**

The recommended amount includes the cost to outsource and cost savings associated with transferring the responsibility for the retiree payroll service to an outside vendor. The Executive does not recommend this change.

**New Staff 35,500 OF**

The JLBC Staff recommends \$28,400 in Personal Services, \$6,600 in Employee Related Expenditures and \$500 in Other Operating Expenditures for an Accounting Technician position for the Budget and Strategic Planning Division. The new position would be responsible for monitoring information from the state accounting system, tracking budget data and producing special budget reports, allowing the budget manager more time for other duties including strategic planning. The Executive does not recommend this FTE Position.

**Replacement Equipment 64,700 OF**

The recommended amount includes funding for 20 personal computers, 3 laser printers, 1 color printer and 1 desktop scanner.

**Quarterly Newsletter 10,500 OF**

The recommended amount includes \$10,500 in Other Operating Expenditures due to increased membership receiving the Quarterly Newsletter.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Department of Revenue

JLBC: Bob Hull  
House Sub: Weiers

OSPB: Pam Scharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>						
Director's Office	867,300	949,100	953,500	953,500	954,300	954,300
Special Support	1,934,300	2,038,200	2,073,800	2,073,700	2,076,600	2,076,500
Administrative Services	11,870,300	11,640,500	11,555,200	11,691,200	11,228,600	11,709,600
Data Management	11,996,200	11,629,600	12,328,400	11,755,500	12,341,800	11,769,000
Property Valuation & Equalization	3,343,000	3,415,000	3,426,800	3,407,500	3,431,300	3,411,900
Compliance	17,987,700	19,482,400	19,876,200	19,876,200	19,907,700	19,907,700
Taxpayer Support	3,819,400	3,838,700	3,941,900	3,941,900	3,949,400	3,949,400
<b>AGENCY TOTAL</b>	<b>51,818,200</b>	<b>52,993,500</b>	<b>54,155,800</b>	<b>53,699,500</b>	<b>53,889,700</b>	<b>53,778,400</b>
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	1,256.0	1,255.0	1,255.0	1,255.0	1,255.0	1,255.0
Personal Services	28,227,700	30,338,600	31,057,400	31,036,700	31,057,400	31,036,700
Employee Related Expenditures	6,751,400	7,122,100	7,232,200	7,232,800	7,297,800	7,298,300
All Other Operating Expenditures:						
Professional and Outside Services	3,175,300	2,808,600	2,692,100	2,787,100	2,692,100	2,787,100
Travel - In State	433,100	533,700	534,500	534,500	534,500	534,500
Travel - Out of State	506,300	653,200	653,200	653,200	653,200	653,200
Other Operating Expenditures	11,398,900	11,065,800	11,096,700	10,896,700	11,109,600	10,909,800
Equipment	470,800	155,000	125,000	303,100	125,000	303,100
<b>OPERATING SUBTOTAL</b>	<b>50,963,500</b>	<b>52,677,000</b>	<b>53,391,100</b>	<b>53,444,100</b>	<b>53,469,600</b>	<b>53,522,700</b>
<b>SPECIAL LINE ITEMS</b>						
Voter Registration Act	275,200	0	345,000	0	0	0
Building Permits Database	309,900	316,500	274,700	255,400	275,100	255,700
Escaped Property	269,600	0	0	0	0	0
Attorney General Legal Services	0	0	145,000	0	145,000	0
<b>AGENCY TOTAL</b>	<b>51,818,200</b>	<b>52,993,500</b>	<b>54,155,800</b>	<b>53,699,500</b>	<b>53,889,700</b>	<b>53,778,400</b>
<b>BY FUND SOURCE</b>						
General Fund	50,714,900	51,591,900	52,789,400	52,327,800	52,522,100	52,405,600
Other Appropriated Funds	1,103,300	1,401,600	1,366,400	1,371,700	1,367,600	1,372,800
Other Non-Appropriated Funds	5,726,400	6,551,400	2,777,900	2,777,900	394,700	394,700
<b>TOTAL - ALL SOURCES</b>	<b>57,544,600</b>	<b>59,544,900</b>	<b>56,933,700</b>	<b>56,477,400</b>	<b>54,284,400</b>	<b>54,173,100</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.*

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$735,900	1.4%	\$77,800	0.0%
Other Appropriated Funds	(29,900)	(2.1)%	1,100	0.0%
<b>Total Appropriated Funds</b>	<b>\$706,000</b>	<b>1.3%</b>	<b>\$78,900</b>	<b>0.1%</b>

Performance Measure	FY 96	FY 97
	Actual	Estimate
Working Days to Process		
Income Tax Refunds	12.8	13.0

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

Pay Annualization	\$ 12,500 OF	\$ 801,900 GF
ERE Rates	(500) OF	26,600 GF
Risk Management	-0- OF	8,200 GF
Rent	-0- OF	19,500 GF
<b>Eliminate One-time</b>		
Equipment	(40,300) OF	(370,500) GF
Other	-0- OF	(25,800) GF

**New Equipment 16,600 OF 286,500 GF**

Reflects an increase of \$303,100, including \$16,600 from other funds and \$286,500 from the General Fund, for replacement office and personal computer equipment. The Executive recommends an increase of \$125,000 for capitalized equipment.

**Building Permits Database (10,500) GF**

Reflects a decrease of \$(10,500) in one-time travel costs for establishing the program. The Executive does not address this issue.

**Unclaimed Property (18,200) OF**

Reflects a decrease of \$(18,200), which includes a decrease for paying a firm that finds unclaimed financial instruments on a contingency basis deducted from receipts beginning FY 1997, and small increases in overtime and travel for increased locator activities as the result of the December 1995 Auditor General Report. The Executive does not address this issue.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

ERE Rates	1,100 OF	64,700 GF
Rent	-0- OF	13,100 GF

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**Program Authorization Review** — The JLBC and OSPB Staffs conducted a Program Authorization

Review of the Compliance program during the last year. As a result of that review, the JLBC Staff recommends retaining the program. The Executive concurs.

Compliance is responsible for conducting audits of transaction privilege, corporate income, personal income, luxury taxes and unclaimed property. The Compliance program appears to be cost effective with a 5-year average return for FY 1991-FY 1995 of \$12.34 of combined audit collections and delinquent collections per dollar of program expenditure, before decreasing to \$10.83 for FY 1996 due to declining audit assessments. Audit assessments per dollar of program expenditure have decreased from a high of \$16.86 for FY 1992, as seen in the following table:

Fiscal Year	Audit Assessments/ \$1 of Expenditure
1996	\$ 7.57
1995	5.27
1994	13.36
1993	13.70
1992	16.86

In another view of Compliance, both audit assessments and assessments per auditor have declined from their respective FY 1992 highs, as follows:

Fiscal Year	Average Annual Audit Assessments	Average Annual Assessments per Auditor
1995 & 1996	\$116,229,000	\$534,400
1993 & 1994	230,635,300	1,022,800
1992	288,244,600	1,231,800

In FY 1990 and FY 1992, a total of 297 FTE Positions were added to the Department by the 2 Programs for Increased Enforcement Revenues (PIER), in order to increase compliance, auditing and collection activities. PIER I added 149 FTE Positions for FY 1990, and PIER II added 148 FTE Positions for FY 1992. Of the total 297 FTE Positions, 235 FTE Positions (79%) went to Compliance and 62 FTE Positions (21%) went to support areas, including Administrative Services, Data Management, Special Support, and Taxpayer Support.

A 1993 Multistate Tax Commission survey found that out of 9 states reporting on corporate income tax annual assessments for both in-state and multistate audits, Arizona

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ranked second in average assessments per auditor, third in average assessments per capita, and fifth in the number of auditors per capita. Out of 10 states reporting on sales and use tax annual assessments for both in-state and multistate audits, Arizona ranked second in average assessments per auditor, first in average assessments per capita, and third in the number of auditors per capita. The Multistate Tax Commission does not focus on individual income taxes. However, a December 1995 performance audit by the Auditor General found that the department audited from 3% to 5% of all filed individual income tax returns over the past 3 years, whereas other states report auditing 2% or fewer and the Internal Revenue Service audits less than 1%.

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

**JLBC Staff Recommended Statutory Changes**

The JLBC Staff recommends a session law provision to suspend the statutory requirement that the department print and mail voter registration forms to individual income taxpayers who have not registered to vote. See the "Voter Registration Act" policy issue under Other Issues for Legislative Consideration for more information.

**Other Issues for Legislative Consideration**

**Voter Registration Act**

The JLBC Staff recommends a session law provision to suspend the statutory requirement that the department print and mail voter registration forms to individual income taxpayers who have not registered to vote. If this provision is retained, \$345,000 would need to be added to the budget since the expense only occurs in even-numbered years and there is no funding in the FY 1997 base budget.

The JLBC Staff recommendation is based on the small number of newly registered voters resulting from the 1996 mailing at a cost of \$10.96 each. The program was established by Laws 1994, Chapter 378, and requires the department to print and mail voter registration forms to individual income taxpayers who have not registered to vote no later than 180 days before the general election (by early May) in each regularly scheduled general election year (even-numbered years).

This program began with a mailing of 1,359,730 voter registration forms in March 1996 at a cost of \$345,000 for printing and mailing. The result was 31,477 newly registered voters at a cost to the department of \$10.96 each. This was an increase of 1.4% in the 2,254,779 registered voters, and 2.3% of the 1,359,730 forms mailed out. A summary of the number of forms returned by taxpayers follows:

<u>Returns to County Recorders</u>	<u>Number</u>	<u>%</u>
Newly Registered Voter	31,477	51.4%
Duplicate (Already Registered)	4,899	8.0%
Other Action (e.g., address change)	24,639	40.3%
Illegible Forms	156	0.3%
<b>TOTAL</b>	<b>61,171</b>	<b>100.0%</b>

In evaluating the program, county recorders recommended either discontinuing the program based on its high cost and small number of newly registered voters, or improving the instructions and to whom the forms are mailed. The Executive recommends \$345,000 to retain the program for FY 1998.

**Year 2000**

The department estimates its Year 2000 costs at \$3,600,000 of which it could absorb \$1,700,000. No additional funding has been included for Year 2000, pending review by the Department of Administration.

**Attorney General Legal Services**

The Executive moves funding for an Attorney General intergovernmental service agreement from the operating budget to an Attorney General Legal Services special line.

**Other Appropriated Fund Source Detail**

	<u>FY 1998</u>	<u>FY 1999</u>
	<u>JLBC Rec</u>	<u>JLBC Rec</u>
Tobacco Tax	\$ 339,400	\$ 339,800
Unclaimed Property	1,032,300	1,033,000
<b>TOTAL</b>	<b>\$1,371,700</b>	<b>\$1,372,800</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Board for School Capital Facilities

JLBC: Phil Case  
House Sub: Knaperek

OSP: Rita Sauv  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	0.0	5.0	7.0	5.0	7.0	5.0
Personal Services	0	150,000	248,200	180,000	248,200	180,000
Employee Related Expenditures	0	37,500	46,500	35,400	46,300	35,800
All Other Operating Expenditures:						
Professional and Outside Services	0	332,000	188,400	40,400	188,600	40,400
Travel - In State	0	10,000	25,000	10,000	25,000	10,000
Travel - Out of State	0	5,000	5,000	3,000	5,000	3,000
Other Operating Expenditures	0	45,500	71,900	26,200	71,900	26,600
Equipment	0	20,000	15,000	5,000	15,000	0
<b>OPERATING SUBTOTAL</b>	<b>0</b>	<b>600,000</b>	<b>600,000</b>	<b>300,000</b>	<b>600,000</b>	<b>295,800</b>
<b>SPECIAL LINE ITEMS</b>						
Loans and Grants to School Districts	0	99,400,000	29,400,000	29,700,000	29,400,000	29,704,200
<b>AGENCY TOTAL</b>	<b>0</b>	<b>100,000,000</b>	<b>30,000,000</b>	<b>30,000,000</b>	<b>30,000,000</b>	<b>30,000,000</b>
<b>BY FUND SOURCE</b>						
General Fund	0	70,000,000	0	0	0	0
Other Appropriated Funds	0	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
<b>TOTAL - ALL SOURCES</b>	<b>0</b>	<b>100,000,000</b>	<b>30,000,000</b>	<b>30,000,000</b>	<b>30,000,000</b>	<b>30,000,000</b>

**Agency Description** — Laws 1996, Chapter 8, 5th Special Session, as amended by Laws 1996, Chapter 1, 7th Special Session, established the State Board for School Capital Facilities. The board is composed of 9 members appointed by the President of the Senate, the Speaker of the House of Representatives, and the Governor. The board is responsible for administering monies deposited to the School Capital Equity Fund, which annually receives the first \$30,000,000 of proceeds from the Permanent State School Fund. Monies in the School Capital Equity Fund shall be distributed in the form of loans or grants to applicant school districts and shall be expended for buildings, land, capital improvements, pupil transportation vehicles, equipment, or technology. Distributions to school districts are made according to need, as determined by the priorities established by the board and the criteria established in law. Subject to legislative appropriation, no more than 1% of the annual \$30,000,000 deposit to the School Capital Equity Fund is available for the board's administrative costs.

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$(70,000,000)	(100.0)%	\$-0-	0.0%
Other Appropriated Funds	-0-	0.0%	-0-	0.0%
Total Appropriated Funds	\$(70,000,000)	(70.0)%	\$-0-	0.0%

In addition to the \$30,000,000 annual appropriation from the Permanent State School Fund, the Legislature appropriated \$70,000,000 in FY 1997 from the General

Fund to the School Capital Equity Fund (Laws 1996, Chapter 1, 7th Special Session). To help administer the additional monies, Chapter 1 appropriated an additional

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

\$300,000 from the School Capital Equity Fund to the board, bringing the total FY 1997 operating appropriation to \$600,000. This leaves \$99.4 million for grants and loans. The additional \$300,000 operating appropriation is non-lapsing; therefore, any unexpended portion may be carried forward to the FY 1998 operating budget.

The agency began operations in mid-August 1996 with the board's first meeting. The board established a 3-stage priority process for applications from eligible districts: 1) an expedited process for buildings having potentially serious health and safety issues as identified in the needs assessment conducted by the Joint Committee on Capital Review; 2) health and safety issues; and 3) other capital needs. The board intends to review all applications and to award the full \$99,400,000 in FY 1997. Award monies are not dispersed until projects are designed, bid, and reviewed by the board.

The following table summarizes the board's activity to date:

FY 1997 Activity	Projects	\$'s	\$'s
	Requested	Requested	Awarded
Expedited Process	18	24,187,000	4,048,100
Health & Safety	623	154,000,000	N/A
Other Capital	681	420,000,000	N/A

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
**ERE Rates** \$ (6,600) OF  
**Risk Management** 1,000 OF  
**Rent** 400 OF  
**Eliminate One-time Equipment** (20,000) OF

**FTE Positions and Funding** 34,000 OF  
 The recommended amount includes an increase of \$22,500 in Personal Services to annualize the salaries of the board's 3 full-time employees. The amount also includes an increase of \$7,500 in Personal Services for interns and other part-time employees. Having operated for less than a fiscal year, the agency is in the process of determining the optimal mix of state employees and contract labor; therefore, monies may be shifted between Personal Services and Professional and Outside Services. The recommended amount also includes an increase of \$4,000 in Employee Related Expenditures.

**Professional and Outside Services** 8,900 OF (300,000) GF  
 The board will hire architects, engineers, and other professionals to help evaluate the need and cost for requested projects. The recommended amount reflects the elimination of the additional \$300,000 General Fund operating

appropriation for FY 1997 and the related decrease in workload associated with the decrease in monies available for awards (\$99,400,000 in FY 1997 and \$29,700,000 in FY 1998). By shifting projected savings from Employee Related Expenditures and Travel - Out of State, the recommended amount of \$40,400 is \$20,900 higher than the request. The additional monies may be needed in order for the board to adequately review all applications and to address the statutory mandate to provide design assistance to school districts.

**Travel** (2,000) OF  
 The recommended amount includes a decrease of \$(2,000) for Travel - Out of State. With a small staff and board members who are knowledgeable in the area of school construction and finance, the JLBC Staff believes that 3 out-of-state trips at an estimated cost of \$1,000 per trip should be sufficient. While the overall FY 1998 workload will decrease from FY 1997, the Travel - In State recommendation remains level under the assumption that the staff architect, instead of contractors, will perform a greater percentage of the site visits. The recommended amount also includes \$4,400 in Travel - In State for board members.

**Other Operating Expenditures** (20,700) OF  
 The recommended amount reflects savings on supplies, postage, printing, phone charges, etc. from the expected workload decrease. Having no historical data, the agency may also have over-estimated its FY 1997 expenditures.

