

The Executive Budget

STATE AGENCY BUDGETS

FISCAL YEAR 2011

Janice K. Brewer
GOVERNOR



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ACKNOWLEDGEMENT

BUDGET IN A FLASH

EXECUTIVE RECOMMENDATION SUMMARY

FISCAL YEAR 2011 - GENERAL FUND (\$millions)

Major Highlights of FY 2011

\$591.8 AHCCCS Caseload and Inflation	(\$14.2) K-12 Additional State Aid
\$472.1 K-12 Federal Backfill	(\$17.0) Restrict DES Cash Assistance Eligibility
\$146.6 Behavioral Health Services	(\$21.1) GME and DSH Reductions
\$101.3 Backfill Expiring Federal Stimulus for DES	(\$36.0) Consolidate Non-Title XIX Behavioral Health
\$59.3 K-12 Basic State Aid	(\$46.3) K-12 Program Reduction
\$98.4 Expanding Prisons	(\$63.3) Consolidation of Juvenile Justice System
\$50.0 Backfill Expiring Federal Stimulus for Corrections	(\$79.0) Provider and Capitation Rate Reductions
\$28.5 DES Developmental Disabilities Caseload	(\$86.5) Closing Out-of-State Prisons
\$63.5 New School Construction Debt Service	(\$100.0) K-12 Excess Utilities
\$13.1 Childrens' Rehabilitative Services	(\$218.0) Eliminate Full Day Kindergarten
(\$10.6) Office of Tourism	(\$220.0) K-12 Lump Sum Reduction
(\$12.9) KidsCare Freeze	(\$382.5) Proposition 204 Rollback

Operating Budgets

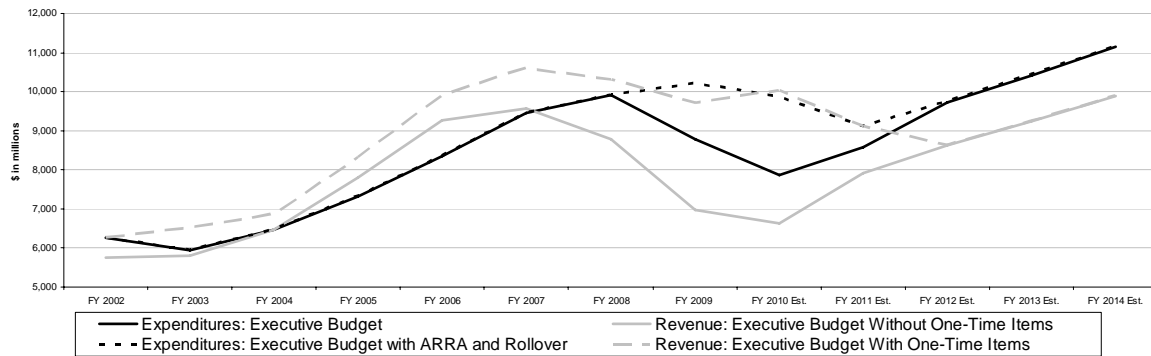
Sources and Uses FY 10 - FY 11

	FY 10	Change	FY 11		FY 10	FY 10	FY 11
	<u>Approp</u>	<u>from FY 10</u>	<u>Recomm.</u>		<u>Approp</u>	<u>Recomm.</u>	<u>Recomm.</u>
Dept. of Education	3,534.0	(43.9)	3,490.1	Balance Forward	(480.7)	(480.7)	229.2
AHCCCS	1,178.0	164.7	1,342.7	Revenue Estimate	6,341.4	6,341.4	6,778.5
University System	883.1	0.0	883.1	Revenue Increases	48.0	311.0	1,161.7
Dept. of Corrections	879.9	84.7	964.6	Budget Stabilization Fund		2.8	
Dept. of Economic Security	546.1	132.9	679.0	Agency Fund Transfers	236.2	236.2	184.2
Dept. of Health Services	444.2	26.8	471.0	Other Transfers	99.1	99.1	0.0
Community Colleges	135.3	0.0	135.3	Other Adjustments		46.7	260.0
School Facilities Board	113.1	(43.2)	69.9	Lease-Purchase/Revenue Bonds	<u>835.4</u>	<u>1,485.4</u>	<u>0.0</u>
Department of Juvenile Corrections	63.3	(63.3)	0.0	TOTAL SOURCES OF FUNDS	<u>7,079.4</u>	<u>8,041.9</u>	<u>8,613.6</u>
Dept. of Revenue	37.6	7.6	45.2	Operating Budgets	8,272.5	8,341.2	8,497.0
Dept. of Water Resources	16.9	(9.7)	7.2	Supplementals			60.0
Dept. of Environmental Quality	12.8	(5.8)	7.0	One-time Reductions/Rollovers	(34.7)	(484.7)	
Secretary of State	12.0	(5.0)	7.0	Health Insurance Increase			12.7
Dept. of Tourism	10.7	(10.7)	0.0	5% Salary Reductions		(15.0)	(60.0)
Dept. of Agriculture	8.6	(0.7)	7.9	Total Operating Budgets	8,237.8	7,841.5	8,509.7
Dept. of Racing	5.7	(1.4)	4.3	Capital Outlay Appropriations	10.4	10.4	20.0
Post-Secondary Education	4.0	(2.8)	1.2	Allowances for Debt Service			87.2
Department of Administration	17.8	0.2	18.0	Statutory Revertments	(50.4)	(0.4)	
Dept. of Public Safety	43.6	2.5	46.1	Administrative Adjustments	65.7	65.7	68.0
Judiciary	119.6	4.3	123.9	Revertments	<u>(104.5)</u>	<u>(104.5)</u>	<u>(102.4)</u>
Parks Board	20.0	(20.0)	0.0	USES OF FUNDS	8,159.0	7,812.7	8,582.5
All Others	<u>186.2</u>	<u>4.3</u>	<u>190.5</u>	ENDING BALANCE	<u>(1,079.6)</u>	<u>229.2</u>	<u>31.2</u>
Total	<u>8,272.5</u>	<u>221.5</u>	<u>8,494.0</u>				

FY 2010 Recommendations

AHCCCS-Caseload and Inflation	87,165.0	DES-Community Services Reductions	(2,350.0)
DHS-Behavioral Health Services	25,397.0	DES-Means Testing and Fee Increases	(4,900.0)
DOC-Medical Expenses at AHCCCS Rates	20,000.0	DES-Reduce or Eliminate Children Youth and Families Programs	(5,300.0)
DHS-Technical Adjustment-Tobacco Tax Shortfall	5,904.0	DHS-County Contributions for Sexually Violent Persons	(7,738.0)
DHS-Children's Rehabilitative Services	5,384.0	DES-Restrict Cash Assistance Eligibility to 36 months	(9,000.0)
DOA-AG Legal Services Federal Repayment	<u>1,700.0</u>	DHS-Consolidate non TXIX Behavioral Health Programs	(14,892.0)
		Total FY 2010 GF Recommendations	<u>113,883.0</u>

Arizona General Fund Revenue and Expenditures FY 2002 to FY 2014



One-time Items refers to fund transfers, asset sales, Federal stimulus, rollovers.
Revenue and expenditure growth beyond FY 2012 is projected at 7%.

MAJOR CHANGES IN FY 2011 GENERAL FUND BUDGETS (Increases to FY 2010 Appropriations)