**Equipment** 5,000 OF  
 The recommended amount would fund the purchase of 2 laptop computers and other start-up equipment not purchased in the agency's first year.

**Loans and Grants to School Districts** (69,700,000) GF  
 The recommended amount reflects the elimination of the one-time \$70,000,000 General Fund appropriation to the School Capital Equity Fund. Of this one-time funding, \$69,700,000 was for loans and grants. Based on an initial review of the funding requests from school districts, the board believes that additional General Fund appropriations will be required; however, at this time, the board does not have adequate information to estimate the requirement.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**  
**ERE Rates** 400 OF  
**Rent** 400 OF  
**Eliminate One-time Equipment** (5,000) OF

**Loans and Grants to School Districts** 4,200 OF  
 The recommended FY 1999 operating budget of \$295,800 is \$4,200 less than the statutory maximum of \$300,000. An additional \$4,200 is thus available for this Special Line Item.

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items by Agency *(The JLBC Staff recommends this format to allow flexibility in determining the appropriate spending patterns for this new agency and to highlight the amounts available for loans and grants to school districts.)*

**Other Issues for Legislative Consideration**

**Executive Recommendation**

The Executive recommends a total of \$600,000 and 7 FTE Positions in FY 1998 and a total of \$600,000 and 7 FTE Positions in FY 1999 for the agency's operating budget. This level of funding would require a statutory change to allow more than 1% of the \$30,000,000 annual deposit to the School Capital Equity Fund to be appropriated for operating costs. The additional funding recommended by the Executive would allow the board to provide increased technical assistance to school districts, but would reduce the amount available for loans and grants to school districts from \$29,700,000 to \$29,400,000. In its annual report dated December 13, 1996, the board expressed its belief that some school districts (mainly smaller ones) do not have the technical staff or experience to adequately address capital issues.

The operating budget amounts recommended by the Executive are \$300,000 and 2 FTE Positions greater than the JLBC Staff's FY 1998 recommendation, and \$304,200 and 2 FTE Positions greater than the JLBC Staff's FY 1999 recommendation. While the JLBC Staff supports the concept of additional technical assistance to school districts in the design and construction of school facilities, we believe that additional operating funds for the board should be considered in conjunction with any larger school capital finance reform efforts. If the State Board for School Capital Facilities will continue to exist for a number of years, additional funding for technical assistance (and the necessary statutory changes) should be considered.

The Executive does not explicitly reference appropriations for loans and grants to school districts because the board's enabling statute continuously appropriates the monies in the School Capital Equity Fund to the board. The JLBC Staff recommends including the appropriation in the General Appropriation Act in order to ensure greater visibility of the amount through the budget process.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Secretary of State - Department of State

JLBC: Lynne Smith  
House Sub: Weiers

OSP: Pam Scharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	36.0	36.0	38.0	37.0	38.0	37.0
Personal Services	803,600	833,500	889,900	875,500	895,100	880,700
Employee Related Expenditures	196,900	202,800	192,800	188,400	195,400	190,600
All Other Operating Expenditures:						
Professional and Outside Services	41,900	50,000	50,000	10,000	10,000	10,000
Travel - In State	100	2,000	200	200	200	200
Travel - Out of State	6,400	4,000	6,900	5,800	6,900	5,800
Other Operating Expenditures	691,400	869,000	823,000	844,100	822,000	850,200
Equipment	96,200	95,000	17,500	11,200	5,300	5,300
<b>OPERATING SUBTOTAL</b>	<b>1,836,500</b>	<b>2,056,300</b>	<b>1,980,300</b>	<b>1,935,200</b>	<b>1,934,900</b>	<b>1,942,800</b>
<b>SPECIAL LINE ITEMS</b>						
Elections	2,626,500	2,082,600	790,600	800,400	2,363,700	2,253,900
<b>AGENCY TOTAL</b>	<b>4,463,000</b>	<b>4,138,900</b>	<b>2,770,900</b>	<b>2,735,600</b>	<b>4,298,600</b>	<b>4,196,700</b>
<b>BY FUND SOURCE</b>						
General Fund	4,463,000	4,138,900	2,770,900	2,735,600	4,298,600	4,196,700
Other Non-Appropriated Funds	0	135,000	123,000	123,000	127,000	127,000
<b>TOTAL - ALL SOURCES</b>	<b>4,463,000</b>	<b>4,273,900</b>	<b>2,893,900</b>	<b>2,858,600</b>	<b>4,425,600</b>	<b>4,323,700</b>

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

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$(1,403,300)	(33.9)%	\$1,461,100	53.4%

Performance Measure	FY 96 Actual	FY 97 Estimate
% of Documents Returned in 48 Hours	90%	91%

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	\$ 23,000 GF
ERE Rates	(19,900) GF
Risk Management	(1,400) GF
Rent	(23,500) GF
Eliminate One-time Equipment	(95,000) GF



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Elections Law Oversight 36,300 GF**

The recommended amount includes an increase of \$36,300 and 1 FTE Position to enable the department to investigate and resolve allegations of election law violations more quickly. This includes a total of \$3,000 in one-time Equipment and assumes the department will absorb other increased operating expenditures. Currently, the department is able to resolve only 10% of complaints prior to an election, creating an appearance of inaction. During "off-election" years, this position would conduct county election officer training. The Executive recommendation does not add this position.

**Publications 35,300 GF**

The JLBC Staff recommends an additional \$35,300 and 1 FTE Position to handle an increase in publication requests. For example, over the last 3 years the number of Landlord-Tenant Act copies distributed by the department has increased from approximately 40,000 to 88,763 and the number of notary commissions issued by the department has increased from 1,440 to 6,600. The recommended amount includes a total of \$4,300 in one-time Equipment and assumes the department will absorb other increased operating expenditures. The Executive concurs, but also adds an additional \$20,500 and 1 FTE Position for clerical support.

**Replacement Equipment 6,900 GF**

The recommended amount includes a total of \$6,900 to replace microfiche equipment and a signature machine. The Executive recommends \$17,500 to fund this equipment plus computer printers, which the JLBC Staff recommends the department purchase from the non-appropriated Data Processing Acquisition Fund.

**Professional and Outside Services (40,000) GF**

The recommended amount includes a reduction of \$(40,000) previously used for consultants to convert the department's database from a mainframe to a local area network (LAN) environment. The JLBC Staff recommends that related future costs be paid from the Data Processing Acquisition Fund. The Executive recommends this reduction in FY 1999 after the transition to the LAN is completed.

**Elections (1,325,000) GF**

The recommended amount includes a reduction of \$(2,200) for Travel - In State and Out of State. Due to the biennial election cycle, the FY 1998 recommended amount also includes reductions of \$(1,222,800) for Professional and Outside Services and \$(100,000) for Other Operating Expenditures, which are restored in FY 1999. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

ERE Rates	2,200 GF
Rent	6,100 GF
Eliminate One-time Equipment	(14,200) GF

**Elections 1,455,800 GF**

The recommended amount restores the amounts cut in FY 1998 due to the biennial election cycle and adds \$133,000 for expected increases in the number of voters and associated costs. The Executive recommends an increase of \$1,568,800, or \$113,000 above the JLBC Staff recommended increase.

**Elected Officials Salary Adjustment 5,900 GF**

The JLBC Staff recommends half-year funding to increase the salary of the Secretary of State from \$54,600 to \$65,000. With the exception of legislators, elected official salaries are determined by the recommendations of the Governor and the Commission on Salaries for State Elected Officials. At the beginning of the prior regular session, the Governor and Commission recommended the \$65,000 salary for the Secretary of State. Since the Legislature took no action to disapprove of this recommendation, current law requires the salary adjustment to take place on January 1, 1999. The Executive concurs.

**Replacement Equipment 5,300 GF**

The JLBC Staff recommends a total of \$5,300 to replace a fax and copy machine. The Executive recommends \$8,300 to fund this equipment plus a laser printer, which the JLBC Staff recommends the department purchase from the Data Processing Acquisition Fund.

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

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Structural Pest Control Commission

JLBC: Lisa Cotter  
House Sub: Cooley

OSP: Matt Gottheiner  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	30.0	30.0	30.0	30.0	30.0	30.0
Personal Services	663,300	736,400	752,900	752,900	752,900	752,900
Employee Related Expenditures	167,300	189,000	190,300	190,000	192,200	191,900
All Other Operating Expenditures:						
Professional and Outside Services	104,300	97,900	122,900	116,200	122,900	116,200
Travel - In State	85,000	82,800	82,800	82,800	82,800	82,800
Travel - Out of State	1,400	5,000	5,000	5,000	5,000	5,000
Other Operating Expenditures	224,700	258,000	197,600	197,600	197,800	197,800
Equipment	32,100	8,000	16,500	16,500	42,100	42,100
<b>AGENCY TOTAL</b>	<b>1,278,100</b>	<b>1,377,100</b>	<b>1,368,000</b>	<b>1,361,000</b>	<b>1,395,700</b>	<b>1,388,700</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	1,278,100	1,377,100	1,368,000	1,361,000	1,395,700	1,388,700
Federal Funds	201,700	97,000	97,000	97,000	97,000	97,000
<b>TOTAL - ALL SOURCES</b>	<b>1,479,800</b>	<b>1,474,100</b>	<b>1,465,000</b>	<b>1,458,000</b>	<b>1,492,700</b>	<b>1,485,700</b>

**Agency Description** — *The commission licenses and regulates professional pest control companies and conducts examinations of applicators of structural pesticides.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$(16,100)	(1.2)%	\$27,700	2.0%

Performance Measure	FY 96 Actual	FY 97 Estimate
# Termite Pretreatment Applications Monitored	720	720

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	<b>\$18,600 OF</b>
ERE Rates	<b>(1,100) OF</b>
Risk Management	<b>(100) OF</b>
Rent	<b>300 OF</b>
Eliminate One-time Equipment	<b>(8,000) OF</b>
Eliminate One-time Moving Costs	<b>(60,600) OF</b>

**Hearings** **18,300 OF**  
The JLBC Staff recommends an increase of \$18,300 in Professional and Outside Services for hearing officer and court reporter costs. The agency received approximately \$38,000 for hearing officer and court reporter costs in FY 1997, but due to budgetary reorganization the agency has moved some of its Professional and Outside Services funding to other line items. The recommended amount will return the agency's Professional and Outside Services funding to the amount appropriated in FY 1997. The Executive recommends an increase of \$25,000.

**Replacement Equipment** **16,500 OF**  
The recommended amount includes funding for 8 laptop computers and 3 video cameras.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

Rent 200 OF  
 Eliminate One-time Equipment (16,500) OF

Replacement Equipment 42,100 OF  
 The recommended amount includes funding for 1 copier, 8 laptop computers, 2 night scopes, and 3 laser printers.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

*Continuation of FY 1997 Footnotes*

It is the intent of the Legislature that not more than 25% of the appropriation for FY 1998 and FY 1999 shall be expended from the Structural Pest Control Commission Fund. (General Appropriation Act footnote.)

**Other Issues for Legislative Consideration**

**December 1996 Performance Audit**

In its December 1996 performance audit of the Structural Pest Control Commission (SPCC), the Auditor General reported 4 major findings. Pending legislative action on any of these findings, the JLBC Staff has not recommended any changes to the SPCC budget. The findings were as follows:

- The audit found that the SPCC can take steps to better protect the public from inadequate termite pretreatments. To do so, the audit recommends increasing industry entry requirements, seeking statutory authority to halt construction when a poor termite pretreatment is observed, improving observation site selection, systematically sampling pesticides on site, and increasing the number of observations.
- The audit recommends that the SPCC improve collection of fees and information from pest control companies by better tracking Termite Action Report Forms (TARFs), assessing higher late fees on forms, and conducting audits of forms.
- The audit recommends that the SPCC improve its inspection program by establishing written time frames for inspections, improving the inspection tracking system, and holding inspectors accountable for the number of inspections they conduct.
- The audit recommends that the Legislature consider revising the statutory requirement that the SPCC

provide initial and continuing training to industry members. If the SPCC continues to provide training, it should consider charging a fee to recover costs.

**Other Appropriated Fund Source Detail**

	FY 1998 JLBC Rec	FY 1999 JLBC Rec
SPCC Commission Fund	\$ 340,200	\$ 347,200
SPCC Inspection Support Fund	1,020,800	1,041,500
<b>TOTAL</b>	<b>\$1,361,000</b>	<b>\$1,388,700</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Board of Tax Appeals

JLBC: Bob Hull  
House Sub: Weiers

OSP: Pam Scharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	4.5	4.5	4.5	4.5	4.5	4.5
Personal Services	190,600	198,400	201,400	201,400	201,400	201,400
Employee Related Expenditures	35,900	32,500	33,500	31,500	33,600	31,800
All Other Operating Expenditures:						
Travel - In State	2,400	1,300	1,300	2,200	1,300	2,200
Travel - Out of State	0	900	900	0	900	0
Other Operating Expenditures	35,400	36,600	37,500	39,300	37,500	32,100
Equipment	0	0	13,400	12,000	2,500	2,000
<b>AGENCY TOTAL</b>	<b>264,300</b>	<b>269,700</b>	<b>288,000</b>	<b>286,400</b>	<b>277,200</b>	<b>269,500</b>
<b>BY FUND SOURCE</b>						
General Fund	264,300	269,700	288,000	286,400	277,200	269,500
<b>TOTAL - ALL SOURCES</b>	<b>264,300</b>	<b>269,700</b>	<b>288,000</b>	<b>286,400</b>	<b>277,200</b>	<b>269,500</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$16,700	6.2%	\$(16,900)	(5.9)%

Performance Measure	FY 96 Actual	FY 97 Estimate
Cost Per Resolved Appeal	\$1,546	\$1,586

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

Pay Annualization **\$ 3,300 GF**

ERE Rates **(1,300) GF**

Risk Management **(200) GF**

**New Equipment** **12,000 GF**

Reflects an increase of \$12,000 for replacement copier, tape recording system, and a phone system and computer cabling installation associated with relocating the office. The Executive recommends \$13,400 for new equipment.

**Rent** **2,900 GF**

Reflects an increase of \$2,900 for a change in rental space, including a one-time charge to reconfigure office space which the board will move into. The office needs to move due to expansion of the Judicial Department in the Courts Building. The Executive recommends an increase of \$1,100.

**Travel** **-0- GF**

Reflects the transfer of \$900 from Travel - Out of State to Travel - In State for no change agencywide. Travel - Out of State has not been used for several years, and the monies can better supplement the board's Travel - In State needs. The Executive does not address this issue.

Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

ERE Rates	300 GF
Eliminate One-time Equipment	(12,000) GF

**New Equipment** 2,000 GF

Reflects an increase of \$2,000 for a replacement laser printer.  
The Executive recommends \$2,500 for new equipment.

**Rent** (7,200) GF

Reflects a decrease of \$(7,200) for removal of the one-time charge to reconfigure new office space. The Executive does not address this issue.

\* \* \*

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

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

DEPT: State Board of Technical Registration

JLBC: Brad Regens

OSPB: Matt Gottheiner

House Sub: Cooley

Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	15.0	15.0	15.0	15.0	15.0	15.0
Personal Services	343,800	357,400	366,200	366,200	366,200	366,200
Employee Related Expenditures	79,900	78,300	84,800	84,400	85,600	85,200
All Other Operating Expenditures:						
Professional and Outside Services	24,100	23,300	23,300	23,300	23,300	23,300
Travel - In State	5,300	10,000	10,000	10,000	10,000	10,000
Travel - Out of State	12,300	13,000	13,000	13,000	13,000	13,000
Other Operating Expenditures	258,300	224,300	227,000	227,000	227,000	227,000
Equipment	3,500	0	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>727,200</b>	<b>706,300</b>	<b>724,300</b>	<b>723,900</b>	<b>725,100</b>	<b>724,700</b>
<b>SPECIAL LINE ITEMS</b>						
Examinations	119,400	169,400	62,000	62,000	62,000	62,000
<b>AGENCY TOTAL</b>	<b>846,600</b>	<b>875,700</b>	<b>786,300</b>	<b>785,900</b>	<b>787,100</b>	<b>786,700</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	846,600	875,700	786,300	785,900	787,100	786,700
<b>TOTAL - ALL SOURCES</b>	<b>846,600</b>	<b>875,700</b>	<b>786,300</b>	<b>785,900</b>	<b>787,100</b>	<b>786,700</b>

**Agency Description** — *The agency licenses, investigates, and conducts examinations of architects, assayers (assessors of mineral value), engineers, geologists, land surveyors, and landscape architects.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$(89,800)	(10.3)%	\$800	0.1%

Performance Measure	FY 96 Actual	FY 97 Estimate
Average Number of Days to Resolve a Complaint	140	140

Reflects a decrease of \$(107,400) due to the board contracting with a private vendor to administer the national engineering, land surveying, architect and landscape architect examinations. The board will continue to administer the local land surveying, geological engineering, and assaying examinations in FY 1998 and FY 1999. The Executive concurs.