Department of Education		Department of Economic Security	
	FY 2011		FY 2011
Federal Backfill	472.1	Federal Funds Backfill	101.3
Basic State Aid FY 2011	59.3	TXIX Developmental Disabilities Caseload Growth	28.5
Additional State Aid	(14.2)	TANF Shortfall	18.4
Program Reduction	(46.3)	Technical Adjustments	17.0
Lump Sum Reduction	(10.0)	Temporary Federal Funding Offset	4.5
Excess Utilities	(100.0)	COP Balloon Payment	4.0
Soft Capital Reduction	(180.0)	Reduce Adult Services	(1.6)
Eliminate Full Day Kindergarten	(218.0)	Community Services Reductions	(2.4)
Other Adjustments	(6.8)	Reduce State-Only Developmental Disability Service	(3.7)
TOTAL	(\$43.9)	Reduce or Eliminate Division of Children Youth and Families Program	(5.3)
		Means Testing and Fee Increases	(7.6)
		Restrict Cash Assistance Eligibility to 36 Months	(17.0)
		Other Adjustments	(3.2)
		TOTAL	\$132.9
Department of Water Resources		AHCCCS	
	FY 2011		FY 2011
LTO Debt Service Baseline Adjustment	11.8	Caseload and Inflation	591.8
Annualization of 5th Special Session Reductions	(1.4)	Transfer of BHS to AHCCCS	43.1
LTO Debt Service Refinance	(6.0)	DOA Data Center	1.0
Self Funding Mechanism	(5.6)	Fraud Reduction Staffing	(0.5)
TOTAL	(\$1.2)	County Hold Harmless	(4.8)
		Optional Benefits Reduction	(6.3)
		KidsCare Elimination	(10.0)
		5th Special Session KidsCare Freeze	(12.9)
		GME and Private DSH Reductions	(21.1)
		Provider Rate Reductions	(57.1)
		Prop 204 Rollback	(358.5)
		TOTAL	\$164.7
School Facilities Board		Department of Health Services	
	FY 2011		FY 2011
New Construction Lease-to-Own Debt Service	63.5	Behavioral Health Services	146.6
Building Renewal	5.0	Children's Rehabilitative Services	13.1
Technical Adjustment	(111.7)	Equity Distribution for at Risk Contracts	9.0
TOTAL	(\$43.2)	Capitation Rate Adjustments	(21.9)
		Prop 204 Rollback	(24.0)
		Consolidate Non-TXIX Behavioral Health Programs	(36.0)
		Transfer of Behavioral Health to AHCCCS	(43.1)
		Other Adjustments	(16.9)
		TOTAL	\$26.8
Department of Corrections		Department of Agriculture	
	FY 2011		FY 2011
Backfill of One-Time Federal Stimulus Funding	50.0	Annualization of 5th Special Session Reductions	(0.7)
Bed Plan: 4,000 New State Beds Operating Costs	44.3	Other Adjustments	0.0
Bed Plan: 2,000 New Private Prison Beds	40.0	TOTAL	(\$0.7)
Bed Plan: New Beds Start-Up Costs	14.1		
No Inflationary Adjustments	(5.9)	Department of Environmental Quality	
Administrative Reduction	(7.9)		FY 2011
Bed Plan: Closure of Provisional Beds	(86.5)	Special Session Adjustment	0.5
Other Adjustments	36.6	Self Funding	(6.3)
TOTAL	\$84.7	TOTAL	(\$5.8)
Department of Juvenile Corrections		Department of Revenue	
	FY 2011		FY 2011
Consolidation of Juvenile Justice at Counties	(63.3)	Increase Audit Staff	4.4
TOTAL	(\$63.3)	BRITS Internal Support	2.0
		Special Session: Backfill	0.9
		Increase Collections Staff	0.3
		TOTAL	\$7.6
Department of Public Safety		Secretary of State	
	FY 2011		FY 2011
Backfill CJEF Shortfall	3.1	FY 2011 State Election	3.4
Continue GITEM at FY 2010 Funding Level	0.8	One-Time Special Election Funding	(8.3)
Operating Budget Reduction	(1.4)	TOTAL	(\$4.9)
TOTAL	\$2.5		
Department of Racing			
	FY 2011		
Special Session Adjustment	0.5		
Reduction in Racing Industry Awards	(1.8)		
TOTAL	(\$1.3)		
Parks Board			
	FY 2011		
Growing Smarter Reform	(20.0)		
TOTAL	(\$20.0)		
Office of Tourism			
	FY 2011		
Eliminate General Fund Support	(10.6)		
TOTAL	(\$50.6)		
Post-Secondary Education			
	FY 2011		
Postsecondary Education Financial Assistance Program	(0.4)		
Postsecondary Education Grant Program	(2.4)		
TOTAL	(\$2.8)		



**Agency Operating
Budget Detail**

Building a Budget

Preparing the State's budget is a year-'round process that determines the size and scope of government

A.R.S. § 35-101 ESTABLISHES A BIFURCATED BUDGET process by defining 16 agencies as “annual budget units” and the remaining agencies as “biennial budget units.” Those agencies identified as annual budget units include the following:

- Department of Education
- Board of Regents
- Arizona State University, including the West and East campuses
- University of Arizona
- Northern Arizona University
- School Facilities Board
- Department of Economic Security
- State Department of Corrections
- Department of Juvenile Corrections
- Arizona Health Care Cost Containment System
- Department of Health Services
- Department of Administration
- Department of Transportation
- The Judiciary, including the Supreme Court, Court of Appeals and Superior Courts.

However, the Legislature made no appropriations for FY 2011; therefore, all agencies have been treated as annual budget units.

BUDGET PROCESS

The budget process begins on or before June 1, when the Governor’s Office of Strategic Planning & Budgeting (OSPB) issues instructions and electronic forms required for agencies to submit their budget requests. Agency requests must be submitted to OSPB by September 1 unless an extension is granted for up to 30 days.

Annually, between September 1 and no later than five days from the opening of the Legislative session, the Executive reviews budget submissions and prepares the Executive Budget Recommendation. The recommendation contains operating and capital outlay expenditure plans, estimated revenues and any Legislative changes necessary for implementation.

Simultaneously, the Joint Legislative Budget Committee (JLBC) Staff reviews the agency requests.

Legislative review and deliberation of the Executive recommendation and other budget options typically begin shortly after the regular session convenes. Public hearings occur before both the Senate and House Appropriation Committees. The Committees may adopt the Executive

budget. Or, they may elect to adopt a budget containing other elements.

Before July 1, the Legislature adopts the budget through the passage of a General Appropriations Act, a Capital Outlay Bill, and any Legislative changes necessary for the implementation of the adopted budget. Once adopted by the House of Representatives and the Senate, the bills are then presented to the Governor for consideration.

Upon presentation, the Governor has five days to sign the bills into law, veto them in their entirety, line-item veto individual items of appropriations, or allow the bills to become law without a signature. The Legislature may, with a two-thirds vote, override a veto or line-item veto.

The operating budget is prepared and enacted using a cash basis of accounting, which recognizes expenditures when paid and revenues when received by the Treasurer.

Budgetary control is maintained by the appropriation and the Executive Branch allotment process. The allotment process allocates appropriations across the four quarters of the fiscal year. The State also maintains an encumbrance accounting system to enhance budgetary control.

Unless specifically noted, operating appropriations lapse at the end of the fiscal year and the cash reverts to its original source. Capital outlay appropriations continue until the project is completed or abandoned.

BUDGET REQUEST GUIDELINES

Budget requests in excess of \$25,000 that were related to information technology were required to be accompanied by an approved Project Investment Justification (PIJ). The PIJ went through a separate review conducted by the Government Information Technology Agency (GITA).

BUDGET BOUNDARIES

The starting point in building the upcoming years’ budgets is to establish agencies’ base budgets. In order to calculate an agency’s baseline budget, the following baseline adjustments are made:

- annualization of programs partially funded;
- lease and rent rate adjustments;
- inflationary adjustments;
- elimination of one-time expenditures; and
- caseload adjustments to provide the same level of services as the previous year.

The adjustments are then combined with the agency’s most recent fiscal year appropriation to determine the baseline budget on which the upcoming year’s other budget issues are built.

The baseline budget is meant to continue state services in the same manner as the previous year with adjustments for only those costs which are inherently necessary to continue providing the services.

BUDGET DEFICIT SOLUTION RECOMMENDATIONS

For FY 2011 a special category of issues are included. *Solution* issues are specifically recommended to help resolve the State’s budget deficit, both long term and in FY 2011.

ADMINISTRATIVE COSTS

To comply with A.R.S. § 35-115, each agency reports administrative costs with their budget submission. The calculation is based on administrative costs as a percent of total funds, which may include General Fund, Other Appropriated Funds, and Non-Appropriated funds. The calculations provided are strictly for compliance with A.R.S. § 35-115 and should not to be used for any other purpose.

BUDGET FORMAT

The Executive Budget contains agency mission statements, descriptions, and budget performance measures.

Budget Performance Measures. In accordance with A.R.S. § 35-115, the Executive Budget Recommendation includes selected performance measures for the budget unit for the previous fiscal year and for the budget years.

OSPB, in consultation with the agencies, has selected a series of performance measures that will most accurately communicate both what the agency is doing, as well as how well the agency is doing it. The hope is that this will offer decision makers and citizens a better understanding of agencies and their operations. In addition, stakeholders will be provided improved continuity of data, as the performance measures published will remain largely consistent from year to year.

In addition to the performance measures, OSPB publishes the MASTER LIST OF STATE GOVERNMENT PROGRAMS at least every even-numbered year. The FY 2008-2010 MASTER LIST is available at www.ospb.state.az.us. This reference document contains a more comprehensive listing of performance measures for every program and subprogram within state agencies.

TECHNICAL ADJUSTMENTS

The FY 2011 Executive Budget Recommendation contains a series of technical adjustments, including:

- Employee-Related Expenditures for newly recommended employees and/or personal services changes;
- Risk Management;
- State-owned, private, COP and PLTO rental rate charges; and
- elimination of one-time equipment purchases.

The general guidelines used in building the Executive Recommendation are discussed below.

Employee-Related Expenditures. Two separate rates are used in calculating ERE funding requirements for newly recommended employees and/or personal services changes:

- An *HDL* rate calculates the health, dental and life insurance costs per individual FTE based on specific rates of participation in the three insurance programs (health, dental, and life) to which the State contributes.
- A *marginal* rate is calculated by adding the rates of FICA, workers’ compensation, unemployment insurance, a pro rata charge for personnel costs, a pro rata charge assessed for GITA, long-term disability insurance, retirement sick leave pro rata, and retirement.

The sum of the rates is multiplied by the total Personal Services amount, excluding members of Boards and Commissions when appropriate.

The following rates are used for the development of each of the various ERE components:

FICA. The rate is comprised of a 6.2% Social Security tax on the first \$106,800 of an employee’s Personal Services and a 1.45% Medicare tax on the full amount of an employee’s Personal Services.

Workers’ Compensation. The Department of Administration’s Risk Management Division developed rates that remain flat over FY 2010 and FY 2011. The Executive Recommendation provides full funding for this ERE component in FY 2011, and the General Fund requirement is reflected on the Sources and Uses statement. The agency detail on the General Fund and Other Fund allocations is available at OSPB.

Unemployment Insurance. The rate of 0.15% of Personal Services is used for FY 2011. Any additional funding issues recommended beyond agencies’ base budgets contain the commensurate unemployment insurance funding.

Personnel Division Pro Rata. The rate of 1.1% of Personal Services is assessed on the payroll of the majority of State service agencies, pursuant to A.R.S. § 41-764, to fund the operations of the Personnel Division of the Department of Administration.

GITA Pro Rata. The rate of 0.2% of Personal Services is assessed on all agencies (except the universities and community colleges) to fund the operations of the Government Information Technology Agency.

Disability Insurance. The rate of 0.36% of Personal Services is used for employees not covered by the State Retirement System. The State Retirement System provides disability insurance to active employees.

Retirement. The following rates were used for FY 2011:

Retirement Group	Rate
State Retirement	9.58
Correctional Service Officers.....	8.37
NAU Police	30.51
UA Police	20.50
ASU Police	18.70
Parks	14.66
Game and Fish.....	40.63
DEMA Fire Fighters.....	16.92
Attorney General Investigators.....	81.75
Liquor Commission Investigators	31.03

Juvenile Corrections	7.46
Public Safety	28.82
Capitol Police	12.86
University Optional Retirement	7.00
Elected Officials Retirement Plan (State).....	29.79

The General Fund portion of the decreased costs is reflected on the Sources and Uses statement. The agency detail on the General Fund and Other Fund allocations is available at OSPB.

Life Insurance. The rate of \$36 per authorized FTE is used.

Health and Dental Insurance. The FY 2011 Executive Recommendation provides funding for an estimated \$12.7 million General Fund increase in health insurance costs, which is reflected on the Sources and Uses statement. The agency detail on the General Fund and Other Fund allocations is available at OSPB.

Retirement Accumulated Sick Leave Fund. As enacted in 1997, the FY 2011 Executive Recommendation provides for a 0.4% pro rata assessment against Personal Services. The money in this Fund is used to compensate retiring employees for unused sick leave.

Risk Management. The Department of Administration’s Risk Management Division rates are the same for FY 2011 as in FY 2010.

Rent. Rent amounts for State agencies occupying ADOA space are unchanged from FY 2010. The square footage calculation is based on documentation prepared by the Depart-

ment of Administration’s Facilities Management Division detailing actual and planned occupancy as of August 31, 2009.

The amounts required to cover Certificate of Participation (COP) and Privatized Lease to Own (PLTO) payments are based on data distributed by the Department of Administration General Accounting Office and General Services Division.

All rent amounts for agencies occupying private space are based on estimated rent charges as specified in the lease agreements.

Equipment. The amount recommended for equipment – whether capitalized or non-capitalized – was based on the agency’s needs and generally determined on a zero-based approach. Reductions were taken to reflect elimination of one-time equipment purchases approved in the FY 2010 appropriation.

OTHER RECOMMENDATIONS

Judiciary and Legislature. The Executive does not make recommendations for the Judiciary and Legislative branches.

Appropriation Format and Legislative Changes. Each Executive recommendation for an agency’s appropriation format is located at the end of the agency’s recommendation. Some recommendations require Legislative changes that are necessary to implement the Executive Budget. These required changes are addressed in a separate listing as part of the Executive Budget Summary.

State Board of Accountancy

Mission:

To protect the public's welfare by ensuring that only qualified persons and firms are licensed or registered to practice public accountancy and that appropriate standards of competency and practice are established and enforced.

Description:

The Arizona State Board of Accountancy consists of five Certified Public Accountants (CPAs) and two public members, all of whom are residents of the state and are appointed by the Governor. The Board qualifies candidates for the Uniform CPA Examination, certifies individuals to practice as CPAs, registers accounting firms owned by CPAs, and biennially renews certificates for CPAs and registered accounting firms. The Board also receives and investigates complaints, takes enforcement action against licensees for violation of statutes and regulations, monitors compliance with continuing education requirements, and reviews the work products of CPAs to ensure adherence to professional standards through the Board's peer review program. The Board currently regulates approximately 10,300 licensees and 3,000 firms.

Agency Summary				
Program/ Cost Center	FY 2009 <i>Actual</i>	FY 2010 <i>Approp.</i>	FY 2011 <i>Agency Req.</i>	FY 2011 <i>Exec. Rec.</i>
Certification, Registration, and Regulation	1,432.7	1,902.4	1,902.4	1,904.8
Agency Total	1,432.7	1,902.4	1,902.4	1,904.8
Category				
FTE	13.0	13.0	13.0	13.0
Personal Services	572.6	602.7	602.7	602.7
ERE Amount	226.3	255.5	255.5	255.5
Prof. And Outside Services	409.0	414.2	414.2	414.2
Travel - In State	2.8	5.8	5.8	5.8
Travel - Out of State	3.6	9.3	9.3	9.3
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	209.3	606.9	614.9	609.3
Equipment	5.5	8.0	0.0	8.0
Transfers Out	3.6	0.0	0.0	0.0
Agency Total	1,432.7	1,902.4	1,902.4	1,904.8
Fund				
Accountancy Board	1,432.7	1,902.4	1,902.4	1,904.8
Agency Total	1,432.7	1,902.4	1,902.4	1,904.8

Recent Budget Activity/Perspective

The most significant budget impacts on the Board of Accountancy since FY 2007 have come in the way of fund transfers. During FY 2008, the Board transferred approximately \$2.1 million to the General Fund. The transfer in FY 2009 was \$1.0 million. These transfers may delay the development of online services and enhanced internal database applications, though the Board is continuing to progress towards these goals.

Also in FY 2008, legislation was passed to allow Certified Public Accountants to practice in Arizona under out-of-state licenses.

Recent Budget Activity/Perspective

This could potentially decrease licensing revenues for the Board, but has yet to have a significant impact. For FY 2010, the Board's appropriation was decreased from \$2.4 million to \$1.9 million.

Executive Recommendations

FY 2011

Baseline Adjustments

Lease-Purchase Rent Increase	2.4
The Executive recommendation provides for the agency's share of the increased lease-purchase debt service payment in FY 2011.	
Accountancy Board Fund	2.4

Performance Measures

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Number of complaint files established	94	106	110	110
Number of exam candidates approved by Board to sit for the Uniform CPA exam	534	518	520	520
Number of certificates issued	449	390	400	400
Number of firms registered	100	101	100	100
Percent of applicants reporting very good or excellent service	80	86	88	88

Administrative Costs

FY 2011

Administrative Costs	152.2
Agency Request	2,350.0
Administrative Cost Percentage	6.48%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Acupuncture Board of Examiners

Mission:

To protect the health, safety, and welfare of the public by regulating and maintaining standards of practice in the field of acupuncture.

Description:

The Board licenses and regulates acupuncturists and certifies auricular (ear) acupuncturists for detoxification or substance abuse programs. The Board also oversees the licensing and certification of acupuncture training and preceptorship training programs, continuing education programs and visiting professors. The Board evaluates professional competency, investigates complaints, and enforces the standards of practice for the acupuncture profession. The Board regulates the educational, clinical and clean needle technique programs approved to teach the practice of acupuncture in the State.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	112.9	129.7	129.7	129.7
Agency Total	112.9	129.7	129.7	129.7
<i>Category</i>				
FTE	1.0	1.0	1.0	1.0
Personal Services	72.0	71.9	71.9	71.9
ERE Amount	14.8	15.5	15.5	15.5
Prof. And Outside Services	16.9	30.9	30.9	30.9
Travel - In State	1.0	0.0	0.0	0.0
Travel - Out of State	0.7	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	4.1	11.4	11.4	11.4
Equipment	2.1	0.0	0.0	0.0
Transfers Out	1.3	0.0	0.0	0.0
Agency Total	112.9	129.7	129.7	129.7
<i>Fund</i>				
Acupuncture Board of Examiners	112.9	129.7	129.7	129.7
Agency Total	112.9	129.7	129.7	129.7

Recent Budget Activity/Perspective

The agency transferred \$100,000 from the Acupuncture Board of Examiners Fund to the General Fund in FY 2008, and \$88,300 in FY 2009. Revenues for the Fund are 90% of the fees, fines and other monies received by the Board, and are used to support the operation of the agency. The fund transfer left a balance of just \$16,500 to carry forward to FY 2010.