### FY 1998 — Recommended Changes from FY 1997

Standard Changes	
Pay Annualization	\$ 9,900 OF
ERE Rates	5,000 OF
Risk Management	(500) OF
Rent	3,200 OF

### FY 1999 — Recommended Changes from FY 1998

Standard Changes	
ERE Rates	800 OF

Examinations Special Line Item (107,400) OF

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## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

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

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. §35-143.01 until June 30, 1999.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Office of Tourism

JLBC: Lisa Cotter  
House Sub: Cooley

OSP: Marcel Benberou  
Senate Sub: Cirillo

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	21.0	21.0	24.0	21.0	25.0	21.0
Personal Services	571,600	599,100	731,900	609,900	766,900	609,900
Employee Related Expenditures	105,500	117,400	143,000	112,000	150,500	112,800
All Other Operating Expenditures:						
Professional and Outside Services	41,200	35,000	45,000	35,000	45,000	35,000
Travel - In State	8,600	13,000	19,000	13,000	21,000	13,000
Travel - Out of State	11,300	11,500	24,500	11,500	32,500	11,500
Other Operating Expenditures	435,500	413,600	430,000	415,000	431,600	415,000
Equipment	0	0	20,000	0	6,000	0
<b>OPERATING SUBTOTAL</b>	<b>1,173,700</b>	<b>1,189,600</b>	<b>1,413,400</b>	<b>1,196,400</b>	<b>1,453,500</b>	<b>1,197,200</b>
<b>SPECIAL LINE ITEMS</b>						
Toll-Free Line Production and Placement	2,761,600	3,004,000	3,327,200	2,792,100	3,907,700	2,782,200
Toll-Free Line Response	1,121,700	1,121,700	1,421,700	1,121,700	1,729,100	1,121,700
International and Domestic Marketing	830,600	835,500	926,000	835,500	926,000	835,500
Research and Data Repository	178,500	194,000	194,000	194,000	194,000	194,000
Welcome Center Operations	310,100	316,300	307,200	318,000	320,600	320,800
Media and Public Relations	282,700	286,100	381,100	286,100	471,100	286,100
Cooperative Marketing (TIFS)	740,000	740,000	873,000	740,000	998,000	740,000
<b>AGENCY TOTAL</b>	<b>7,398,900</b>	<b>7,687,200</b>	<b>8,843,600</b>	<b>7,483,800</b>	<b>10,000,000</b>	<b>7,477,500</b>
<b>BY FUND SOURCE</b>						
General Fund	7,398,900	7,687,200	8,843,600	7,483,800	10,000,000	7,477,500
Other Non-Appropriated Funds	181,500	295,000	295,000	295,000	275,000	275,000
<b>TOTAL - ALL SOURCES</b>	<b>7,580,400</b>	<b>7,982,200</b>	<b>9,138,600</b>	<b>7,778,800</b>	<b>10,275,000</b>	<b>7,752,500</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$(203,400)	(2.6)%	\$(6,300)	(0.0)%

Performance Measure	FY 96 Actual	FY 97 Estimate
Advertising Generated		
Inquiries for AZ Travel		
Planning Materials	664,453	770,000

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	\$14,500 GF
ERE Rates	(5,100) GF
Risk Management	1,400 GF
Rent	(2,300) GF



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Tourism Fund Decrease (211,900) GF**

The JLBC Staff estimates that the deposit to the Tourism Fund will decrease from \$2,676,800 to \$2,464,900. Laws 1990, Chapter 391, allocates 75% of the growth of the last ½ cent of bed tax revenues from the General Fund to the Tourism Fund, in addition to a base allocation of \$2,000,000. Most of the \$(211,900) decrease is due to the fact that the JLBC Staff estimated FY 1997 Tourism Fund deposits to be \$2,676,800, when in fact they were \$2,450,900. The \$(225,900) shortfall in FY 1997 combined with a projected \$14,000 increase in Tourism Fund deposits in FY 1998 equals a net decrease of \$(211,900). Chapter 391 requires the Tourism Fund to be used for "tourism promotion" and since FY 1995 it has been appropriated (along with General Fund monies) to the Toll-Free Line Production and Placement Special Line Item for advertising the state's toll-free tourism telephone number. The Executive estimates the Tourism Fund deposit will be \$2,500,000 in FY 1998.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>1,000 GF</b>
<b>Rent</b>	<b>2,600 GF</b>

**Tourism Fund Decrease (9,900) GF**

The JLBC Staff estimates that the deposit to the Tourism Fund will decrease from \$2,464,900 to \$2,455,000. Please see the FY 1998 recommendation for a description of the Tourism Fund. The Executive estimates the Tourism Fund deposit will be \$2,597,500 in FY 1999.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Of the \$2,792,100 appropriated to Toll-Free Line Production and Placement for FY 1998, an estimated \$2,464,900 shall be deposited in the Tourism Fund pursuant to A.R.S. § 42-1341C4(c). (General Appropriation Act footnote.)

Of the \$2,782,200 appropriated to Toll-Free Line Production and Placement for FY 1999, an estimated \$2,455,000 shall be deposited in the Tourism Fund pursuant to A.R.S. § 42-1341C4(c). (General Appropriation Act footnote.)

**Other Issues for Legislative Consideration**

**Tourism Fund Change**

Current law (A.R.S. § 43-1341C3(c)) allocates 75% of the growth of the last ½ cent of bed tax revenues from the General Fund to the Tourism Fund, in addition to a base allocation of \$2,000,000. The formula makes it possible for the Tourism Fund deposit to decrease if growth slows. In addition, while bed tax collections and General Fund bed tax revenues have increased steadily over the past several years, Tourism Fund deposits have remained fairly flat.

In the FY 1996 budget recommendations, the JLBC Staff recommended changing the statutory formula so that 3.5% of bed tax revenues would be transferred from the General Fund to the Tourism Fund. Such a change would greatly simplify the existing formula and would produce more revenue for the Tourism Fund as bed tax revenues grow. The Legislature may again want to consider such a proposal. For FY 1998, the JLBC Staff estimates that transferring 3.25% of bed tax revenues from the General Fund to the Tourism Fund would keep Tourism Fund deposits equal to the current formula estimate of \$2,464,900. For FY 1999, the 3.25% formula would increase Tourism Fund deposits by \$206,900 over the current formula estimate of \$2,455,000.

**Executive Recommendation**

For FY 1998, the Executive recommends an additional \$895,000 for international and domestic tourism advertising, \$200,000 and 2 new FTE Positions for international marketing, \$133,000 for Tourism Investment Funds Sharing (TIFS), and \$98,000 and 1 new FTE Position for applied research and analysis. For FY 1999, the Executive recommends an additional \$880,400 for international and domestic tourism advertising, \$59,100 and 1 new FTE Position for international marketing, and \$125,000 for TIFS.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: State Treasurer

JLBC: Lisa Cotter  
House Sub: Weiers

OSPB: Pam Sharon  
Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	34.0	34.0	36.0	36.0	36.0	36.0
Personal Services	992,200	1,136,100	1,263,400	1,264,300	1,268,600	1,268,500
Employee Related Expenditures	232,800	265,700	281,400	283,900	285,000	287,300
All Other Operating Expenditures:						
Professional and Outside Services	128,600	135,500	154,300	154,300	154,300	154,300
Travel - In State	1,700	2,000	2,000	2,000	2,000	2,000
Travel - Out of State	26,300	13,800	16,300	13,800	16,300	13,800
Other Operating Expenditures	268,600	212,000	215,500	215,500	219,500	219,500
Equipment	78,900	14,000	15,100	30,100	56,700	56,700
<b>OPERATING SUBTOTAL</b>	<b>1,729,100</b>	<b>1,779,100</b>	<b>1,948,000</b>	<b>1,963,900</b>	<b>2,002,400</b>	<b>2,002,100</b>
<b>SPECIAL LINE ITEMS</b>						
Justice of Peace Salaries	2,055,500	2,131,000	2,237,000	2,237,000	2,364,500	2,348,900
Summer Youth Employment and Training	1,000,000	0	0	0	0	0
<b>AGENCY TOTAL</b>	<b>4,784,600</b>	<b>3,910,100</b>	<b>4,185,000</b>	<b>4,200,900</b>	<b>4,366,900</b>	<b>4,351,000</b>
<b>BY FUND SOURCE</b>						
General Fund	4,784,600	3,910,100	4,185,000	4,200,900	4,366,900	4,351,000
<b>TOTAL - ALL SOURCES</b>	<b>4,784,600</b>	<b>3,910,100</b>	<b>4,185,000</b>	<b>4,200,900</b>	<b>4,366,900</b>	<b>4,351,000</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$290,800	7.4%	\$150,100	3.6%

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes	
Pay Annualization	<b>\$23,600 GF</b>
ERE Rates	<b>(4,800) GF</b>
Risk Management	<b>(600) GF</b>
Rent	<b>4,100 GF</b>
Eliminate One-time Equipment	<b>(14,000) GF</b>

**Investment Portfolio Management**

**\$157,500 GF**

The JLBC Staff recommends 2 new FTE Positions for a portfolio manager and a financial analyst. The size of the Treasurer's investment portfolio has increased from \$3,000,000,000 to almost \$5,000,000,000 in 3 years. The new portfolio manager and the current portfolio manager would each specialize in a different area of the fixed income market. The new financial analyst would do background research for the portfolio managers. The agency estimates and the JLBC Staff agrees that the new positions would more

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

than pay for themselves in increased investment earnings. The FY 1998 recommended amount includes increases of \$127,600 in Personal Services and Employee Related Expenditures, \$18,800 in Professional and Outside Services, and \$11,100 in one-time Equipment. The Executive recommends the 2 FTE Positions and an additional \$156,300.

Performance Measure	FY 96	FY 97
	Actual	Estimate
Combined Balance of All Investment Portfolios (Year End Actual in Billions)	\$4.9	\$4.7

**Justice of Peace Salaries 106,000 GF**

The JLBC Staff recommends an additional \$106,000 for the Justice of Peace Salaries Special Line Item. The statutory formula for Justice of the Peace (JOP) salaries is based upon 2 factors: a percentage of the annual compensation of a Superior Court Judge, and "judicial productivity credits", which reflect the activity level of a Justice of the Peace Court. Each county board of supervisors reports Justice of the Peace judicial productivity credits to the Arizona Supreme Court, and the Treasurer distributes Justice of the Peace pay according to the statutory formula. The \$106,000 recommended increase is a 5% increase over the FY 1997 appropriation, which is in line with the average annual 5% growth in Justice of the Peace salaries over the past 3 years. The Executive concurs.

**Equipment 19,000 GF**

The recommended amount includes \$4,000 for 2 replacement printers and \$15,000 for 6 replacement computers. The Executive recommends \$4,000 for equipment.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

ERE Rates	2,900 GF
Rent	4,000 GF
Eliminate One-time Equipment	(30,100) GF

**Elected Officials Salary Adjustment 4,700 GF**

The JLBC Staff recommends half-year funding to increase the salary of the State Treasurer from \$54,600 to \$65,000. With the exception of legislators, elected official salaries are determined by the recommendations of the Governor and the Commission on Salaries for State Elected Officials. At the beginning of the prior regular session, the Governor and Commission recommended the \$65,000 salary for the State Treasurer. Since the Legislature took no action to disapprove of this recommendation, current law requires the salary adjustment to take place on January 1, 1999. The Executive concurs.

**Justice of Peace Salaries \$111,900 GF**

The JLBC Staff recommends an additional \$111,900 for the Justice of Peace Salaries Special Line Item. This is a 5% increase over the FY 1998 appropriation. The Executive recommends an increase of \$127,500.

**Equipment 56,700 GF**

The JLBC Staff recommends \$56,700 to replace 2 servers, both of which will be over 5 years old. The Executive concurs.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

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.)

**Other Issues for Legislative Consideration**

**Summer Youth Employment and Training**

Laws 1996, Chapter 309 appropriated \$1,000,000 as a FY 1996 supplemental to the State Treasurer for distribution to counties for summer employment and training programs for at-risk youth. Laws 1996, Chapter 309 also appropriated \$2,000,000 to the Department of Economic Security for summer youth programs and neighborhood revitalization. The JLBC Staff does not recommend continued funding for the Treasurer's program because in Federal Fiscal Year 1997, Arizona's federal funding for the Job Training Partnership Act (JTPA) Summer Youth Program increased by \$4,000,000. These federal funds serve the same population as the Chapter 309 program.



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Veterans' Service Commission  
Agency Summary

JLBC: Jennifer Vermeer  
House Sub: Weiers

OSP: Rick Zelznak  
Senate Sub: Wettaw

DESCRIPTION	FY 1996 ACTUAL	FY 1997 ESTIMATE	FY 1998		FY 1999	
			OSP	JLBC	OSP	JLBC
<b>BY PROGRAM/ORGANIZATION</b>						
Veterans' Services and Administration	1,422,200	1,476,600	1,460,200	1,518,500	1,479,300	1,544,400
Veterans' Home	2,432,500	8,913,200	8,669,500	8,667,200	7,679,300	7,675,800
<b>AGENCY TOTAL</b>	<b>3,854,700</b>	<b>10,389,800</b>	<b>10,129,700</b>	<b>10,185,700</b>	<b>9,158,600</b>	<b>9,220,200</b>

**OPERATING BUDGET**

<i>Full Time Equivalent Positions</i>	38.0	243.5	243.5	243.5	243.5	244.5
Personal Services	2,252,600	5,125,200	5,251,300	5,262,300	5,251,300	5,283,200
Employee Related Expenditures	611,900	1,394,000	1,333,800	1,336,500	1,345,600	1,352,600
All Other Operating Expenditures:						
Professional and Outside Services	14,600	45,500	45,500	45,500	45,500	45,500
Travel - In State	42,200	55,900	55,900	55,900	55,900	55,900
Travel - Out of State	8,700	10,200	10,200	10,200	10,200	10,200
Food	40,800	413,500	413,500	413,500	413,500	413,500
Other Operating Expenditures	783,000	1,779,000	1,972,200	1,986,900	1,972,200	1,986,900
Equipment	60,900	0	7,300	34,900	24,400	32,400
<b>OPERATING SUBTOTAL</b>	<b>3,814,700</b>	<b>8,823,300</b>	<b>9,089,700</b>	<b>9,145,700</b>	<b>9,118,600</b>	<b>9,180,200</b>
Special Line Items	40,000	1,566,500	1,040,000	1,040,000	40,000	40,000
<b>AGENCY TOTAL</b>	<b>3,854,700</b>	<b>10,389,800</b>	<b>10,129,700</b>	<b>10,185,700</b>	<b>9,158,600</b>	<b>9,220,200</b>

**BY FUND SOURCE**

General Fund	3,335,200	2,460,100 <sup>1/</sup>	1,944,600	1,993,100	962,900	991,800
Other Appropriated Funds	519,500	7,929,700	8,185,100	8,192,600	8,195,700	8,228,400
Other Non-Appropriated Funds	0	21,600	0	0	0	0
Federal Funds	962,900	665,700	165,700	165,700	165,700	165,700
<b>TOTAL - ALL SOURCES</b>	<b>4,817,600</b>	<b>11,077,100</b>	<b>8,350,801</b>	<b>10,351,400</b>	<b>9,324,300</b>	<b>9,385,900</b>

<sup>1/</sup> Includes \$1,500,000 originally appropriated to the Department of Administration for the Veterans' Nursing Home.