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of applications received	76	62	85	85
Number of renewals issued	491	475	520	520
Number of investigations conducted	5	4	10	10
Total number of licensees	468	482	500	500
Total number of auricular acupuncture certificate holders	63	56	65	65

Administrative Costs

	FY 2011
Administrative Costs	5.0
Agency Request	129.0
Administrative Cost Percentage	3.88%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona Department of Administration

Mission:

To provide effective and efficient support services to enable government agencies, state employees, and the public to achieve their goals.

Description:

The Agency provides leadership, direction, and management information and support; financial and procurement support services; facility planning, design, development, construction, operations and maintenance; timely, customer-driven human resources services; business-enhancing information services for the Department, state agencies, and Arizona citizens; customer service for small licensing agencies in general accounting and centralized office support; distribution of surplus state and federal property through a system that maximizes the dollar return on property sold; clean, safe, and environmentally friendly vehicles; an orderly environment where visitors, employees, and other persons conducting business with the State will be safe and secure; and services to agency customers and the public for the state's property and liability exposures and for state employee customers who have work-related injuries. The Agency has three goals: (1) To maintain the continuity of state government operations to ensure the safe and efficient delivery of government services, (2) To attract and retain a high-performance team of employees, and (3) To aggressively pursue innovative solutions and opportunities.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Administration	1,232.2	2,219.2	2,219.2	2,219.2
Financial Services	2,299,538.8	12,284.3	13,492.4	12,207.3
Facilities Management	17,789.3	17,161.4	18,023.0	17,801.1
Human Resources	20,510.8	20,051.2	21,023.4	19,246.9
Information Technology Services	25,219.6	26,557.6	27,833.7	23,474.4
Support Services	11,494.6	16,039.9	17,104.3	13,633.5
Capitol Police	2,637.3	3,185.7	3,185.7	3,185.7
Risk Management	76,611.4	91,940.6	92,248.3	92,287.2
Agency Total	2,455,034.0	189,439.9	195,130.0	184,055.3

Category	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
FTE	863.7	735.7	735.7	735.7
Personal Services	31,822.0	30,002.4	30,002.4	29,909.6
ERE Amount	12,273.4	12,172.6	12,172.6	12,146.8
Prof. And Outside Services	24,360.2	29,653.1	29,500.7	29,449.7
Travel - In State	311.2	448.8	496.3	504.5
Travel - Out of State	34.8	29.8	29.8	29.8
Aid to Others	138,204.4	1,216.8	2,430.0	0.0
Other Operating Expenses	87,074.2	105,264.0	109,358.4	106,989.4
Equipment	5,719.5	8,827.9	9,315.3	3,401.8
Capital Outlay	259.5	0.0	0.0	0.0
Cost Allocation	1,517.4	1,494.5	1,494.5	1,293.7
Transfers Out	2,153,457.4	330.0	330.0	330.0
Agency Total	2,455,034.0	189,439.9	195,130.0	184,055.3

Fund

General Fund	2,306,680.9	17,830.3	18,612.5	17,967.1
Personnel Division Fund	16,357.9	14,884.7	15,856.9	14,080.4
Capital Outlay Stabilization	14,952.2	17,411.8	18,227.6	17,411.8
Corrections Fund	536.0	568.9	614.7	568.9
Air Quality Fund	597.8	714.1	765.1	714.1
Special Employee Health	4,224.9	5,249.8	5,249.8	5,249.8
Motor Pool Revolving	7,795.4	10,530.5	11,384.3	9,684.5
State Surplus Property	2,203.4	3,618.5	3,778.1	2,406.1
Federal Surplus Materials Property	112.3	453.3	453.3	105.3
Risk Management Fund	77,163.1	92,472.2	92,779.9	92,818.8
Automation Operations Fund	19,870.6	19,195.9	20,752.3	21,252.3
Telecommunications Fund	4,539.5	6,509.9	6,655.5	1,796.2
Agency Total	2,455,034.0	189,439.9	195,130.0	184,055.3

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI ENSCO COP	2,867.3	2,867.3	2,862.2	2,862.2
SLI AFIS Program and Support	1,059.4	1,120.5	1,120.5	1,120.5
SLI Fair and Legal Employment Act	2,430.0	1,216.8	2,430.0	0.0
SLI Relocation	0.0	60.0	60.0	60.0
SLI Utilities	7,653.4	7,975.6	7,975.6	8,615.3
SLI Human Resource Information System	4,354.0	4,354.0	4,354.0	4,749.7
SLI Employee Wellness Program	296.7	300.0	300.0	300.0
SLI Statewide Telecommunications Management Contract Lease Payment	809.5	851.8	425.9	425.9
SLI State Surplus Property Sales Proceeds	1,152.2	2,352.4	2,512.0	1,260.0
SLI Risk Management Losses	36,444.8	45,371.3	46,178.1	46,178.1
SLI Workers Compensation Losses	23,201.7	30,112.3	29,467.2	29,467.2
SLI External Legal Services	3,172.8	5,592.2	5,592.2	5,592.2
SLI Nonlegal Related Expenditures	2,833.2	3,153.9	3,299.9	3,299.9
SLI Burke Settlement	523.5	0.0	0.0	0.0

Recent Budget Activity/Perspective

In FY 2007, the Department's General Fund operating budget was \$19.8 million. The beginning of FY 2008 brought an increase of \$1.2 million for statewide adjustments, increased operating costs, and salary increases to help curb high employee turnover in the General Accounting Office. In March 2008, the Department's general operating budget was reduced by (\$1.1 million), a large portion of which involved shifting FTE positions to other funds. An additional \$400,000 in costs was shifted specifically to the Personnel Division Fund.

Going into FY 2009, changes to the operating budget netted (\$274,000). Mid-year reductions shifted \$5.2 million in expenditures from the General Fund to the Capital Outlay Stabilization Fund, eliminating all Building Renewal funding for

Recent Budget Activity/Perspective

the remainder of the year. Other General Fund reductions decreased the Department’s total operating budget by (\$2.9 million) to equal approximately \$16.8 million including the fund shifts.

During FY 2008, the Department was also required to transfer \$19.4 million to the General Fund. In FY 2009, despite falling revenues due to reductions in other agencies, the Department transferred an additional \$94 million to the General Fund. The original FY 2010 budget included another \$19 million in transfers. In November, \$18.5 million was taken from the Risk Management Fund to cover a payment to the Arizona 21st Century Fund, and in December another \$14.7 million in fund transfers was legislated.

Already since FY 2007, the Department has lost 37% of its General Fund FTE positions - 96 of 258 positions. During FY 2007 and FY 2008, other funds filled approximately 32 additional FTE positions, but have since lost 143. As of November 2009, total filled FTE positions for the Department had decreased by 26%. It is still uncertain how the Department will manage the most recent fund reductions and transfers.

Executive Recommendations

FY 2011

Baseline Adjustments

Telecommunications Contract Lease (425.9)
The Executive recommends a General Fund decrease of (\$425,900) from the Statewide Telecommunications Management Contract Lease Payment special line item to align the appropriation with the required FY 2011 payment.

General Fund (425.9)

Human Resources Information Solution COP Payment 395.7

The Executive recommends a Personnel Division Fund increase of \$395,700 in the Human Resources Information Solution special line item to fund a scheduled increase in the Certificate of Participation (COP) payment.

Personnel Division Fund 395.7

COP and PLTO Rent Changes 783.8

The Executive recommends an increase of \$783,800 to fund COP balloon payments and other rent changes. The recommendation includes an appropriation increase of \$744,900 from the General Fund and \$38,900 from the Risk Management Fund.

General Fund 744.9

Risk Management Fund 38.9

ENSCO COP Payment Decrease (5.1)

The Executive recommends a General Fund decrease of (\$5,100) from the ENSCO COP special line item to match the decrease in the FY 2011 COP payment.

FY 2011

General Fund (5.1)

Risk Management Adjustments 307.7

The Executive recommends an increase of \$307,700 from the Risk Management Fund to cover actuarially predicted changes in claims. This recommendation includes increases of \$806,800 from the Risk Management Losses special line item and \$146,000 from the Nonlegal Related Expenditures special line item, and a decrease of (\$645,100) from the Workers Compensation Losses special line item.