**Agency Description**— *The agency assists veterans in developing and filing claims for federal entitlements, acts as a guardian or conservator for incapacitated veterans or their families and supervises state educational and training programs for veterans. In addition, the agency operates and maintains a 200-bed nursing home for Arizona veterans.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$(467,000)	(19.0)%	\$(1,001,300)	(50.2)%
Other Appropriated Funds	262,900	3.3%	35,800	0.4%
<b>Total Appropriated Funds</b>	<b>\$(204,100)</b>	<b>(2.0)%</b>	<b>\$965,500</b>	<b>(9.5)%</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

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Performance Measure	FY 96	FY 97
	Actual	Estimate
Number of Veterans Granted Benefits	7,470	8,220

**FY 1998 — Recommended Changes from FY 1997**

Standard Changes		
Pay Annualization	\$ 142,200 OF	\$15,400 GF
ERE Rates	(70,700) OF	(7,300) GF
Risk Management	191,400 OF	5,100 GF
Rent	-0- OF	11,400 GF
Equipment	-0- OF	34,900 GF
One-time Appropriation	-0- OF	(26,500) GF
General Fund Subsidy	-0- OF	(500,000) GF

**FY 1999 — Recommended Changes from FY 1998**

Standard Changes		
ERE Rates	9,400 OF	1,200 GF
Eliminate One-time Equipment	-0- OF	(34,900) GF
Human Services FTE Position	26,400 OF	-0- GF
Equipment	-0- OF	32,400 GF
General Fund Subsidy	-0- OF	(1,000,000) GF

\* \* \*

**JLBC Staff Recommended Format — Lump Sum for the Program**

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Veterans' Service Commission  
 PROG: Veterans' Services and Administration

JLBC: Jennifer Vermeer  
 House Sub: Weiers

OSP: Rick Zelznak  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	38.0	41.0	41.0	41.0	41.0	42.0
Personal Services	811,500	901,400	912,500	912,500	912,500	933,400
Employee Related Expenditures	205,200	240,400	230,300	230,300	232,300	237,800
All Other Operating Expenditures:						
Professional and Outside Services	13,500	0	0	0	0	0
Travel - In State	40,100	43,900	43,900	43,900	43,900	43,900
Travel - Out of State	5,800	8,000	8,000	8,000	8,000	8,000
Other Operating Expenditures	299,500	216,400	218,200	236,600	218,200	236,600
Equipment	6,600	0	7,300	34,900	24,400	32,400
<b>OPERATING SUBTOTAL</b>	<b>1,382,200</b>	<b>1,410,100</b>	<b>1,420,200</b>	<b>1,466,200</b>	<b>1,439,300</b>	<b>1,492,100</b>
<b>SPECIAL LINE ITEMS</b>						
Veterans' Organizations Contracts	40,000	40,000	40,000	40,000	40,000	40,000
Military Women Memorial	0	26,500	0	0	0	0
<b>PROGRAM TOTAL</b>	<b>1,422,200</b>	<b>1,476,600</b>	<b>1,460,200</b>	<b>1,506,200</b>	<b>1,479,300</b>	<b>1,532,100</b>
<b>BY FUND SOURCE</b>						
General Fund	906,400	960,100	944,600	980,800	962,900	979,500
Other Appropriated Funds	515,800	516,500	515,600	525,400	516,400	552,600
Other Non-Appropriated Funds	0	21,600	0	0	0	0
Federal Funds	962,900	665,700	165,700	165,700	165,700	165,700
<b>TOTAL - ALL SOURCES</b>	<b>2,385,100</b>	<b>2,163,900</b>	<b>1,625,900</b>	<b>1,671,900</b>	<b>1,645,000</b>	<b>1,697,800</b>

**Program Description** — *The division assists veterans, their dependents and/or survivors in developing and filing claims for federal entitlements from the U.S. Department of Veterans Affairs in areas of disability, pension, insurance, and burial. 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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$20,700	2.2%	\$ (1,300)	(0.1)%
Other Appropriated Funds	8,900	1.7	27,200	5.2
<b>Total Appropriated Funds</b>	<b>\$29,600</b>	<b>2.0%</b>	<b>\$25,900</b>	<b>1.7%</b>

Performance Measure	FY 96	FY 97
	Actual	Estimate
Number of Completed Annual Guardianship Reports Submitted to the Court	85	95

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**  
 Pay Annualization                      \$9,600 OF                      \$15,400 GF

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

<b>ERE Rates</b>	<b>(4,400) OF</b>	<b>(7,300) GF</b>
<b>Risk Management</b>	<b>3,700 OF</b>	<b>5,100 GF</b>
<b>Rent</b>	<b>-0- OF</b>	<b>11,400 GF</b>

**Replacement Equipment** **34,900 GF**  
Includes \$14,900 for replacement computer equipment and \$20,000 for a new telephone system. The Executive recommends \$7,300 for replacement equipment.

**Military Women Memorial** **(26,500) GF**  
Eliminates one-time funding appropriated for the construction of a Military Women Memorial. The Executive concurs.

**Personal Services Adjustment** **(12,300) GF**  
Includes a decrease of \$(10,800) for Personal Services and \$(1,500) for Employee Related Expenditures to reflect the actual cost of these items. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>800 OF</b>	<b>1,200 GF</b>
<b>Eliminate One-time Equipment</b>	<b>-0- OF</b>	<b>(34,900) GF</b>

**Replacement Equipment** **32,400 GF**  
Includes \$17,400 for replacement computer equipment and \$15,000 for the final phase of the new telephone system. The Executive recommends \$24,400 for replacement equipment.

**Human Services Position** **26,400 OF**  
The JLBC Staff recommends 1 additional Human Services FTE Position due to increasing caseloads. The recommended amount includes \$20,900 for Personal Services and \$5,500 for Employee Related Expenditures. The Executive does not address this issue.

\* \* \*

**JLBC Staff Recommended Format — Lump Sum for the Program**

**JLBC Staff Recommended Footnotes**

*New Footnotes*

Prior to expenditure of any monies from the Veterans' Conservatorship Fund for an additional FTE Position, the department shall submit a report on the revenues and expenditures in the fund to the Joint Legislative Budget Committee for its review. If it does not appear that long-term revenues will be sufficient to cover the cost of an additional position, the department shall address in their report how to increase revenues or decrease expenditures. *(This footnote is recommended due to decreasing revenues in the Veterans' Conservatorship Fund.)*



## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

DEPT: Arizona Veterans' Service Commission  
 PROG: Veterans' Home

JLBC: Jennifer Vermeer  
 House Sub: Weiers

OSP: Rick Zelznak  
 Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	0.0	202.5	202.5	202.5	202.5	202.5
Personal Services	1,441,100	4,223,800	4,338,800	4,339,000	4,338,800	4,339,000
Employee Related Expenditures	406,700	1,153,600	1,103,500	1,104,700	1,113,300	1,113,300
All Other Operating Expenditures:						
Professional and Outside Services	1,100	45,500	45,500	45,500	45,500	45,500
Travel - In State	2,100	12,000	12,000	12,000	12,000	12,000
Travel - Out of State	2,900	2,200	2,200	2,200	2,200	2,200
Food	40,800	413,500	413,500	413,500	413,500	413,500
Other Operating Expenditures	483,500	1,562,600	1,754,000	1,750,300	1,754,000	1,750,300
Equipment	54,300	0	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>2,432,500</b>	<b>7,413,200</b>	<b>7,669,500</b>	<b>7,667,200</b>	<b>7,679,300</b>	<b>7,675,800</b>
<b>SPECIAL LINE ITEMS</b>						
Veterans' Home Subsidy	0	1,500,000	1,000,000	1,000,000	0	0
<b>PROGRAM TOTAL</b>	<b>2,432,500</b>	<b>8,913,200</b>	<b>8,669,500</b>	<b>8,667,200</b>	<b>7,679,300</b>	<b>7,675,800</b>
<b>BY FUND SOURCE</b>						
General Fund	2,428,800	1,500,000	1,000,000	1,000,000	0	0
Other Appropriated Funds	3,700	7,413,200	7,669,500	7,667,200	7,679,300	7,675,800
<b>TOTAL - ALL SOURCES</b>	<b>2,432,500</b>	<b>8,913,200</b>	<b>8,669,500</b>	<b>8,667,200</b>	<b>7,679,300</b>	<b>7,675,800</b>

**Program Description** — *The division operates and maintains a 200-bed nursing home for Arizona veterans. Construction of the State Veterans' Nursing Home on the Indian School land began in FY 1994 and opened in November of FY 1996.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$(500,000)	(33.3)%	\$(1,000,000)	(100.0)%
Other Appropriated Funds	254,000	3.4%	8,600	0.1%
Total Appropriated Funds	\$(246,000)	(2.8)%	\$991,400	(11.4)%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Daily Cost per Resident	\$101	\$101

**Risk Management** **187,700 OF**

**General Fund Subsidy** **(500,000) GF**  
 The JLBC Staff recommends reducing the General Fund subsidy from \$1,500,000 to \$1,000,000 in FY 1998 to supplement the operating costs of the Veterans' Home for FY 1998. The General Fund subsidy is the result of a supplemental appropriation made in FY 1997.

### FY 1998 — Recommended Changes from FY 1997

Standard Changes  
 Pay Annualization **132,600 OF**  
 ERE Rates **(66,300) OF**

## **Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

The Veterans' Home originally projected that it would be self-supporting by the end of FY 1997. However, due to a delayed opening, lagging patient census, and management problems, the Veterans' Home required a supplemental appropriation early in FY 1997. The appropriation was made to the Department of Administration (ADOA) to increase monitoring of the Home's fiscal management and included a requirement that ADOA and the Home report quarterly to the JLBC. To date, the Home is still unable to demonstrate that it will collect sufficient revenues and control costs in order to remain solvent in FY 1998, and may require additional General Fund monies for FY 1997 (see Other Issues for Legislative Consideration). In addition, many of the financial management problems identified in an Executive report issued at the time of the supplemental, especially those relating to controlling costs and collection of receivables, have not been fully addressed by the Home.

Thus, the JLBC Staff recommends an appropriation of \$1,000,000 from the General Fund to further subsidize the Home for FY 1998 and ensure that the Home will remain solvent. However, as was the case with the FY 1997 appropriation, the JLBC Staff recommends that the appropriation be made to ADOA with an accompanying requirement to report quarterly to the JLBC (see the recommended footnote below).

In addition, the JLBC Staff recommends that the Home pursue a Request For Information (RFI) through the state's procurement process to explore the possibility of privatizing the management of the Home. Privatization should be fully evaluated as an option considering that after over 1 year of operation the Home continues to face insolvency without support from the General Fund and significant financial management problems; and based on current trends, may face these problems throughout FY 1998.

The Executive concurs with the recommended \$1,000,000 from the General Fund appropriated to ADOA, but does not address either footnote.

### **FY 1999 — Recommended Changes from FY 1998**

#### **Standard Changes ERE Rates**

**8,600 OF**

**Eliminate General Fund Subsidy (1,000,000) GF**  
Eliminates all General Fund support for the Veterans' Home.  
The Executive concurs.

\* \* \*

**JLBC Staff Recommended Format — Lump Sum for the Program**

### **JLBC Staff Recommended Footnotes**

#### *New Footnotes*

The Department of Administration and the Veterans' Home shall jointly present a quarterly report on the revenues, expenditures and status of the Veterans' Home to the Joint Legislative Budget Committee for its review by October 31, 1997, January 31, 1998, April 30, 1998 and July 31, 1998. *(This footnote is recommended to increase legislative oversight of the financial management of the Veterans' Home. For further information see the General Fund Subsidy discussion above.)*

The Veterans' Home shall issue a request for information regarding the potential issuance of a request for proposal to privatize the management of the Veterans' Home. Prior to issuing a request for proposal, the Veterans' Home shall present a comprehensive report on the findings of the request for information to the Joint Legislative Budget Committee for its review. The request for information, report and request for proposal shall consider completing the transition to outside management of the Veterans' Home prior to June 30, 1998. *(This footnote is recommended due to ongoing financial management problems at the Veterans' Home. For further information see the General Fund Subsidy discussion above.)*

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

#### **Additional FY 1997 General Fund Support**

The Veterans' Home may require a supplemental appropriation from the General Fund in addition to the \$1,500,000 already appropriated for FY 1997. If the Home's current trend of withdrawals from the General Fund monies continues, the Home will be in deficit by the end of FY 1997 and will require a second supplemental appropriation to complete the year. At this time, the JLBC Staff is withholding a recommendation until it receives additional information on year-to-date expenditures. The Executive recommends a second supplemental appropriation for FY 1997 of \$600,000 from the General Fund.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Arizona State Veterinary Medical Examining Board

JLBC: Jim Rounds

OSPB: Christine Sato

House Sub: Knaperek

Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	3.0	3.5	3.5	3.5	3.5	3.5
Personal Services	104,100	125,300	127,700	127,700	127,700	127,700
Employee Related Expenditures	24,400	26,200	29,300	27,700	29,600	28,000
All Other Operating Expenditures:						
Professional and Outside Services	38,700	39,600	50,300	49,000	50,700	49,400
Travel - In State	5,000	11,100	11,100	11,100	11,100	11,100
Travel - Out of State	2,500	2,600	2,600	2,600	2,600	2,600
Other Operating Expenditures	11,200	12,300	12,700	12,400	10,900	10,900
Equipment	1,000	0	2,500	2,500	0	0
<b>AGENCY TOTAL</b>	<b>186,900</b>	<b>217,100</b>	<b>236,200</b>	<b>233,000</b>	<b>232,600</b>	<b>229,700</b>
<b>BY FUND SOURCE</b>						
Other Appropriated Funds	186,900	217,100	236,200	233,000	232,600	229,700
<b>TOTAL - ALL SOURCES</b>	<b>186,900</b>	<b>217,100</b>	<b>236,200</b>	<b>233,000</b>	<b>232,600</b>	<b>229,700</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.*

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$15,900	7.3%	\$(3,300)	(1.4)%

Performance Measure	FY 96	FY 97
	Actual	Estimate
Average Days to Issue License	60	60

**FY 1998 — Recommended Changes from FY 1997**

- Standard Changes
- Pay Annualization \$ 2,700 OF
- ERE Rates 1,200 OF
- Eliminate One-time Equipment (1,400) OF
- State Boards' Office Costs 5,000 OF

**Examination Services** 5,700 OF  
 This amount represents an increase of \$5,700 in Professional and Outside Services for an increase in the

rates charged by the vendor of veterinary examinations. The Executive concurs.

**Rules Revisions** 1,500 OF  
 This amount represents an increase of \$1,000 for printing and \$500 for postage of revised rules. The Executive recommends \$1,800 for rules revisions.

**Professional and Outside Services** (1,300) OF  
 This amount represents the elimination of base funding for temporary help. An additional 0.5 FTE Position was added in FY 1997 eliminating the need for temporary help. The Executive does not recommend the elimination of this funding.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

**Equipment** **2,500 OF**  
This amount reflects funding for 1 Pentium computer system. The agency was planning to use base funding for furniture and equipment to cover the costs of new computer equipment. The base funding for furniture and equipment is recommended for elimination, therefore additional monies are needed to purchase the computer equipment. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>ERE Rates</b>	<b>300 OF</b>
<b>Eliminate One-time Equipment</b>	<b>(2,500) OF</b>
<b>State Boards' Office Costs</b>	<b>400 OF</b>

**Other Operating Expenditures** **(1,500) OF**  
This amount reflects the elimination of one-time funding for printing and distributing revised rules. The Executive concurs.