Risk Management Fund 307.7

Utilities Increase 639.7

The Executive recommends a General Fund increase of \$639,700 in the Utilities special line item to pay for expected increases in State utility bills.

General Fund 639.7

Other Adjustments

Health Insurance Increase 0.0

State health and dental insurance costs are expected to increase by \$51.9 million in FY 2011. To avoid passing additional costs to agencies or employees, the Executive recommends a General Fund appropriation increase of \$12.7 million to be allocated across State agencies, excluding universities. The General Fund cost increase for the universities is estimated to be \$4.6 million and will need to be absorbed into current university budgets. For other appropriated funds, the Executive recommends appropriation increases of \$3.2 million for universities and \$4.5 million for other State agencies.

Special Employee Health Fund 0.0

Federal 3% Withhold from Contractors and Vendors 400.0

The Executive recommends a one-time General Fund increase of \$400,000 to make necessary changes to the Arizona Financial Information System in order to comply with the federal requirement to withhold 3% from contractor and vendor payments beginning January 1, 2012. Failure to comply with this requirement would subject the State to fines of approximately \$600 million annually.

General Fund 400.0

Virtual Desktop 500.0

The Executive recommends an appropriation increase of \$500,000 from the Automation Operations Fund to allow the Data Center to provide Virtual Desktop services for State and local jurisdiction agencies. For agencies needing to replace desktops, Virtual Desktop services can provide 40% savings due to decreased hardware, software and support costs. Funding for the project will be recovered through service charges to participating agencies.

Automation Operations Fund 500.0

FY 2011

General Fund Health and Dental Sweep 0.0

The Department of Administration has requested that the General Fund sweep of health and dental insurance costs be eliminated in favor of having agencies make payments through standard payroll charges. This change would create equity and transparency in the distribution of insurance costs while increasing efficiency and allowing agencies greater flexibility in handling tight budgets. However, due to the considerable changes that are occurring statewide at this time, the Executive recommends the sweep be eliminated in FY 2012 rather than FY 2011.

General Fund 0.0

Personnel Division Fund (1,200.0)

During the first six months of FY 2010, revenues in this fund fell 4.5% due to reductions in statewide personnel expenditures. Greater reductions are expected during the second half of the year and into FY 2011. The Executive recommends an appropriation decrease of (\$1.2 million) from the Personnel Division Fund to better align the appropriation with expected revenues.

Personnel Division Fund (1,200.0)

Infrastructure Improvements Account (4,713.7)

The Executive recommends a decrease of (\$4.7 million) from the Telecommunications Fund - Infrastructure Improvements Account special line item. Due to fund transfers, there are no monies available to support the current appropriation.

Telecommunications Fund (4,713.7)

Surplus Property Funds (1,560.4)

Revenues in the State Surplus Materials Revolving Fund have fallen considerably during FY 2010 and Federal Surplus Materials revenues have failed to materialize. In order to align the appropriations of these funds with forecasted revenues, the Executive recommends appropriation decreases of (\$348,000) from the Federal Surplus Materials Revolving Fund and (\$1.2 million) from the State Surplus Materials Revolving Fund, including (\$1.1 million) from the State Surplus Property Sales Proceeds special line item.

The Executive also recommends a footnote be added to appropriate all State Surplus Property Sales Proceeds received by the Department in excess of the remaining special line item amount of \$1,260,000.

State Surplus Property Fund (1,212.4)

Admin - Surplus Property/Federal Fund (348.0)

Motor Pool Revolving Fund (846.0)

Due to falling revenues and transfers, this fund has insufficient funds to support its current appropriation. The Executive recommends an appropriation decrease of (\$846,000) to better align the fund with forecasted revenues and expenditures.

FY 2011

Motor Pool Revolving Fund (846.0)

Automation Operations Fund 1,556.4

The Executive recommends an increase of \$1.6 million from the Automation Operations Fund to restore the fund to its original FY 2010 appropriation level. This will increase the Data Center's ability to help State agencies run more efficiently on ever tighter budgets.

Automation Operations Fund 1,556.4

Solutions to Budget

Infrastructure Improvements Account Transfers 0.0

During FY 2010, the Department was required to transfer \$5.8 million from the Telecommunications – Infrastructure Improvements Account (IIC). Monies in this account are collected from agencies that use Telecommunications Program Office (TPO) services. In order to make the required transfer, the TPO billed each normally participating agency for a portion of the transfer.

The Executive recommends these IIC transfer payments be continued for FY 2011. The Executive also recommends reducing the Department of Economic Security's payment to \$800,000. With this change, the total transfer to the General Fund in FY 2011 would be \$4.7 million.

Telecommunications Fund 0.0

County Attorney Immigration Enforcement (1,216.8)

The Executive recommends eliminating the remaining \$1.2 million in the County Attorney Immigration Enforcement special line item.

General Fund (1,216.8)

FY 2010 Supplemental Recommendations

FY 2010

Attorney General Legal Services Federal Repayment 1,700.0

FY 2010

The federal government has disallowed the personnel basis for the Attorney General Legal Services Cost Allocation fund pro rata charge and requires a reimbursement of all federal monies paid for the AG Pro Rata during FYs 2007 through 2009. The \$1.1 million repayment for the first two years was due on July 29, 2009. It has been in collections, accruing interest charges at 11.25%. The FY 2009 repayment of \$551,100 is due January 13, 2010. In addition to charging interest and other fees, the federal government could choose to offset the amounts owed by withholding federal funds from one or more State agencies.

The Executive recommends that \$1.7 million be appropriated to the General Accounting Office as a special line item for the repayment of these debts. Because the exact amount due depends on the time of payment, the Executive also recommends adding a footnote to specify that the \$1.7 million is an estimate of the total due and that any additional funds needed to cover interest or other related fees are appropriated to the Department of Administration to complete the necessary payments.

General Fund	1,700.0
Personnel Division Fund	(1,625.0)

Due to falling revenues and large fund transfers, the Personnel Division Fund cannot support its current appropriation. The Executive recommends an appropriation decrease of (\$1.6 M) to better align the appropriation with available funding.

Personnel Division Fund	(1,625.0)
Infrastructure Improvements Account	(4,713.7)

The Executive recommends a decrease of (\$4.7 million) from the Telecommunications Fund - Infrastructure Improvements Account special line item. Due to fund transfers, there are no monies available to support the current appropriation.

Telecommunications Fund	(4,713.7)
Surplus Property Funds	(1,560.4)

The Executive recommends appropriation decreases of (\$348,000) from the Federal Surplus Materials Revolving Fund and (\$1.2 million) from the State Surplus Materials Revolving Fund, including (\$1.1 million) from the State Surplus Property Sales Proceeds special line item. These changes are necessary to align the appropriations with forecasted revenues and expenditures.

The Executive also recommends a footnote be added to appropriate all State Surplus Property Sales Proceeds received by the Department in excess of \$1,260,000.

State Surplus Property Fund	(1,212.4)
Admin - Surplus Property/Federal Fund	(348.0)

FY 2010

County Attorney Immigration Enforcement (501.8)

The Executive recommends eliminating the \$501,800 appropriation remaining in the County Attorney Immigration Enforcement special line item.

General Fund	(501.8)
Motor Pool Revolving Fund	(846.0)

Due to falling revenues and transfers, this fund has insufficient funds to support its current appropriation. The Executive recommends an appropriation decrease of (\$846,000) to better align the fund with forecasted revenues and expenditures.

Motor Pool Revolving Fund	(846.0)
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Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Percentage of ADOA's services with a minimum customer satisfaction rating of 6.0, based on annual survey (scale 1-8)	n/a	n/a	80	0
Customer satisfaction rating with building maintenance (scale 1-8)	7.70	7.95	6.80	6.80
Customer satisfaction rating with benefit plans (scale 1-8)	n/a	n/a	6.5	6.5
Customer satisfaction rating with mainframe processing (scale 1-8)	n/a	n/a	6.00	6.00
Customer satisfaction rating with administration of payroll process (scale 1-8)	n/a	n/a	6.0	6.0
Customer satisfaction rating with tenant improvement process (scale 1-8)	7.70	7.35	7.00	7.00
Customer satisfaction rating with voice telecommunications services (scale 1-8)	6.70	7.0	6.7	6.7
Percentage of enterprise application development work completed within negotiated timeframe	100	100	90	90
Customer satisfaction rating with information and data security services (scale 1-8)	n/a	n/a	6.0	6.0
Average response time to Capitol Police emergency calls (minutes:seconds)	1:52	1:21	1:30	1:35
Statewide incident rate per 100 Full Time Equivalent (FTE) positions (accepted Risk Management claims)	4.5	4.2	5.4	5.4

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	3,910.6
Agency Request	1,324,547.0
Administrative Cost Percentage	0.30%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation by fund with special line items.

Office of Administrative Hearings

Mission:

To contribute to the quality of life in the State of Arizona by fairly and impartially hearing the contested matters of our fellow citizens arising out of state regulation.

Description:

The Agency commenced operation January 1, 1996. Previously, administrative hearings were conducted "in-house" in each respective state agency or occupational board. The creation of the Office of Administrative Hearings as a separate agency charged with providing administrative law judges has interjected increased professional detachment and physical distance to ensure confidence in the independence and fairness of administrative hearings.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Hearings	1,132.6	948.8	1,024.6	948.8
Agency Total	1,132.6	948.8	1,024.6	948.8
<i>Category</i>				
FTE	15.0	15.0	15.0	15.0
Personal Services	726.9	582.5	645.8	582.5
ERE Amount	272.0	247.4	259.9	247.4
Prof. And Outside Services	0.5	0.0	0.0	0.0
Travel - In State	0.0	0.0	0.0	0.0
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	133.2	118.9	118.9	118.9
Equipment	0.0	0.0	0.0	0.0
Agency Total	1,132.6	948.8	1,024.6	948.8
<i>Fund</i>				
General Fund	1,118.1	934.3	1,010.1	934.3
Healthcare Group Fund	14.5	14.5	14.5	14.5
Agency Total	1,132.6	948.8	1,024.6	948.8

Recent Budget Activity/Perspective

The Office of Administrative Hearings has experienced appropriation reductions of (\$350,400) from FY 2009 to the enacted FY 2010 budget.

These adjustments have required the suspension of statutes that require the agency to hear contested cases within sixty days of appeal. These reductions have also decreased the number of administrative law judges available to hear appeals, creating a heavier workload for those judges still employed by the Office of Administrative Hearings.

In FY 2009, the agency had its appropriation reduced by (\$186,800). Subsequent to this, the Department has experienced additional reductions of (\$183,600) in FY 2010.

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Percent of evaluations rating the administrative law judge excellent or good in impartiality	97.72	96.24	96.24	96.24
Average days from request for hearing to first date of hearing	58.84	65.15	65.15	65.15
Average number of days from the conclusion of the hearing to transmission of the decision to the agency	17.57	17.25	17.25	17.25
Number of hearings held	3298	3508	3508	3508

Administrative Costs

	FY 2011
Administrative Costs	188.5
Agency Request	2,883.0
Administrative Cost Percentage	6.54%

The agency request represents all funds, not just appropriated funds.

These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona Department of Agriculture

Mission:

To regulate and support Arizona agriculture in a manner that encourages farming, ranching, and agribusiness while protecting consumers and natural resources.

Description:

The Department has ten programs designed to regulate all aspects of agricultural production and processing within the State, educate industry to foster compliance with applicable regulations, promote the general welfare of the agricultural community, inform the consumer, and protect the public health and safety. These include inspections of food, and non-food products, stray and diseased livestock, and areas subject to invasive plant species. These inspections may occur solely at the field or may continue at the State Agricultural Laboratory. The Department also provides educational, and conservative assistance by promoting best practices, issuing grants, and management of Arizona's native plant species.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Food Safety and Quality Assurance	2,920.9	3,221.8	3,307.9	3,163.9
Non-Food Product Quality Assurance	881.4	853.5	863.1	813.9
Animal Disease, Ownership and Welfare Protection	2,471.2	2,290.8	2,290.8	2,290.8
Pest Exclusion and Management	3,067.8	3,068.8	3,092.3	2,399.7
Native Plant and Cultural Resources Protection	72.7	197.7	197.7	150.0
Pesticide Compliance and Worker safety	236.9	148.5	148.5	148.5
Administrative Services	1,473.1	599.3	1,295.4	595.8
State Agricultural Laboratory	1,752.7	1,264.0	1,264.0	1,264.0
Agricultural Consultation and Training	251.4	252.5	252.5	252.5
Agency Total	13,128.1	11,896.9	12,712.2	11,079.1
<i>Category</i>				
FTE	249.2	226.2	226.2	226.2
Personal Services	6,837.1	5,883.3	6,457.1	5,309.2
ERE Amount	3,304.7	3,110.2	3,229.0	2,991.7
Prof. And Outside Services	332.9	500.1	503.6	496.6
Travel - In State	577.7	643.2	643.2	643.2
Travel - Out of State	7.0	20.9	20.9	20.9
Food	0.9	255.6	255.6	207.9
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	1,883.1	1,530.8	1,578.0	1,578.0
Equipment	129.1	24.8	24.8	24.8
Cost Allocation	0.0	(72.0)	0.0	(193.2)
Transfers Out	55.6	0.0	0.0	0.0
Agency Total	13,128.1	11,896.9	12,712.2	11,079.1
<i>Fund</i>				
General Fund	10,161.2	8,584.9	9,309.2	7,917.0

Agricultural Consulting/Training Program	107.4	0.0	0.0	0.0
Agriculture Commercial Feed	263.3	302.0	305.2	305.2
Egg & Egg Product Control Fund	704.3	904.4	913.8	913.8
Pesticide Fund	463.0	388.3	391.5	342.3
Agriculture Dangerous Plants	40.0	40.0	40.0	40.0
Agriculture Seed Law	51.2	54.6	54.6	54.6
Livestock Custody Fund	54.3	79.4	79.4	79.4
Fertilizer Materials Fund	270.7	307.7	310.9	310.9
Citrus, Fruit, & Vegetable Revolving	932.6	1,028.7	1,100.7	956.7
Aquaculture Fund	7.4	9.2	9.2	9.2
AZ Protected Native Plant	72.7	197.7	197.7	150.0
Agency Total	13,128.1	11,896.9	12,712.2	11,079.1

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Animal Damage Control	65.0	65.0	65.0	65.0
SLI Red Imported Fire Ant	23.2	23.2	23.2	23.2
SLI Agriculture Employment Relations Board	23.3	19.8	23.3	16.3

Recent Budget Activity/Perspective

The Department of Agriculture has absorbed appropriation reductions of (\$1.1 million) and (\$2.0 million) in fund transfers from FY 2008 to the enacted FY 2010 budget. Most notably, the agency has discontinued agricultural inspections at the state's ports of entry as a result of these reductions. The Department has also reorganized and reduced the size of the State Agricultural Laboratory and will also eliminate other inspections it currently conducts.

A mid-year budget adjustment in FY 2008 reduced the agency's appropriations (\$600,000) and (\$551,400) in fund transfers. Many of these transfers were contested in court. The outcome is still pending.

In FY 2009, the agency had its appropriation reduced by (\$1.5 million) while losing (\$920,300) in fund transfers. This was partially offset by a \$172,100 in new fee authority.

The Department has experienced additional reductions of (\$1.65 million) in FY 2010 and (\$584,100) in transfers.

Executive Recommendations

FY 2011

Baseline Adjustments

COP Rent Adjustment - Tucson Office Building	47.2
The Executive recommendation provides rent increases necessary for the state to pay COP debt service payments.	
General Fund	28.2
Agriculture Commercial Feed Fund	3.2

FY 2011

Egg and Egg Product Control Fund	9.4
Pesticide Fund	3.2
Fertilizer Materials Fund	3.2

Other Adjustments

Native Plant Fund	(47.7)
The recommendation aligns expenditures with expected revenues.	
AZ Protected Native Plant Fund	(47.7)
Pesticide Fund	(49.2)
The recommendation aligns expenditures with expected revenues.	
Pesticide Fund	(49.2)

Solutions to Budget

Annualization of 5th Special Session Reductions	(768.1)
The Executive recommends annualizing the reductions enacted by Laws 2009, Fifth Special Session, Chapter 1.	
General Fund	(696.1)
Citrus, Fruit, and Vegetable Revolving Fund	(72.0)

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	2,044.6
Agency Request	29,170.0
Administrative Cost Percentage	7.01%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Performance Measures

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
	<u>Actual</u>	<u>Actual</u>	<u>Expected</u>	<u>Expected</u>
Number of federal-state and citrus, fruit, and vegetable produce inspections	47,761	49,320	51,000	51,000
Percent of meat and poultry product tests in compliance with bacteria, drug and chemical residue requirements	99.49	99	99	99
Number of feed, fertilizer, pesticide and seed labels inspected in the market place	21,981	9,470	5,000	5,000
USDA disease status for Arizona for bovine brucellosis and tuberculosis, and swine pseudorabies	Free	Free	Free	Free
Number of pest interceptions within the state interior	16,119	15,092	15,000	15,000
Percent of agency staff turnover	28.81	32.1	15	15
Percent of overall customer satisfaction rating for laboratory services	95	95	80	80
Number of agricultural consultation and training compliance issues addressed	558	1,100	1,210	1,210
Number of native plant cases with successful compliance	15	56	55	55
Percent of inspected trucks rejected at ports	3	0	0	0

Arizona Health Care Cost Containment System

Mission:

To provide comprehensive, quality health care for those in need.