\* \* \*

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

**JLBC Staff Recommended Footnotes**

*Standard Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the special agency fund pursuant to A.R.S. § 35-143.01 until June 30, 1999.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Department of Water Resources

JLBC: Chris Earnest  
House Sub: Knaperek

OSP: Bill Greeney  
Senate Sub: Huppenthal

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
<b>BY PROGRAM/ORGANIZATION</b>						
Administration	7,245,400	7,464,200	7,415,900	7,497,900	7,406,300	7,505,200
Surface Water Management	8,637,200	7,857,600	2,892,300	2,886,600	7,888,300	7,406,900
Groundwater Management	2,216,800	2,478,700	2,557,900	2,534,800	2,561,800	2,539,400
Hydrology	1,564,500	1,955,800	1,993,900	1,986,900	1,996,200	1,986,200
<b>AGENCY TOTAL</b>	<b>19,663,900</b>	<b>19,756,300</b>	<b>14,860,000</b>	<b>14,906,200</b>	<b>19,852,600</b>	<b>19,437,700</b>
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	217.2	217.2	214.7	214.7	214.7	214.7
Personal Services	6,844,900	7,068,100	7,203,200	7,201,500	7,203,200	7,201,500
Employee Related Expenditures	1,529,600	1,522,700	1,539,500	1,539,000	1,544,100	1,553,200
All Other Operating Expenditures:						
Professional and Outside Services	424,100	486,500	451,600	451,600	423,500	423,500
Travel - In State	289,200	220,800	220,800	220,800	220,800	220,800
Travel - Out of State	27,300	37,700	37,700	37,700	37,700	37,700
Other Operating Expenditures	3,754,200	2,525,100	2,561,100	2,561,100	2,589,200	2,589,200
Equipment	14,700	57,800	12,000	57,800	0	57,800
<b>OPERATING SUBTOTAL</b>	<b>12,884,000</b>	<b>11,918,700</b>	<b>12,025,900</b>	<b>12,069,500</b>	<b>12,018,500</b>	<b>12,083,700</b>
<b>SPECIAL LINE ITEMS</b>						
Indian Water Rights	70,800	98,100	97,100	97,200	97,100	97,300
Arizona Water Banking Authority	0	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Colorado River/CAP Study	45,800	50,000	50,000	50,000	50,000	50,000
Early Flood Warning System	73,900	90,000	90,000	90,000	90,000	90,000
Flood Control Development	48,700	50,000	50,000	50,000	50,000	50,000
Flood Warning System	196,400	196,600	196,600	196,600	196,600	196,600
Arizona Water Protection Fund	6,000,000	5,000,000	0	0	5,000,000	4,517,200
Hydrological Study	56,500	0	0	0	0	0
USGS Cooperative Agreement	287,800	352,900	350,400	352,900	350,400	352,900
<b>AGENCY TOTAL</b>	<b>19,663,900</b>	<b>19,756,300</b>	<b>14,860,000</b>	<b>14,906,200</b>	<b>19,852,600</b>	<b>19,437,700</b>
<b>BY FUND SOURCE</b>						
General Fund	19,663,900	19,756,300	14,860,000	14,906,200	19,852,600	19,437,700
Other Non-Appropriated Funds	10,388,600	29,716,800	15,551,200	15,551,200	12,383,400	12,383,400
Federal Funds	383,500	88,700	88,700	88,700	88,700	88,700
<b>TOTAL - ALL SOURCES</b>	<b>30,436,000</b>	<b>49,561,800</b>	<b>30,499,900</b>	<b>30,546,100</b>	<b>32,324,700</b>	<b>31,909,800</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

Dept: Department of Water Resources

**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.*

Change in Funding Summary:	<u>FY 1997 to FY 1998 JLBC</u>		<u>FY 1998 JLBC to FY 1999 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$(4,850,100)	(24.5)%	\$4,531,500	30.4%

Performance Measure	FY 96	FY 97
	<u>Actual</u>	<u>Estimate</u>
% of Arizona's Annual Water Entitlement Beneficially Used	70%	80%

**FY 1998 — Recommended Changes from FY 1997**

**Standard Changes**

Pay Annualization	\$151,400 GF
ERE Rates	(2,600) GF
Risk Management	1,100 GF
Rent	34,900 GF

**Water Protection Fund (5,000,000) GF**

The JLBC Staff recommends eliminating funding to the Arizona Water Protection Fund for FY 1998. This would result in a \$(5,000,000) decrease from the FY 1997 appropriation. Current law requires an annual \$5,000,000 appropriation to the fund, less any monies received from the sale or lease of Central Arizona Project water. The fund is administered by the Arizona Water Protection Fund Commission, which provides grants for projects to enhance water quality and quantity and to restore the habitat of rivers and streams. In FY 1996, the commission granted nearly \$2,000,000 for such programs and expects to grant over \$7,000,000 in FY 1997. Having made these grants, the fund would still have an approximate \$8,700,000 balance at the end of FY 1997. This balance would more than cover the expected \$5,000,000 to be granted in FY 1998. The reduction in funding to the commission will not adversely affect the current services provided by the Department of Water Resource. The JLBC Staff also recommends a session law statutory change to suspend the deposit to the fund in FY 1998 only. The Executive concurs.

**Change in Appropriated FTE Positions -0- GF**

The JLBC Staff recommends a decrease of (2.5) FTE Positions to reflect the actual amount of appropriated FTE

Positions for the agency. The decrease will not reduce the amount of services provided by the department. The Executive concurs.

**Professional and Outside Services (34,900) GF**

The recommended amount includes a reduction of \$(34,900) in Professional and Outside Services to reflect the actual needs of the department. The Executive concurs.

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

ERE Rates	14,300 GF
Rent	28,100 GF

**Professional and Outside Resources (28,100) GF**

The recommended amount includes a reduction of \$(28,100) in Professional and Outside Services to reflect the actual needs of the department. The Executive concurs.

**Water Protection Fund 4,517,200 GF**

The recommended amount includes an increase of \$4,517,200 to restore funding to the Arizona Water Protection Fund in FY 1999. The increase is the \$5,000,000 appropriation required by law, less any monies received from the sale or lease of Central Arizona Project (CAP) water. In FY 1997, \$482,800 was collected from the sale of CAP water. This amount is credited toward the FY 1999 appropriation. See footnote below. The Executive concurs but would appropriate \$5,000,000.

\* \* \*

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

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

### **JLBC Staff Recommended Footnotes**

#### *Modification of Prior Year Footnote (FY 1999 only)*

As authorized by A.R.S. § 45-2112B, any monies received from the lease or sale of Central Arizona Project water IN FISCAL YEAR 1997 OR FISCAL YEAR 1998 shall be deposited in the Arizona Water Protection Fund and an equal amount of the \$5,000,000 appropriated to the Water Protection Fund for fiscal year ~~1996-1997~~ 1999 shall revert to the General Fund.

### **JLBC Staff Recommended Statutory Changes**

The JLBC Staff recommends a session law provision to suspend the deposit of \$5 million from the General Fund into the Water Protection Fund for FY 1998. See policy issue for more information.

**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

DEPT: Department of Weights and Measures

JLBC: Jim Hillyard  
House Sub: Weiers

OSPB: Bret Cloninger  
Senate Sub: Wettaw

DESCRIPTION	FY 1996	FY 1997	FY 1998		FY 1999	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>						
General Services	1,379,700	1,349,400	1,335,700	1,353,000	1,337,400	1,304,900
Oxygenated Fuels	295,500	331,400	449,400	413,800	450,000	414,300
Vapor Recovery	257,400	255,400	251,800	243,600	252,400	244,000
Used Oil	51,600	0	0	0	0	0
<b>AGENCY TOTAL</b>	<b>1,984,200</b>	<b>1,936,200</b>	<b>2,036,900</b>	<b>2,010,400</b>	<b>2,039,800</b>	<b>1,963,200</b>
<b>OPERATING BUDGET</b>						
Full Time Equivalent Positions	42.0	40.0	40.0	40.0	40.0	40.0
Personal Services	1,043,700	1,067,300	1,098,600	1,090,400	1,098,600	1,090,400
Employee Related Expenditures	256,400	259,200	260,200	259,100	262,600	261,500
All Other Operating Expenditures:						
Professional and Outside Services	18,100	127,200	200,500	125,400	200,500	125,400
Travel - In State	134,800	125,300	157,500	176,300	157,500	176,300
Travel - Out of State	5,700	4,000	4,000	5,500	4,000	5,500
Other Operating Expenditures	493,600	353,200	316,100	303,700	316,600	304,100
Equipment	31,900	0	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>1,984,200</b>	<b>1,936,200</b>	<b>2,036,900</b>	<b>1,960,400</b>	<b>2,039,800</b>	<b>1,963,200</b>
<b>SPECIAL LINE ITEMS</b>						
Technical and Management						
Improvements	0	0	0	50,000	0	0
<b>AGENCY TOTAL</b>	<b>1,984,200</b>	<b>1,936,200</b>	<b>2,036,900</b>	<b>2,010,400</b>	<b>2,039,800</b>	<b>1,963,200</b>
<b>BY FUND SOURCE</b>						
General Fund	1,637,100	1,604,800	1,587,500	1,596,600	1,589,800	1,548,900
Other Appropriated Funds	347,100	331,400	449,400	413,800	450,000	414,300
<b>TOTAL - ALL SOURCES</b>	<b>1,984,200</b>	<b>1,936,200</b>	<b>2,036,900</b>	<b>2,010,400</b>	<b>2,039,800</b>	<b>1,963,200</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. In FY 1997, the Used Oil program was transferred to the Department of Environmental Quality. All programs investigate consumer complaints.



**Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations**

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$(8,200)	(0.5)%	\$(47,700)	(3.0)%
Other Appropriated Funds	82,400	24.9%	500	0.1%
Total Appropriated Funds	\$74,200	3.8%	\$(47,200)	(2.3)%

Performance Measure	FY 96 Actual	FY 97 Estimate
% of Inspected Devices Out of Compliance	7.0%	5.0%

**FY 1998 — Recommended Changes from FY 1997**

<b>Standard Changes</b>		
Pay Annualization	\$3,700 OF	\$22,400 GF
ERE Rates	(500) OF	(2,600) GF
Risk Management	(1,100) OF	-0- GF
Rent	(6,500) OF	(53,400) GF

**Base Adjustment 86,800 OF (24,600) GF**  
The recommended amount reflects a transfer of funds from the department's General Services and Vapor Recovery programs to the Oxygenated Fuel program. An analysis of the department's FY 1996 actual expenditures revealed surplus funding in the 2 former programs and a shortfall in the latter.

The department's request and subsequent appropriation for FY 1996 and FY 1997 seriously understated the funding required for the Oxygenated Fuel program. In FY 1997, this program was able to continue functioning within its existing appropriation due to a one-time barter agreement. In recent years, the department has contracted with a private company for fuel quality testing. As a result, the department did not need its fuel testing equipment. In FY 1996, after receiving approval from the Department of Administration, the department traded its octane testing engines to the company for \$219,000 in testing services in FY 1996 and FY 1997. These monies will no longer be available in FY 1998, requiring the addition of the \$86,800 of Other Fund monies recommended above. The Executive recommends an increase of \$43,600 in Other Funds but does not recommend any General Fund decrease.

**Technology & Management Improvements 50,000 GF**  
During the last year, the department contracted with consultants from the Southwest Performance Group (SPG) for a performance audit of the department's operations. SPG stressed the need for improvements in 2 areas.

First, SPG found ineffective management at several levels hampered the department's efficiency and effectiveness. In

particular, the audit stressed the need for better communication with and supervision of the department's inspectors. In the last 3 months, the department's Deputy Director, Budget Director, and Chief Enforcement Officer have all left. The Department's Director, therefore, has been given an opportunity to rebuild his management team and address these management deficiencies.

The second area SPG identified for improvement was the department's information systems. SPG found several examples of inefficient scheduling, insufficient data, and redundant data entry. A number of these problems could be addressed through better use of computer technology. As the majority of the department's key management positions have only been recently filled, however, the department has not had time to evaluate its options and develop a plan for addressing these information system deficiencies. As a result, the JLBC Staff recommends \$50,000 be appropriated to the department in a Technology and Management Improvements Special Line Item. After receiving the approval of Government Information Technology Agency (GITA) for any information systems changes, the department's new management team would present its plan for addressing these deficiencies to the JLBC for review prior to the expenditures of these monies. The Executive does not recommend this issue.

**FY 1999 — Recommended Changes from FY 1998**

<b>Standard Changes</b>		
ERE Rates	400 OF	2,000 GF
Rent	100 OF	300 GF

**Elimination of One-Time Funding (50,000) GF**  
The recommended amount reflects the elimination of the one-time "Technology and Management Improvements" funding recommended in FY 1998.

\* \* \*

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

## Joint Legislative Budget Committee - Fiscal Year 1998 and 1999 Budget - Analysis and Recommendations

### **JLBC Staff Recommended Footnotes**

#### *New Footnote*

The \$50,000 appropriated for Technology and Management Improvements in FY 1998 shall not be expended without the prior review of the Joint Legislative Budget Committee. *(As discussed in "Technology and Management Improvements" above, the department requires time to develop a plan for addressing its deficiencies. The recommended footnote would allow the JLBC to review this plan prior to any expenditures.)*

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

#### **Executive Recommendation**

The Executive recommends an additional \$73,300 of Air Quality Fund monies to fund proposed changes associated with the Governor's Clean Air Program. The proposed changes would establish new fuel standards and require the department to perform additional fuel quality tests. These additional requirements may require statutory changes. Additional funding would then normally be provided as part of the bill. As a result, the JLBC Staff has not recommended funding for this issue.

**CAPITAL OUTLAY BUDGET  
(CB)**

**FISCAL YEAR 1998**  
**CAPITAL OUTLAY BUDGET RECOMMENDATIONS**  
**BY THE STAFF OF THE JOINT COMMITTEE ON CAPITAL REVIEW**

**MEMBERS**

**SENATE**

Russell W. "Rusty" Bowers, Chairman  
Gus Arzberger  
Jack A. Brown  
James Henderson, Jr.  
John Huppenthal  
Marc Spitzer  
John Wettaw

**HOUSE**

Robert "Bob" Burns, Vice-Chairman  
Dean Cooley  
Lori S. Daniels  
Art Hamilton  
Herschella Horton  
Robert J. McLendon  
Barry Wong

**STAFF**

Ted A. Ferris, Director  
Richard Stavneak, Deputy Director  
Phil Case, Senior Fiscal Analyst  
Janet Belisle, Secretary/Clerk

**Joint Legislative Budget Committee - Fiscal Year 1998 Capital Budget - Analysis and Recommendations**

Capital Outlay  
Summary

JLBC: Phil Case  
JCCR Chair: Bowers

OSPB: Tom Betlach  
JCCR Vice-Chair: Burns

DESCRIPTION	FY 1997 APPROP.	FY 1998			
		REQUEST	CIP	OSPB	JLBC
<b>BUILDING RENEWAL</b>					
ADOA Building System	5,826,700	13,735,700	13,735,700	7,391,800	8,508,300
ADOT Building System	1,460,100	1,461,200	1,461,200	746,500	746,500
ABOR Building System	11,482,000	29,558,000	29,558,000	14,779,100	14,779,100
<b>SUBTOTAL</b>	<b>18,768,800</b>	<b>44,754,900</b>	<b>44,754,900</b>	<b>22,917,400</b>	<b>24,033,900</b>
<b>ADVANCE APPROPRIATIONS</b>					
ADOA Building System	21,000,000	62,220,000	62,220,000	62,220,000	61,193,800
ADOT Building System	6,400,000	3,200,000	3,200,000	3,200,000	3,200,000
ABOR Building System	2,000,000	0	0	0	0
<b>SUBTOTAL</b>	<b>29,400,000</b>	<b>65,420,000</b>	<b>65,420,000</b>	<b>65,420,000</b>	<b>64,393,800</b>
<b>NEW PROJECTS</b>					
ADOA Building System	64,717,800	202,920,000	23,279,500	2,435,000	27,636,500
ADOT Building System	257,300,700	267,681,800	267,681,800	400,629,800	275,623,500
ABOR Building System	0	186,687,200	0	0	0
<b>SUBTOTAL</b>	<b>322,018,500</b>	<b>657,289,000</b>	<b>290,961,300</b>	<b>403,064,800</b>	<b>303,260,000</b>
<b>TOTAL - ALL PROJECTS</b>	<b>370,187,300</b>	<b>767,463,900</b>	<b>401,136,200</b>	<b>491,402,200</b>	<b>391,687,700</b>
<b>FUND SUMMARY</b>					
General Fund	97,493,200	489,746,800	128,358,000	84,678,400	86,982,800
Other Appropriated Funds	272,694,100	277,717,100	272,778,200	406,723,800	304,704,900
<b>TOTAL - ALL SOURCES</b>	<b>370,187,300</b>	<b>767,463,900</b>	<b>401,136,200</b>	<b>491,402,200</b>	<b>391,687,700</b>

**Description** — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, or enhance the state's capital stock which includes office buildings, service centers, residential treatment centers, state parks, prisons, highways, and other facilities which support the missions of the various state agencies. For the purposes of capital management and planning, the state is divided into 3 building systems, the Arizona Department of Administration (ADOA) Building System, the Arizona Department of Transportation (ADOT) Building System, and the Arizona Board of Regents (ABOR) Building System. Capital appropriations are typically made through the annual Capital Outlay Bill, but may be made through other bills as well.

**FY 1998 - JLBC Staff Recommendations**

**Building Renewal \$4,044,100 OF \$19,989,800 GF**  
The recommended amounts are based on 50% funding of the General Fund and Highway Fund portions of the building renewal formula, and 100% funding of the remaining Other Funds portion. While the 50% funding is at the same percentage as FY 1997, the amounts are roughly 30% higher since the JLBC Staff has agreed to utilize revised formula calculations. The JLBC Staff also recommends that up to 25% of building renewal monies be available for projects to

comply with the Americans with Disabilities Act (ADA) and for infrastructure repair and major maintenance. An additional \$1,000,000 GF is included to address deferred infrastructure maintenance. (See the Building Renewal write-up for more information.)

**Advance Appropriations 493,800 OF 63,900,000 GF**  
The recommended amounts were appropriated in prior legislative sessions. For FY 1998, the JLBC Staff recommends retaining \$60,700,000 GF for new Department of Corrections and Department of Juvenile Corrections beds,

## Joint Legislative Budget Committee - Fiscal Year 1998 Capital Budget - Analysis and Recommendations

\$3,200,000 GF for the extension of the Davis-Monthan Air Force Base runway, and \$493,800 OF for the renovation of the Old Capitol Building. The JLBC Staff also recommends moving the \$1,000,000 GF advance appropriation for Clifton Flood Control to FY 1997 as a supplemental appropriation. (See the ADOA building system write-up and the ADOT Building System write-up for more information.)

### **New Projects                    300,167,000 OF            3,093,000 GF**

The recommended amounts would fund projects worth \$27,636,500 within the ADOA building system and projects worth \$275,623,500 for ADOT. (See the ADOA building system write-up and the ADOT building system write-up for more information.)

\* \* \*

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

#### **University Bonding Authority**

Laws 1996, Chapter 334 authorized ABOR to issue up to \$245,400,000 in revenue bonds for the universities under its jurisdiction. Chapter 334 requires ABOR to submit a multi-year bonding plan to the Joint Committee on Capital Review (JCCR) for its review and to the Governor's Office for comment. Additionally, specific projects must appear on the plan, receive JCCR approval, and be given to the Governor's Office for comment before bonds are issued.

At its October 1996 meeting, the JCCR had significant concerns with the initial bonding plan submitted by ABOR and deferred action pending the receipt of additional information. The Governor's Office also had significant concerns with the plan. Furthermore, ABOR has created an external review committee to give a critique of the plan.

The JLBC Staff believes that the \$245,400,000 in bonding authority will adequately address most of the universities' capital funding needs for the next few years, with the exception of building renewal appropriations. The universities' major needs are in new campus construction, building renovation and adaptive reuse, and infrastructure repair.

#### **Lease-Purchase Facilities**

ADOA, the Industrial Commission, Arizona State University, Northern Arizona University, and the University of Arizona have entered into lease-purchase agreements for the acquisition and construction of state facilities. The table below provides information related to state lease-purchase agreements as of December 31, 1996. The General Fund and Other Appropriated Fund amounts are included in agency budgets to make the required FY 1997 lease-purchase payments.

<b>Lease-Purchase Summary</b>		
<u>Project-Year</u>	<u>Original Issue</u>	<u>FY 1998 Payment</u>
<u>ADOA Building System</u>		
ENSCO- 1991	\$55,080,000	\$4,585,600
Revenue Building - 1992	26,919,000	2,121,400
DES Group Homes - 1992	3,420,500	271,200
16th Ave. Parking - 1992	5,390,000	382,800
Courts Building -1992	40,440,000	3,419,200
Historical Museum - 1992	13,665,000	1,260,000
ASDB Food Service - 1992	3,765,000	379,800
DES West - 1992	36,205,000	3,014,200
Tucson Office Building - 1992	22,365,000	2,167,900
Capital Center - 1992	20,845,000	1,715,600
Welcome Center - 1992	490,000	65,100
Distressed Properties - 1992	15,625,000	2,281,900
DOC 1,450 Beds - 1993	44,770,000	12,014,200
Game & Fish Offices -1993	2,927,300	157,200
Records Management - 1993	2,441,900	186,600
Library for the Blind -1993	1,405,100	108,300
ASDB Projects - 1993	15,811,200	1,200,900
1616 West Adams - 1993	8,020,900	607,900
Tonto Natural Bridge -1993	4,721,900	354,900
DOC 768 Beds - 1994	44,370,000	12,420,100
AHCCCS Buildings -1995	12,000,000	1,674,000
Subtotal - ADOA	<u>\$380,677,800</u>	<u>\$50,388,800</u>
Industrial Commission	17,000,000	1,250,000
<u>ABOR Building System</u>		
Arizona State University	67,120,000	5,892,000
Northern Arizona State University	1,733,400	132,000
University of Arizona	75,153,300	7,141,000
Subtotal - Universities	<u>\$144,006,700</u>	<u>\$13,165,000</u>
<b>TOTAL</b>	<u><b>\$541,684,500</b></u>	<u><b>\$64,803,800</b></u>

#### **Bonding Summary**

ABOR, on behalf of the universities; the ADOT, and the Arizona Power Authority have issued revenue bonds to acquire and construct facilities and to purchase equipment. Bonding levels and issuances for the universities are authorized by the Legislature. The table below summarizes the state's outstanding bonds as of June 30, 1996.

**Joint Legislative Budget Committee - Fiscal Year 1998 Capital Budget - Analysis and Recommendations**

<b>Bonding Summary</b>		
<u>Issuing Entity</u>	<u>Original Issue</u>	<u>FY 1998 Payment</u>
<b>ABOR Building System</b>		
Arizona State University	\$267,866,000	\$22,482,000
Northern Arizona University	126,630,000	10,096,000
University of Arizona	284,295,000	24,296,700
Subtotal - ABOR	\$678,791,000	\$56,874,700
Department of Transportation	652,500,000	76,672,900
Arizona Power Authority	79,105,000	5,416,300
<b>TOTAL</b>	<b>\$1,410,396,000</b>	<b>\$138,963,900</b>

**Joint Legislative Budget Committee - Fiscal Year 1998 Capital Budget - Analysis and Recommendations**

Capital Outlay Building Renewal		JLBC: Phil Case JCCR Chair: Bowers		OSPB: Tom Betlach JCCR Vice-Chair: Burns		
DESCRIPTION	AGENCY	FY 1997 APPROP.	FY 1998			
			REQUEST	CIP	OSPB	JLBC
<b>BUILDING SYSTEM</b>						
Arizona Department of Administration	ADOA	5,826,700	13,735,700	13,735,700	7,391,800	8,508,300
Arizona Department of Transportation	ADOT	1,460,100	1,461,200	1,461,200	746,500	746,500
Universities	ABOR	11,482,000	29,558,000	29,558,000	14,779,100	14,779,100
<b>TOTAL</b>		<b>18,768,800</b>	<b>44,754,900</b>	<b>44,754,900</b>	<b>22,917,400</b>	<b>24,033,900</b>
<b>BY FUND SOURCE</b>						
General Fund	ADOA, ABOR	14,893,300	42,068,000	42,068,000	19,078,400	19,989,800
Capital Outlay Stabilization Fund	ADOA	1,500,000	0	0	2,000,000	2,000,000
Coliseum and Exposition Center Fund	Coliseum	721,500	902,900	902,900	902,900	902,900
Game and Fish Fund	Game & Fish	178,100	212,600	212,600	168,000	212,600
State Lottery Fund	Lottery	15,800	21,600	21,600	21,600	21,600
SAMHC Building Renewal Fund	DHS	0	88,600	88,600	0	160,500
State Highway Fund	ADOT	1,428,400	1,429,500	1,429,500	714,800	714,800
State Aviation Fund	ADOT	31,700	31,700	31,700	31,700	31,700
<b>TOTAL- ALL SOURCES</b>		<b>18,768,800</b>	<b>44,754,900</b>	<b>44,754,900</b>	<b>22,917,400</b>	<b>24,033,900</b>
<b>FUND SUMMARY</b>						
General Fund		14,893,300	42,068,000	42,068,000	19,078,400	19,989,800
Other Appropriated Funds		3,875,500	2,686,900	2,686,900	3,839,000	4,044,100
<b>TOTAL - ALL SOURCES</b>		<b>18,768,800</b>	<b>44,754,900</b>	<b>44,754,900</b>	<b>22,917,400</b>	<b>24,033,900</b>

**Description** — *Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. Pursuant to Laws 1986, Chapter 85, the appropriations are based on support of a formula determined by the Joint Committee on Capital Review (JCCR). The formula takes into account the replacement value, age, and life-cycle of a building. Building Renewal involves the repair and reworking of a building, including the upgrading of systems which will result in maintaining a building's expected useful life. Building Renewal funds may not be used for new construction, area beautification, infrastructure that was not capitalized as part of the original cost of a building, routine maintenance, new paving, or demolition and removal of buildings. Available appropriations are administered by the Arizona Department of Administration (ADOA), the Arizona Board of Regents (ABOR), and the Arizona Department of Transportation (ADOT) for their respective building systems. Appropriations for Building Renewal are from a variety of fund sources including the General Fund.*

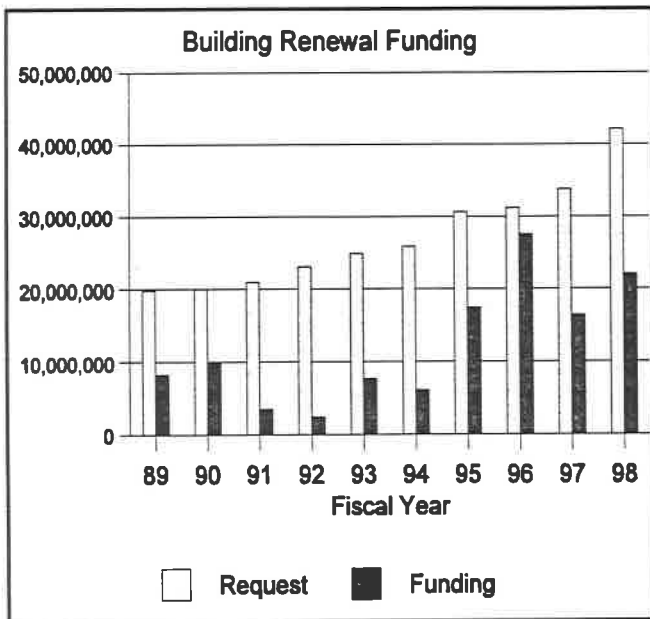
**FY 1998 - JLBC Staff Recommendations**

**Building Renewal \$4,044,100 OF \$18,989,800 GF**  
 The recommended amounts represent 50% funding of the General Fund and Highway Fund portions of the formula. The 50% funding recommendation includes \$2,000,000 from the Capital Outlay Stabilization Fund (COSF). The recommended amounts also include 100% funding for all remaining funds. The JLBC Staff recommends an additional appropriation of \$79,900 above 100% funding from the Southern Arizona Mental Health Center (SAMHC) Building

Renewal Fund because no appropriation was made for FY 1997. Laws 1996, Chapter 287 privatized SAMHC and created the building renewal fund; however, no appropriation was made from the fund for FY 1997.

If appropriated, the recommended General Fund amount would represent the second highest appropriation ever for building renewal (see graph below).





Including the extra \$1,000,000 for infrastructure (see following Program Authorization Review (PAR) recommendation), the recommended support level for ADOA's General Fund portion of the formula is 57%. However, because of 2 important changes, the percentage level of support for the formula may no longer be useful for making comparisons to past years. First, this year the JLBC Staff has recognized a change in the method for calculating the formula amounts. A 20% factor has been added to the replacement cost of each building for indirect costs such as design, construction management, and site work. This adjustment will increase the amount generated by the formula but should better reflect the true replacement value of the state's assets. Second, as discussed in more detail below, the JLBC Staff recommends that building renewal be used for infrastructure repair. This would expand the use of building renewal and change the significance of any particular funding percentage.

**ADA Compliance -0- OF -0- GF**

In order to provide the building systems with flexibility to meet Americans with Disabilities Act (ADA) requirements, the JLBC Staff recommends a continuation of the session law provision in the Omnibus Reconciliation Bill (ORB) and Capital Outlay Bill which allows the use of up to 25% of building renewal monies for building modifications to meet ADA requirements. However, we also recommend that this 25% be available for infrastructure repairs (see following PAR recommendation). For FY 1997, ADOA is expecting to expend approximately 15% of building renewal on ADA projects. With the most critical ADA projects being completed first, the requirement should continue to diminish.

**1 Program Authorization Review — Infrastructure Repair and Major Maintenance 1,000,000 GF**  
 The JLBC and OSPB Staffs conducted a Program Authorization Review of the Facilities

Management program during the last year. As a result of that review, the JLBC Staff recommends modifying the program. The review demonstrated that the Facilities Management program is hampered by a statutory restriction on the expenditure of building renewal monies for infrastructure repair. Currently, infrastructure can qualify for building renewal monies only if it was financed as part of the original construction cost of a building. It is inefficient to exclude this portion of state capital assets from the standard prioritization and planning process, especially where life/safety issues are concerned.

FY 1998 requests for building renewal and infrastructure funding within the ADOA building system reflect the condition of the state's infrastructure. The total value of FY 1998 building renewal requests is \$18,505,800. An additional \$10,291,800 is requested for infrastructure repair or replacement, but is currently not eligible for building renewal. The JLBC Staff recommends a session law change to allow building renewal appropriations to be used for infrastructure repair and replacement. The JLBC Staff further recommends that ADOA seek the necessary permanent statutory changes to accomplish this same objective. In order to retain an emphasis on building repair and maintenance, the JLBC Staff recommends that the Legislature annually consider the infrastructure requests for building renewal funding and limit such expenditures in the Capital Outlay Bill to a percentage of the total building renewal appropriation.

For FY 1998, the JLBC Staff recommends a Capital Outlay Bill footnote limiting infrastructure projects to no more than 25% of building renewal. Requests for infrastructure repair total about 40% of the amount requested for building renewal and infrastructure; however, we believe that the building renewal program should maintain an emphasis on building repairs over infrastructure. To help address the backlog of infrastructure repair, the JLBC Staff includes an additional \$1,000,000 GF in its building renewal recommendation for the ADOA building system. We recommend a Capital Outlay Bill footnote stating that \$1,000,000 GF of the building renewal appropriation for the ADOA system is to be devoted to infrastructure replacement and repair. This amount would be in addition to the 25% available for ADA compliance and infrastructure.

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

## Joint Legislative Budget Committee - Fiscal Year 1998 Capital Budget - Analysis and Recommendations

### **JLBC Staff Recommended Footnotes**

#### *New Footnotes*

Of the monies appropriated for building renewal, 25% or less may be spent for state building modifications to comply with the Americans with Disabilities Act or for infrastructure replacement and repair. *(This footnote would allow agencies to address all building needs in a more comprehensive manner.)*

Of the General Fund monies appropriated to ADOA for building renewal, \$1,000,000 is to be devoted to infrastructure replacement and repair. *(This footnote would allow ADOA to address deferred infrastructure maintenance.)*

### **JLBC Staff Recommended Statutory Changes**

The JLBC Staff recommends language permitting the use of building renewal monies for state building modifications to comply with the ADA and for infrastructure replacement and repair.

**Joint Legislative Budget Committee - Fiscal Year 1998 Capital Budget - Analysis and Recommendations**

Capital Outlay  
Arizona Department of Administration Building System

JLBC: Phil Case  
JCCR Chair: Bowers

OSPB: Tom Betlach  
JCCR Vice-Chair: Burns

DESCRIPTION	AGENCY	FUND	FY 1998			
			REQUEST	CIP	OSPB	JLBC
<b>ADVANCE APPROPRIATIONS</b>						
Southwest Regional Prison	ADOA	General Fund	56,100,000	56,100,000	56,100,000	56,100,000
Southwest Regional Juvenile Facility	ADOA	General Fund	4,600,000	4,600,000	4,600,000	4,600,000
Clifton Flood Control	DEMA	General Fund	1,000,000	1,000,000	1,000,000	0
Old Capitol Renovation	Leg. Council	LEJ Land	520,000	520,000	520,000	493,800
<b>SUBTOTAL</b>			<b>62,220,000</b>	<b>62,220,000</b>	<b>62,220,000</b>	<b>61,193,800</b>
<b>NEW PROJECTS</b>						
State Health Laboratory	ADOA	Tobacco Tax	15,840,000	15,840,000	<sup>1/</sup>	14,800,000
Arizona State Hospital - Phase I	ADOA	Tobacco Tax	0	0	0	8,000,000
Design Capitol Mall Office Building	ADOA	General Fund	1,600,000	1,600,000	0	1,100,000
Black Canyon School Education	ADOA	General Fund	546,300	0	0	300,000
ASPC-Douglas Waste Water	ADOA	General Fund	2,500,000	2,500,000	0	300,000
Underground Fuel Storage Tanks	ADOA	General Fund	850,000	850,000	500,000	400,000
ASP-Fort Grant Waste Water	ADOA	General Fund	463,000	0	0	463,000
DPS Remote Officer Housing	DPS	General Fund	400,000	400,000	0	200,000
Show Low Campus	Comm. Col.	General Fund	200,000	200,000	200,000	200,000
Sharlott Hall Museum Land Acquisition	PHS	General Fund	130,000	0	0	130,000
Game and Fish Facilities Improvements	Game & Fish	Game & Fish	174,500	174,500	130,000	138,500
Shooting Range Development	Game & Fish	Game & Fish	115,000	115,000	50,000	50,000
Migratory Waterfowl Development	Game & Fish	Waterfowl	100,000	100,000	100,000	100,000
Game and Fish Tucson Office Expansion	Game & Fish	Cap. Improv.	400,000	400,000	355,000	355,000
Game and Fish Lease-Purchase Payoff	Game & Fish	Game & Fish	1,100,000	1,100,000	1,100,000	1,100,000
<b>SUBTOTAL</b>			<b>24,418,800</b>	<b>23,279,500</b>	<b>2,435,000</b>	<b>27,636,500</b>
<b>TOTAL - ALL PROJECTS <sup>2/</sup></b>			<b>86,638,800</b>	<b>85,499,500</b>	<b>64,655,000</b>	<b>88,830,300</b>
<b>FUND SUMMARY</b>						
General Fund			84,229,300	83,090,000	62,400,000	63,793,000
Other Appropriated Funds			2,409,500	2,409,500	2,255,000	25,037,300
<b>TOTAL - ALL SOURCES</b>			<b>86,638,800</b>	<b>85,499,500</b>	<b>64,655,000</b>	<b>88,830,300</b>

<sup>1/</sup> The Executive recommends lease-purchase financing for the State Health Laboratory.