Description:

The Arizona Health Care Cost Containment System (AHCCCS), which serves as the state's Medicaid agency, is a health care program primarily targeted to serve low-income Arizonans. AHCCCS is a partnership that includes the state, its counties, the federal government, program contractors and health plans from the public and private sector, and AHCCCS members.

The AHCCCS Administration's main responsibility is to plan, develop, implement, and administer health care programs for low income Arizonans based on competitively bid prepaid capitated contracts designed to provide quality health care while containing costs. The Administration's additional responsibilities are setting policy and controls for eligibility administration, member enrollment, quality assurance of medical care, provider and plan oversight, and procurement of contract providers.

Major medical programs are acute care, behavioral health services, long term care, and a premium-based program known as Healthcare Group (HCG). The AHCCCS Administration determines eligibility for the Arizona Long Term Care System (ALTCSS), Children's Health Insurance Program (KidsCare), Qualified Medicare Beneficiaries, and for other Supplemental Security Income (SSI) related Medical Assistance Only programs. Federal funding through Title XIX and Title XXI of the Social Security Act is provided to AHCCCS by the Centers for Medicare and Medicaid Services (CMS), which is under the U.S. Department of Health and Human Services.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Administration	55,134.3	52,602.9	56,833.1	53,686.3
Long Term Care	133,151.8	130,291.1	180,342.6	174,004.9
Acute Care	712,038.9	659,231.5	947,097.8	893,623.6
Proposition 204	327,433.6	386,315.2	662,537.7	249,105.3
Healthcare Group	6,524.4	6,179.7	10,159.1	5,246.1
Children's Health Insurance Program	156,068.8	144,648.4	122,007.8	0.0
Program Transfer	0.0	0.0	0.0	46,654.3
Agency Total	1,390,351.8	1,379,268.8	1,978,978.1	1,422,320.5
<i>Category</i>				
FTE	1,635.8	1,478.8	1,481.9	1,303.7
Personal Services	25,063.3	23,883.2	23,176.9	19,303.1
ERE Amount	16,861.2	14,826.5	15,904.7	12,915.4
Prof. And Outside Services	2,140.0	2,613.0	2,550.4	2,457.4
Travel - In State	22.1	31.5	47.7	31.9
Travel - Out of State	10.3	19.6	23.2	18.8
Aid to Others	1,258,748.4	1,268,474.4	1,864,203.3	1,333,308.4
Other Operating Expenses	8,574.4	6,920.1	9,246.5	10,268.7
Equipment	(25.8)	177.9	567.7	127.0
Cost Allocation	(789.2)	0.0	0.0	0.0

Transfers Out	79,747.1	62,322.6	63,257.7	43,889.8
Agency Total	1,390,351.8	1,379,268.8	1,978,978.1	1,422,320.5
<i>Fund</i>				
General Fund	1,186,487.6	1,178,047.5	1,807,808.1	1,342,722.7
Tobacco Tax and Health Care Fund	50,803.3	53,738.1	46,064.7	50,710.8
Tobacco Products Tax Fund	22,131.8	23,331.8	21,706.3	20,521.1
Children's Health Insurance Program	121,935.9	114,978.2	95,246.4	0.0
Budget Neutrality Compliance Fund	2,130.8	2,993.5	2,993.5	3,119.8
Healthcare Group Fund	3,724.4	6,179.7	5,159.1	5,246.1
Temporary Medical Coverage Fund	3,138.0	0.0	0.0	0.0
Agency Total	1,390,351.8	1,379,268.8	1,978,978.1	1,422,320.5

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI DES Eligibility System Upgrade	127.4	0.0	0.0	0.0
SLI Long Term Care Clawback Payments	11,307.2	12,501.7	13,003.1	13,075.9
SLI LTC Part D Copayments	588.5	0.0	0.0	0.0
SLI Rural Hospital Reimbursement	0.0	2,925.8	4,152.0	4,175.7
SLI Acute Care Clawback Payments	28,794.4	31,925.6	33,551.3	33,794.2
SLI Acute Care Part D Copayments	2,150.9	0.0	0.0	0.0
SLI SSDI Temporary Medical Coverage	3,138.0	0.0	0.0	0.0

Recent Budget Activity/Perspective

In the three years since the beginning of the budget crisis, AHCCCS has eliminated all state-only programs, has cut its administration by 16%, and delayed plans to begin replacing its aging computer system. Among the cuts was the elimination of coverage for the parents of KidsCare children and removal of dental coverage for long-term care patients. Additionally, the Social Security Disability Income Temporary Medical Coverage program was cut, which eliminated AHCCCS coverage for the two year gap between the time a person was declared disabled and the beginning of their medical insurance under Medicare.

Hospitals have seen the elimination of the loan program for residency programs, a reduction in outlier payments and two years of frozen provider rates. Prior to these cuts to hospital finances, a consulting firm had determined that only 93% of costs were covered by AHCCCS. Additionally, other providers, such as physicians, have seen their rates either frozen or cut by 5%.

In addition to the cuts, the AHCCCS population has grown by 298,400, or 37%, from July 2007 to October 2009. The most expensive population has seen an 81% increase over this time. This growth, along with medical inflation and a drop in the non-enhanced federal match, has led to caseload growth increases

Recent Budget Activity/Perspective

(excluding the federal stimulus funds) of \$735 million, which is a 58% increase over the original FY 2008 appropriation.

Executive Recommendations

FY 2011

Baseline Adjustments

Caseload and Inflation 563,967.6

The Executive recommends a total increase of \$564.0 million for Caseload and Inflation growth in AHCCCS programs, which includes a General Fund increase of \$591.8 million and a Children's Health Insurance Program (CHIP) Fund reduction of (\$18.6 million). Included in the General Fund figure is an increase of \$15.3 million to offset the same amount of decrease in tobacco tax revenues. Included in the tobacco tax reductions are (\$6.6 million) from the appropriated Tobacco Tax and Health Care Fund, Medically Needy Account, and (\$2.8 million) from the appropriated Tobacco Products Tax Fund, Emergency Health Services Account. Also included are (\$5.9 million) in forecast reductions in tobacco revenues to the non-appropriated Proposition 204 Protection Account. The Executive also forecasts (\$8.6 million) in reductions in non-appropriated Tobacco Settlement funds, and includes a General Fund increase of the same amount in the Executive recommendation.

Additionally, these figures include a \$202.5 million General Fund increase to offset the elimination of federal stimulus funds effective December 31, 2010.

For AHCCCS's largest program, Capitation, the Executive forecasts a caseload increase of 17.1% in June 2010 over June 2009, and 5.2% in June 2011 over June 2010. These growth rates represent a significant slowdown in caseload growth from the 23% seen from October 2008 to October 2009, as the Executive forecasts a slow recovery in the economy. Capitation rate growth is estimated to be 5% for contract year 2011. The recommendation also includes an enhanced Federal Medical Assistance Percentage (FMAP) of 75.93% for the first half and a regular FMAP of 65.85% for the last half of State Fiscal Year 2011.

General Fund	591,841.7
Tobacco Tax and Health Care Fund	(6,627.3)
Tobacco Products Tax Fund	(2,810.7)
Children's Health Insurance Program Fund	(18,562.4)
Budget Neutrality Compliance Fund	126.3

DOA Data Center	987.1
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The AHCCCS special line item appropriation for Data Center services has been \$5.7 million since FY 2003, while the charges against the special line item are expected to be \$9.2 million in FY 2011. To make up this shortfall without an appropriation increase, AHCCCS will have to transfer surpluses from other lines.

However, given that the Executive is recommending a supplemental in FY 2010 and dramatic funding increases in FY

Agency Operating Detail

Arizona Health Care Cost Containment System

FY 2011

2011, those surpluses are not likely to be available. The Executive recommends an increase of \$964,900 General Fund and \$22,200 CHIP Fund to address this shortfall in the Data Center appropriation. These increases will be matched with \$2.6 million in federal funds.

General Fund	964.9
Children's Health Insurance Program Fund	22.2

Other Adjustments

Transfer of BHS to AHCCCS	46,654.3
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The Executive has recommended transferring to AHCCCS portions of the Division of Behavioral Health. The primary components that would be transferred include Title XIX General Mental Health and Substance Abuse Services, which would be eliminated from the Department of Health Services budget and added to the AHCCCS budget.

The Executive has also recommended that a small pilot program be established to place Seriously Mentally Ill patients within the AHCCCS system.

The Executive recommends an increase of \$43,054,300 General Fund and \$3,600,000 Tobacco Tax and Health Care Fund in AHCCCS and corresponding decreases in DHS to reflect this proposed shift.