<sup>2/</sup> The total request for all projects, including those not shown, was \$202,920,000.

**Description** — The Arizona Department of Administration (ADOA) Building System is comprised of buildings controlled by all state agencies except the Arizona Board of Regents and Arizona Department of Transportation. Capital appropriations may be made directly to an agency within the system, to ADOA on behalf of an agency, or to ADOA for the entire system. The following recommendations for FY 1998 are for specific projects within the building system but do not include building renewal projects. Appropriations for ADOA Building System projects may be from the General Fund or Other Funds.

**Joint Legislative Budget Committee - Fiscal Year 1998 Capital Budget - Analysis and Recommendations**

**FY 1998 - JLBC Staff Recommendations**

**Advance Appropriations \$493,800 OF \$60,700,000 GF**

A total of \$61,700,000 GF and \$520,000 OF was appropriated to agencies within the ADOA Building System for capital projects in FY 1998 by bills from prior legislative sessions. Since these appropriation have already been enacted into law, they would not be included in the FY 1998 Capital Outlay Bill.

Laws 1996, Chapter 312 appropriated a total of \$2,000,000 GF over 2 years, including \$1,000,000 in FY 1998, for the Clifton Flood Control project. The JLBC Staff recommends amending Laws 1996, Chapter 312 to move the \$1,000,000 appropriated in FY 1998 to FY 1997. This would require a FY 1997 supplemental appropriation of \$1,000,000 GF but would not increase the overall cost of the project. The funding shift is necessary to accelerate the project so that the purchase and demolition of homes standing in the floodplain may be accomplished before the nearest landfill is closed. (See the Department of Emergency and Military Affairs agency write-up for more information.) The Executive does not recommend this funding shift.

The FY 1997 Capital Outlay Bill appropriated \$1,400,000 in FY 1997 from the Legislative, Executive, and Judicial Land Fund and the fund's FY 1998 through FY 2000 revenues for the renovation of the Old Capitol Building. The FY 1998 fund revenues are now estimated to be \$493,800. The JLBC Staff recommends retaining the FY 1998 appropriation for the Old Capitol Building. The Executive concurs.

Laws 1996, Chapter 337, in combination with Chapter 2, 5th Special Session, appropriated \$141,100,000 to ADOA over 3 years to design and construct 4,150 beds at the Southwest Regional Prison Complex and \$13,200,000 over 2 years to construct the first 200 beds at the Southwest Regional Juvenile Facility. The following table summarizes the appropriations.

<b>SW Regional Prison and Juvenile Complex Advance Appropriations</b>				
	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>Total</u>
SW Regional Juv. Facility	\$ 8,600,000	\$ 4,600,000	\$ 0	\$ 13,200,000
SW Regional Prison	<u>43,900,000</u>	<u>56,100,000</u>	<u>41,100,000</u>	<u>141,100,000</u>
<b>TOTAL</b>	<b>\$52,500,000</b>	<b>\$60,700,000</b>	<b>\$41,100,000</b>	<b>\$154,300,000</b>

The JLBC Staff recommends retaining the FY 1998 appropriations to complete the projects. The Executive concurs.

**State Health Laboratory**

**14,800,000 OF**

The existing health laboratory is overcrowded, unsafe, and obsolete. To address this, the FY 1995 Capital Outlay Bill appropriated \$1,600,000 GF to ADOA for land acquisition and design of a new State Health Laboratory. However, instead of purchasing land, the new lab will be located on the corner of 18th Avenue and Monroe, directly behind the existing Department of Health Services (DHS) building. The schematic designs for the new lab received a favorable review from the Joint Committee on Capital Review (JCCR) in December 1995. At that time, ADOA estimated that an additional \$14,400,000 would be needed for construction; however, the department is now requesting \$15,840,000 for construction. The JLBC Staff recommends an additional \$400,000 in inflation funding above the \$14,400,000 construction estimate last reviewed by the JCCR. The JLBC Staff recommendation includes 1 FTE Position and \$50,000 per year for Personal Services and Employee Related Expenditures to oversee the project until its completion. (See the Project-Specific FTE Positions Policy Issue for more information.) The Executive recommends project funding of \$15,840,000 to be funded through a 5-year lease-purchase issue. Annual payments would be approximately \$3,800,000, or roughly \$19,000,000 for the 5-year period versus our recommendation of \$14,800,000, "pay-as-you-go."

The JLBC Staff's recommended fund source for the project is the Tobacco Tax Fund. Since this fund finances a wide range of health programs in the state, the Tobacco Tax monies represent a logical funding source for this project. In addition, the Tobacco Tax Fund has a substantial surplus, but current revenues match current expenditures. As a result, one-time projects such as the State Health Laboratory would help reduce the existing one-time balance of funds without committing the funding of on-going operations to one-time revenue source (the surplus). The JLBC Staff recommends a session law change to specifically authorize the use of Tobacco Tax monies for the laboratory.

**Arizona State Hospital - Phase I**

**8,000,000 OF**

Based on a recommendation of the Legislature's Interim Committee on State Assets, the FY 1996 Capital Outlay Bill appropriated \$2,000,000 GF to ADOA to study and design a new Arizona State Hospital (ASH), located at 24th Street and Van Buren in Phoenix. The existing facility is deteriorating and inefficient. With a favorable review from the JCCR, ADOA was authorized to expend \$470,000 from the appropriation to prepare schematic designs and to demolish an abandoned building at ASH. Updated cost estimates from the schematic designs indicate that the construction of a new 176-bed ASH facility will cost \$27,565,000.

The JLBC Staff recommends \$8,000,000 from the Tobacco Tax Fund to finance the demolition, sitework, and utility development phase of the project. The JLBC Staff

**Joint Legislative Budget Committee - Fiscal Year 1998 Capital Budget - Analysis and Recommendations**

recommends an advance appropriation of \$19,565,000 from the Tobacco Tax Fund for FY 1999 to complete construction. As with the State Health Laboratory, the JLBC Staff recommends a session law change to specifically authorize the use of Tobacco Tax monies for ASH construction costs. (See the State Health Laboratory Policy Issue above for a further discussion of the use of Tobacco Tax monies.) The JLBC Staff recommendation includes 1 FTE Position and \$50,000 per year for Personal Services and Employee Related Expenditures to oversee the project until its completion. (See the Project-Specific FTE Positions Policy Issue for more information.) The Executive does not recommend this issue.

**Project-Specific FTE Positions      -0- OF                      -0- GF**

In order to better track the number of FTE Positions involved in capital projects, language has been added since FY 1995 to the Capital Outlay Bill prohibiting the expenditure of monies for Personal Services and Employee Related Expenditures, except where specified in the bill. The following table lists FTE Positions previously authorized that are expected to continue to be required in FY 1998 and new FTE Positions recommended for FY 1998. Monies for the new FY 1998 FTE Positions are included in the related project recommendation (see project write-ups for more information.)

<b>ADOA Project-Specific FTE Positions</b>		
<u>Project</u>	<u>FTE Positions</u>	<u>Personal Services and ERE</u>
<u>FY 1996 Bills</u>		
800 Level IV Prison Beds - Yuma	4.0	\$187,200
SW Regional Prison Master Plan	1.0	46,800
<u>FY 1997 Bills</u>		
SW Regional Prison Construction	16.0	748,800
SW Juvenile Complex	2.0	93,600
<u>FY 1998 Recommendations</u>		
State Health Laboratory	1.0	50,000
New Arizona State Hospital	<u>1.0</u>	<u>50,000</u>
<b>TOTAL</b>	<b>25.0</b>	<b>\$1,176,400</b>

The JLBC Staff also recommends a Capital Outlay Bill footnote requiring ADOA to report on the status of these project-specific FTE Positions as part of its annual capital budget request. The Executive does not address the issue of project-specific FTE Positions.

**1 Program Authorization Review — Design Capitol Mall Office Building                      1,100,000 GF**

The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of ADOA's Facilities Management program during the last year. As a result of that review, the JLBC Staff recommends modifying the program by constructing additional state-owned office space on the Capitol Mall. Although not directly tied to a finding, the PAR demonstrated the need for additional building space on the Phoenix Capitol Mall. From FY 1993 to FY 1996, the amount of private lease space occupied by state agencies has grown from 1,896,900 square feet to 2,327,000 square feet. The total cost of this space has increased from \$21,867,000 to \$28,737,500.

The JLBC Staff recommends an appropriation of \$1,100,000 GF to ADOA to design a new office building on the Capitol Mall. The JLBC Staff recommends consideration of 2 sites. The first site is north of Washington Street between 10th and 12th Avenues. Use of this location would improve the connection of the Mall to downtown Phoenix and would not crowd the Capitol Building area as compared to sites further west. The site could accommodate an office building as large as 200,000 square feet and would require an above-ground parking structure to provide adequate parking. The second site is a surface parking lot due west of the Mines and Minerals Museum. This site would provide a compliment to the Courts Building and would remove one of the few parking lots directly visible from Washington Street. The site could accommodate a large office building and would also require an above-ground parking structure nearby to replace the lost parking. In order to determine the site of the building and its occupants, the JLBC Staff recommends a Capital Outlay Bill footnote to require ADOA to present the advantages and disadvantages of the 2 sites to the JCCR for its review prior to the expenditure of monies for design. Input from the Governmental Mall Commission should also be sought. The Executive does not recommend funding for the design of a new Capitol Mall building.

As a potential financing mechanism for the building's construction, the JLBC Staff recommends that ADOA sell up to 4 "distressed properties" buildings acquired in 1992. These buildings were acquired at 40% or less of their estimated replacement value and should generate a healthy capital gain when resold in the improved real estate market. The JLBC Staff also recommends a Capital Outlay Bill footnote requiring ADOA to report to the JCCR its recommendations for selling or retaining the "distressed properties" buildings.

**Black Canyon School Education                      300,000 GF**

The FY 1996 Capital Outlay Bill appropriated \$1,500,000 GF to ADOA to construct a 48-bed addition to the Department of Juvenile Correction's (DJC) Black Canyon School (located at I-17 and Happy Valley Road in Phoenix).

## Joint Legislative Budget Committee - Fiscal Year 1998 Capital Budget - Analysis and Recommendations

However, the appropriation was insufficient to construct the necessary permanent education space to serve the new beds. At the March 1996 meeting of the JCCR, the Committee directed ADOA to use a portion of the appropriation to design permanent structures, while temporary buildings were used in the interim. The JLBC Staff recommends \$300,000 to construct a 3,500 square foot addition to the existing education building. The Executive does not recommend this issue.

### **ASPC-Douglas Waste Water 300,000 GF**

The recommended amount would fund the design of waste water treatment plant (WWTP) improvements at the Arizona State Prison Complex at Douglas. The current WWTP, once operated by Cochise County but now operated by the Department of Corrections, is under a federal court consent decree to close or be brought up to approved standards. ADOA requests \$2,500,000 to design and construct a sewage pipeline to the City of Douglas's WWTP. However, the feasibility and cost of this approach is not entirely clear. Recently, the JCCR gave a favorable review of ADOA's plan to expend \$120,000 from an existing appropriation for a study to refine the plan. The JLBC Staff recommends a footnote to require ADOA to present the results of the study to the JCCR for its review prior to the expenditure of any design monies. The Executive does not recommend this issue.

### **Underground Fuel Storage Tanks 400,000 GF**

Federal regulations require all fuel storage tanks to have leak detection systems and other safety features in place by January 1999. ADOA has identified 20 state-owned underground tanks which must be removed and at least 3 tanks which must be replaced with above-ground tanks. The department requests \$850,000 to complete the work. If appropriated, the recommended amount should be used for the highest priority tanks, where the possibility of leakage is greatest or where there is a continuing need for a tank. The Executive recommends \$500,000 for this issue.

### **ASP-Fort Grant Waste Water 463,000 GF**

The recommended amount would correct the waste water treatment system's deficiencies at the Arizona State Prison at Fort Grant. The project would drain the 3 existing treatment tanks, repair the tanks, and install a new aeration system to properly treat the sewage. The existing waste water treatment system is out of compliance with environmental standards. The Executive does not recommend this issue.

### **DPS Remote Officer Housing 200,000 GF**

The recommended amount would provide for the purchase and installation of 3 single-family housing units to improve housing for Department of Public Safety (DPS) officers in remote portions of the state, where housing is scarce. The Legislature has appropriated \$1,320,000 for this purpose over the last 6 fiscal years. If appropriated, the recommended

amount would provide homes at Salome (on I-40 between Williams and Kingman). The Executive does not recommend this issue.

### **Show Low Campus 200,000 GF**

The recommended amount represents the fifth, and final, \$200,000 installment of the state's 5-year commitment to provide matching funds for construction of the Show Low Campus of Navajo Community College (Northland Pioneer). The Executive concurs.

### **Sharlott Hall Museum Land Acquisition 130,000 GF**

The recommended amount is in addition to \$260,000 appropriated for FY 1997. The actual purchase price for the 0.3 acres of land with improvements has risen to \$420,000. The non-profit Sharlott Hall Historical Society is providing \$30,000 for the acquisition plus an additional \$10,000 for closing costs and other miscellaneous expenses. The development and operations of the new facilities will be funded from private and museum-controlled monies. The Executive does not recommend this issue.

### **Game and Fish Facilities Improvements 138,500 OF**

The Arizona Game and Fish Department requests \$174,300 from the Game and Fish Fund for "Statewide Facilities Maintenance;" however, the JLBC Staff believes that the projects are better characterized as facilities improvements. The recommended amount would address the following projects: 1) completion of paving at the Deer Valley complex (\$40,000); 2) an engineering study to connect the Kingman Regional Office Building to city water (\$16,000); 3) construction of a storage building at the Canyon Creek Fish Hatchery (\$8,000), and 4) installation of security fencing, cameras, and card readers at the Deer Valley complex (\$74,500). The individual amounts shown above are rough estimates, and the department will have the ability to shift monies between the listed projects but not to other projects. The recommended scope for the Canyon Creek Fish Hatchery project does not include construction of a privacy fence. The Executive concurs but does not recommend funding for the Canyon Creek Fish Hatchery project.

### **Shooting Range Development 50,000 OF**

The recommended amount for the Arizona Game and Fish Department is \$35,000 greater than the FY 1997 appropriation. The department had requested an increase to \$115,000 but failed to fully justify this increase. Monies from this appropriation would be available to private shooting organizations to develop, upgrade, and repair shooting ranges throughout the state. The Executive concurs.

### **Migratory Waterfowl Habitat 100,000 OF**

The recommended amount from the Waterfowl Conservation Fund would provide for the purchase of waterfowl habitat. The primary source of revenues for this fund is sales of an annual duck stamp, which is required to hunt ducks in Arizona. The amount would be used to match other public

## Joint Legislative Budget Committee - Fiscal Year 1998 Capital Budget - Analysis and Recommendations

and private funds to acquire wetlands. These monies are dedicated by statute and may not be used for any purpose other than acquisition of waterfowl habitat. The FY 1997 Capital Outlay Bill appropriated \$100,000 for this issue. The Executive concurs.

### **Game and Fish Tucson Office Expansion 355,000 OF**

The department has embarked on a plan to expand its regional offices in Mesa, Tucson, and Pinetop. The FY 1997 Capital Outlay Bill appropriated \$400,000 from the Capital Improvement Fund for the Mesa office project. The recommended amount would add 1,600 square feet of office space and 2,500 square feet of storage space to the Tucson office. As discussed last year, the JLBC Staff believes that the growth in regional office staff is driven largely by growth in federal programs and programs supported by the non-appropriated Game and Fish Heritage Fund. Unfortunately, neither Federal Funds nor Heritage Funds can be used for construction. The JLBC Staff recommends that the department charge these funds annual rent for use of space in order that they pay for their full costs to the state. The Executive concurs.

### **Game and Fish Lease-Purchase Payoff 1,100,000 OF**

The recommended amount from the Game and Fish Fund would retire a second one-third of the remaining balance on the 1993 Certificates of Participation issued to lease-purchase the construction of 3 regional offices. If planned payments over the next 2 years are made, they would retire the issue 14 years ahead of schedule. The JLBC Staff supports this effort by the agency to retire the issue early to save on interest costs. The Executive concurs.

\* \* \*

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

### **JLBC Staff Recommended Footnotes**

#### *New Footnotes*

The Arizona Department of Administration shall report on the status of project-specific FTE Positions in its annual capital budget request. *(This footnote will allow the Legislature to better track ADOA's construction FTE positions.)*

Prior to the expenditure of monies for the design of a new Capital Mall office building, the Arizona Department of Administration shall present the advantages and disadvantages of the site due west of the Mines and Minerals Museum and the site north of Washington Street between 10th and 12th Avenues to the Joint Committee on Capital Review for its review. The Arizona Department of Administration shall also solicit input from the Governmental Mall Commission and report this information to the

Committee. *(This footnote would allow the Legislature to be involved in the planning of the new building.)*

On or before November 1, 1997, the Arizona Department of Administration shall report to the Joint Committee on Capital Review its recommendations for selling or retaining the "distressed properties" acquired in 1992. At a minimum, the report shall include recommendations on which properties to sell, estimates of their selling price, a time line for their sale, and relocation plans for the tenant agencies. It is the intent of the Legislature that the sale of the "distressed properties" be considered as a funding mechanism for the construction of a new state office building on the Capitol Mall. *(This footnote would aid the Legislature in determining whether it is beneficial to sell the distressed properties and whether the monies generated from such a sale could be used as a funding source to construct a new office building.)*

Prior to the expenditure of monies to design the Arizona State Prison Complex at Douglas waste water treatment plant improvements, the Arizona Department of Administration shall present the results of the preliminary study to the Joint Committee on Capital Review for its review. *(This footnote would keep the Legislature informed on this issue and allow the Committee to give input on the solution to the treatment plant's problems.)*

### **JLBC Staff Recommended Statutory Changes**

The JLBC Staff recommends a session law change to specifically authorized the use of Tobacco Tax monies for the construction of the State Health Laboratory and the Arizona State Hospital.

**Joint Legislative Budget Committee - Fiscal Year 1998 Capital Budget - Analysis and Recommendations**

Capital Outlay Arizona Department of Transportation Building System			JLBC: Phil Case JCCR Chair: Bowers		OSPB: Tom Betlach JCCR Vice-Chair: Burns	
DESCRIPTION	AGENCY	FUND	FY 1998			
			REQUEST	CIP	OSPB	JLBC
<b>ADVANCE APPROPRIATIONS</b>						
Davis-Monthan Runway Extension	ADOT	General Fund	3,200,000	3,200,000	3,200,000	3,200,000
<b>SUBTOTAL</b>			<b>3,200,000</b>	<b>3,200,000</b>	<b>3,200,000</b>	<b>3,200,000</b>
<b>NEW PROJECTS</b>						
Northeast Regional Service Center	ADOT	Highway	2,100,000	2,100,000	2,100,000	2,100,000
Underground Storage Tank Upgrades	ADOT	Highway	800,000	800,000	800,000	550,000
Prescott Valley Maintenance Yard	ADOT	Highway	2,500,000	2,500,000	2,500,000	2,500,000
North Central Regional Service Center	ADOT	Highway	900,000	900,000	900,000	900,000
Spreader Racks	ADOT	Highway	750,000	750,000	500,000	0
De-Icer Buildings	ADOT	Highway	500,000	500,000	250,000	250,000
Statewide Highway Construction	ADOT	Highway	112,707,000	112,707,000	125,529,000	137,772,000
Controlled Access Highways	ADOT	Highway	67,013,000	67,013,000	66,760,000	67,205,000
Debt Service	ADOT	Highway	43,225,000	43,225,000	43,225,000	43,225,000
Bond Proceeds	ADOT	Highway	0	0	152,000,000	0
Airport Planning and Development	ADOT	Aviation	21,755,800	21,755,800	6,065,800	21,121,500
<b>SUBTOTAL</b>			<b>252,250,800</b>	<b>252,250,800</b>	<b>400,629,800</b>	<b>275,623,500</b>
<b>TOTAL - ALL PROJECTS <sup>1/</sup></b>			<b>255,450,800</b>	<b>255,450,800</b>	<b>403,829,800</b>	<b>278,823,500</b>
<b>FUND SUMMARY</b>						
General Fund			3,200,000	3,200,000	3,200,000	3,200,000
Other Appropriated Funds			252,250,800	252,250,800	400,629,800	275,623,500
<b>TOTAL - ALL SOURCES</b>			<b>255,450,800</b>	<b>255,450,800</b>	<b>403,829,800</b>	<b>278,823,500</b>

<sup>1/</sup> The total request for all projects, including those not shown, was \$267,681,800.

**Description** — The Arizona Department of Transportation Building System (ADOT) includes all buildings and highways controlled by ADOT. The following recommendations for FY 1998 include appropriations for state highway construction and other projects related to ADOT's mission but do not include building renewal projects. Most appropriations for ADOT projects are from the State Highway Fund and the State Aviation Fund.

**FY 1998 - JLBC Staff Recommendations**

**Advance Appropriations \$3,200,000 GF**  
 Laws 1995, Chapter 62 appropriated a total of \$9,800,000 over 3 years, including \$3,200,000 in FY 1998, for costs associated with the extension of the runway at Davis-Monthan Air Force Base. The JLBC Staff recommends retaining the FY 1998 appropriation to complete the project. Since this appropriation has already been enacted into law, it would not be included in the FY 1998 Capital Outlay Bill. The Executive concurs.

**Northeast Regional Service Center 2,100,000 OF**  
 The recommended amount would construct a 20,000 square foot, dual function service center for Scottsdale and the northeast portion of the Phoenix Metro area. On July 1, 1995, ADOT acquired Maricopa County's drivers license operations and merged them with ADOT's title and registration operations, creating dual service capabilities. As part of the merger, 2 facilities in North Scottsdale will be transferred to the county on July 1, 1997. These 2 facilities are currently operating as single function service centers, and their transfer to the county will leave ADOT with no service



## Joint Legislative Budget Committee - Fiscal Year 1998 Capital Budget - Analysis and Recommendations

centers in the northeast valley. ADOT is negotiating with the county to lease the facilities through July 1, 1998 by which time the new service center should be constructed. The JLBC Staff also recommends a FY 1997 supplemental appropriation of \$1,200,000 from the County Auto License Fund for land acquisition for the project. The Executive concurs but recommends \$1,500,000 for the FY 1997 supplemental appropriation.

### **North Central Regional Service Center 900,000 OF**

The recommended amount would fund the acquisition of 5 acres in North Phoenix. As with the Northeast Regional Service Center project, ADOT will transfer 2 single function facilities in North Phoenix to Maricopa County, and their transfer will leave the department with no service centers in the north central valley. ADOT is negotiating with the county to lease the facilities through July 1, 1999, by which time the new service center should be constructed. The recommended amount is based on \$180,000 per acre. A future appropriation of approximately \$2,100,000 will be required to construct the planned 20,000 square foot facility. The Executive concurs.

### **Underground Storage Tank Upgrades 550,000 OF**

The recommended amount would fund the removal, replacement, and upgrading of ADOT-owned underground storage tanks throughout the state. Federal regulations require all fuel storage tanks to comply with leak detection and containment provisions by January 1999. This project is part of a multi-year project for which the department has already been appropriated \$5,147,200. In 1995, ADOT completed a study which determined that 12 of its remaining 63 fuel storage sites should be closed. The department expects to require an additional \$756,000 in FY 1999 to bring all of its remaining tanks into compliance. The Executive recommends \$800,000 for this issue.

### **Prescott Valley Maintenance Yard 2,500,000 OF**

The recommended amount would complete funding for the relocation of the highway maintenance yard from a congested area of Prescott to an industrial park in Prescott Valley. The project has already been appropriated \$2,955,700 for land acquisition, design, and initial construction. The remaining scope of the project includes an equipment storage building, office space, a paint storage building, an asphalt tank, a de-icer building, a retaining wall, and miscellaneous other improvements. The Executive concurs.

### **De-icer Buildings 250,000 OF**

The recommended amount would fund the construction of 1 de-icer building at Keams Canyon (Route 264 on the Hopi Reservation). The building would store sand and pre-mixed materials used on snow and ice. This project is part of a multi-year plan to construct 24 buildings at cold-weather sites. To date, the department has received funding for 6 such buildings. The Executive concurs.

### **Spreader Racks -0- OF**

The Executive recommends \$500,000 for the construction of 11 spreader racks. The racks are used to store spreaders which are carried on the backs of utility trucks in order to salt and sand roads. The department was appropriated \$250,000 for FY 1997 to begin addressing this issue. The JLBC Staff recommends delaying the appropriation of additional monies until the department reduces its backlog of construction projects. (See Other Issues for Legislative Consideration for more information.)

### **Statewide Highway Construction 137,772,000 OF**

The recommended amount would be available for statewide highway construction. The expenditure of these monies is determined by the Transportation Board which develops a 5-year plan. The recommended amount includes 665 FTE Positions and \$27,776,000 for employees directly related to highway construction projects. The Executive recommends \$125,529,000 for this issue. The JLBC Staff's recommendation is higher than the Executive's due, in part, to the JLBC Staff's lower operating budget recommendation for ADOT. The Executive also recommends \$7,100,000 more than the JLBC Staff from Highway User Fund and Highway Fund monies for the Department of Public Safety, reducing the amount available for highway construction.

### **Controlled Access Highways 67,205,000 OF**

The Highway User Fund formula dedicates monies for the construction of urban freeways. The JLBC Staff estimates that the Maricopa County Association of Governments (MAG) would receive \$50,403,800 and the Pima County Association of Governments (PAG) would receive \$16,801,200. The Executive estimates total revenues of \$66,760,000 for controlled access highways. Again, the difference in recommendations has to do with operating budget recommendations (see above).

### **Debt Service 43,225,000 OF**

ADOT has \$652,500,000 in outstanding bonds. The recommended amount would fund the appropriated portion of the debt service on the bonds. The Executive concurs.

### **Bond Proceeds -0- OF**

Under a new interpretation of statute, the Executive believes that ADOT may require legislative appropriation to expend proceeds from bond issues. As a result, the Executive recommends \$152,000,000 in bond proceeds for the department. This amount is approximately equal to the difference between the balance of ADOT's outstanding bonds and its statutory bond maximum of \$800,000,000. The JLBC Staff believes that such an appropriation is not required by statute. Furthermore, such an appropriation would double-count bond expenditures by appropriating bond proceeds and their debt service payments. As with other state debt instruments, the Legislature currently *authorizes* debt (up to \$800,000,000 in this case) and then *appropriates* debt service payments on an annual basis.

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### **Airport Planning and Development**

**21,121,500 OF**

The recommended amount would provide funding from the Aviation Fund for the department's airport construction program. The fund's revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of Grand Canyon Airport. The JLBC Staff recommends that 50% of the revenue from the flight property tax be deposited to the General Fund on an annual basis. (See Summary of Recommendations for more detail.) This will have the effect of reducing the amount available for airport construction by an estimated \$(8,086,000) in FY 1998. The Executive recommendation of \$6,065,800 is substantially lower than the JLBC Staff's recommendation. This is because the Executive is recommending that all revenues from the flight property tax be deposited to the General Fund for the next 3 fiscal years. The Executive is also using a lower revenue estimate for the Aviation Fund than the JLBC Staff.

\* \* \*

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

### **JLBC Staff Recommended Footnotes**

#### *New Footnotes*

Prior to the expenditure of any operating budget monies from this section, the Arizona Department of Transportation shall submit information on any operating budget expenses funded from this section to the Joint Legislative Budget Committee and the Joint Committee on Capital Review by July 1, 1997 for review. The submittal shall contain at least as much detail as the department's annual operating budget request. Operating budget expenditures are defined as any expenditure for Personal Services, Employee Related Expenditures, Professional and Outside Services, Travel - In State, Travel - Out of State, and Other Operating Expenditures. *(This footnote would allow the Legislature to better track operating expenditures within the Capital Budget. [See Other Issues for Legislative Consideration for more detail].)*

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

#### **Building Construction Backlog**

ADOT continues to carry a large building construction backlog. In its FY 1998 Capital Improvement Plan, the department lists \$15,670,200 in unexpended appropriations, some dating back to FY 1991. At this time last year, the JLBC Staff noted this fact, but there has been no demonstrable improvement. As long as this significant backlog exists, the JLBC Staff will continue to recommend only truly compelling capital projects for funding.

### **FY 1997 Supplemental**

The JLBC Staff recommends a FY 1997 supplemental appropriation of \$1,600,000 from the County Auto License Fund. This fund is currently non-appropriated, but its balance and revenues will be transferred to the appropriated Highway Fund on July 1, 1997. At its December 1996 meeting, the Joint Committee on Capital Review gave a favorable review of the department's plan to expend \$1,600,000 from this fund to supplement the construction budgets for 5 Motor Vehicle Division (MVD) service centers statewide. The service centers are located in Bullhead City, Lake Havasu City, (East) Tucson, Casa Grande, and Safford. However, without an appropriation, these monies will not be available after July 1, when they are transferred to the Highway Fund. Because some of the projects are expected to be in progress well into FY 1998, the JLBC Staff recommends the supplemental appropriation to keep these monies available. As with other capital appropriations, these monies will be non-lapsing until the projects are complete. The Executive concurs. In combination with the FY 1997 supplemental of \$1,200,000 for land acquisition (see issue above), the total FY 1997 supplemental recommendation is \$2,800,000.

### **Highway Construction Budget Detail**

The JLBC Staff recommends that the Legislature enhance its oversight of operating budget expenditures within the capital outlay budget. ADOT appears increasingly to be financing normal operating expenses from the construction budget. For example, when the Legislature reduced funding for right-of-way FTE Positions in the operating budget in FY 1994, ADOT shifted some of these positions to the construction budget. The Legislature first attempted to control this practice in the FY 1997 Capital Outlay Bill by limiting the number of FTE Positions funded from the capital budget to no more than 665. This limit, however, was not very stringent as it includes FTE Positions funded from federal highway monies. For FY 1998, ADOT requested that more FTE Positions be shifted from the operating budget to the capital budget, where they would likely receive less oversight. As another example, ADOT performs preventative highway maintenance out of the operating budget, but major highway maintenance out of the capital budget. Again, the line is blurred and FTE Positions and other expenditures can be shifted to the capital budget. The JLBC Staff recommends a Capital Outlay Bill footnote requiring ADOT to submit capital budget detail to the Joint Legislative Budget Committee and Joint Committee on Capital Review by July 1, 1997. (See JLBC Staff Recommended Footnotes.)

### **Total Highway Construction Funding**

Only a small portion of the state's total highway construction funding is appropriated. The following table summarizes the estimated revenues and expenditures for FY 1998. Of the revenue amounts, only the Statewide Highway Construction and Controlled Access Highways amounts are appropriated.

**Joint Legislative Budget Committee - Fiscal Year 1998 Capital Budget - Analysis and Recommendations**

Of the expenditure amounts, only a portion of Debt Service is appropriated. The construction expenditure figures are taken from the Transportation Board's Five-Year Highway Construction Program.

<b>Estimated FY 1998 Highway Construction</b> <b>(\$ in thousands)</b>	
<b>Balance Forward</b>	<b>\$116,683</b>
<b>Revenues</b>	
Appropriated Statewide Highway Construction	137,772
Appropriated Controlled Access Highways (MAG)	50,404
Appropriated Controlled Access Highways (PAG)	16,801
1/2 Cent Sales Tax	174,285
Federal Aid	215,810
Miscellaneous Income	45,967
HURF Bond Proceeds	<u>33,000</u>
Subtotal - Revenues	<b>\$674,039</b>
<b>Total Funds Available for Construction</b>	<b>\$790,722</b>
<b>Debt Service Expenditures</b>	
Appropriated Debt Service	43,225
Other Debt Service	<u>184,559</u>
Subtotal - Debt Service	<b>\$227,784</b>
<b>Planned Construction Expenditures</b>	
Major Construction	120,587
Minor Construction	35,267
System Maintenance	86,653
Other	<u>50,344</u>
Subtotal-State Construction	<b>\$292,851</b>
Controlled Access Highways (MAG/PAG)	149,484
<b>Total Planned Expenditures</b>	<b>\$670,119</b>
<b>Balance Forward</b>	<b><u><u>\$120,603</u></u></b>