General Fund	43,054.3
Tobacco Tax and Health Care Fund	3,600.0

Fraud Reduction Staffing	(441.0)
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The AHCCCS Office of Program Integrity (OPI) is responsible for conducting criminal investigations and investigative audits for all AHCCCS programs involving State and/or federal tax dollars. OPI works closely with federal, State and local law enforcement agencies to detect, investigate and prosecute any provider, subcontractor or member engaged in fraudulent activity. OPI also conducts internal employee investigations and assesses civil monetary penalties.

As a result of an increase in caseload, with 77 cases opening each month for every 53 cases closed, a backlog of approximately 350 cases has accumulated. To address this backlog, the Executive recommends a net reduction of (\$451,000) General Fund for funding an additional 5.0 FTE positions in the OPI fraud unit. The total reduction achieves savings of (\$607,300) in General Fund program costs against an increase of \$156,300 in General Fund and \$10,000 in CHIP Fund for administration costs. These program savings are based on the historical average savings per position in OPI.

General Fund	(451.0)
Children's Health Insurance Program Fund	10.0

Healthcare Group Administration	(933.6)
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HealthCare Group of Arizona (HCC) offers affordable health

15

FY 2011

insurance products to small businesses (two to 50 employees). The administrative portion of the HCG fund is subject to Legislative appropriation. HCG has seen recent declines in its membership, and, thus, the Executive recommends a reduction in its appropriation.

Healthcare Group Fund (933.6)

Solutions to Budget

Prop 204 Rollback (358,524.6)

When Arizona voters passed Proposition 204 in 2000, the question on the ballot stated: "A 'yes' vote shall have the effect of ... increasing healthcare coverage eligibility for Arizona's working poor at the federal poverty level ... using the tobacco litigation settlement money." Since FY 2004, the tobacco litigation settlement funds have been inadequate to fund the Proposition 204 expansion. In FY 2011 the General Fund is forecast to provide \$740 million to support the Proposition 204 expansion (excluding the offset from federal stimulus funds).

Effective January 1, 2011, the Executive recommends elimination of health coverage for childless adults who were added under Prop. 204 and capping other populations (largely disabled and parents) at a level adequate to be supported by the tobacco settlement revenues, effective January 1, 2011. This action is forecast to save the State (\$382.5 million) in FY 2011, of which (\$358.5 million) is in AHCCCS and (\$24.0 million) is in the Department of Health Services. The State will lose an estimated (\$737.6 million) of federal match, and 310,500 Arizonans will lose their AHCCCS health insurance. This is 4.3% of the population forecast for Arizona in 2011.

The Executive's interpretation of current law is that, because Prop. 204 was passed after the Voter Protection Act (Proposition 105 of 1998), any modification would require passage of a voter initiative. Additionally, this proposal will not cost the State any federal stimulus funds because the federal maintenance-of-effort requirement expires on December 31, 2010.

General Fund (358,524.6)

GME and Private DSH Reductions (21,114.8)

In the Fifth Special Session of 2009, the Legislature passed a (\$7,662,100) lump-sum reduction to the AHCCCS General Fund budget. In order to implement this reduction, the Executive reduced the Graduate Medical Education (GME) and private hospital Disproportionate Share Hospital (DSH) appropriations by, respectively, (\$1,302,300) and (\$940,200). The remaining GF appropriations were used to offset the agency's FY 2010 Supplemental need.

In FY 2011, the Executive recommends eliminating the remainder of the private DSH and GME programs, saving a total of (\$21.1 million) General Fund. The private hospital DSH elimination would save (\$7.8 million) General Fund, cost the State (\$15.1

FY 2011

million) in federal match, and leave an amount adequate for a federally required minimum distribution of \$5,000 to \$10,000 for each private hospital. The elimination of the GME program would save (\$13.3 million) General Fund and cost the State (\$24 million) in federal funds.

General Fund (21,114.8)

Provider Rate Reductions (57,085.3)

In the Caseload and Inflation recommendation, the Executive continues the ongoing policy of fully funding capitation rate growth. If no steps are taken to limit medical inflation or utilization of services, capitation rate growth is forecast to be 5% in Contract Year 2011 over 2010.

However, given the necessity of reducing expenditures in FY 2011, the Executive recommends requiring the agency to take steps to limit capitation rate growth in FY 2011 to 0% over FY 2010. In order to comply with this requirement, the agency will likely have to freeze or reduce rates paid to health care providers. This effort is forecast to save the General Fund (\$57.1 million) while costing Arizona health care providers (\$110 million) in federal matching funds.

General Fund (57,085.3)

Optional Benefits Reduction (6,258.3)

The Executive recommends a (\$6.3 million) reduction to eliminate portions of the AHCCCS benefit package that are not mandated by the federal government. The Executive proposes elimination of these services effective October 1, 2010, as the services reduction will require the approval of the federal government's Centers for Medicare and Medicaid Services (CMS).

General Fund (6,258.3)

5th Special Session KidsCare Freeze (72,186.0)

In order to meet the (\$7,662,000) lump sum AHCCCS reduction in the 2009 Fifth Special Session, AHCCCS placed a freeze on new KidsCare members. This action is expected to generate (\$12.9 million) in additional General Fund savings in FY 2011 over the FY 2010 estimate. This increase represents a total General Fund cut of (\$16.0 million) in FY 2011 over the original FY 2010 appropriation due to freezing new enrollment in KidsCare.

General Fund (12,883.0)

Children's Health Insurance Program Fund (59,303.0)

KidsCare Elimination (47,188.1)

After freezing enrollment since December 2009, the Executive recommends eliminating the KidsCare program entirely in FY 2011.

Under the KidsCare enrollment freeze, the population is expected to drop from 46,800 in November 2009 to 27,900 at the beginning of FY 2011. Under this proposal, health coverage for these

	<u>FY 2011</u>
remaining 27,900 children would be eliminated in FY 2011.	
General Fund	(10,043.1)
Children's Health Insurance Program Fund	(37,145.0)
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County Hold Harmless	(4,825.6)
The Executive recommends eliminating the \$4.8 million County Hold Harmless appropriation.	
General Fund	(4,825.6)

FY 2010 Supplemental Recommendations

	<u>FY 2010</u>
Caseload and Inflation	51,745.4
The Executive recommends a supplemental appropriation of \$87.2 million General Fund for AHCCCS. This recommendation has been reduced to take into account the planned transfer by AHCCCS of \$16.7 million General Fund from Graduate Medical Education (GME) and private Disproportionate Share Hospital (DHS) appropriations. It also includes GF backfill for shortfalls in federal stimulus funds of \$19.5 million, in appropriated and non-appropriated tobacco taxes of \$16.4 million, and in tobacco settlement of \$10.1 million.	
General Fund	87,165.4
Tobacco Tax and Health Care Fund	(6,855.6)
Tobacco Products Tax Fund	(3,068.4)
Children's Health Insurance Program Fund	(25,496.0)
Budget Neutrality Compliance Fund	0.0

Performance Measures

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
	Actual	Actual	Expected	Expected
Percent of invoices paid within 30 days	94	100	95	95
Percent of total programmatic payments completed electronically	96.8	98	95	95
Percent of enrollees filing a grievance	.15	.4	.6	.6
Member satisfaction: percent of choice exercised in moving from current health plan	2.1	1.82	3.5	3.5
Percent of applications processed on time	89	92	97	97
Cost avoidance from Predetermination Quality Control Program (in millions)	19.39	15.98	16.03	16.08
Percent of members utilizing home and community based services	64.09	68.75	67.80	68.75
Percent of well child visits in the first 15 months of life - Early Periodic Screening, Diagnosis and Treatment	57	60.8	60	60
➤ <i>The current HEDIS national mean for Medicaid managed care plans is 53%, so AHCCCS is performing well above the comparable national average.</i>				
Percent of women receiving cervical screening within a three year period	60	63.2	64	64
Percent of well child visits in the first 15 months of life - Early Periodic Screening, Diagnosis and Treatment	57	60.8	60	60
KidsCare monthly enrollment	65,832	63,729	52,471	55,095
Percent of children with access to primary care provider	77	87.2	85	87
Percent of employee turnover	13.03	3.77	16	16

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	47,309.3
Agency Request	9,751,623.0
Administrative Cost Percentage	0.49%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation by program with special line items.

State Board of Appraisal

Mission:

To promote quality real estate appraisal in Arizona that protects the health, safety, and welfare of the public.

Description:

The State Board of Appraisal processes the applications of those applying for real estate appraiser licensure, certification, or tax agent registration, assuring that all candidates meet the education and experience requirements as set forth by the Appraisal Qualification Board of the Appraisal Foundation. The Board acts as a disciplinary body to ensure conformity to the statutes, rules, and regulations governing the Board. In addition to protecting the interests of the general public, the Board provides services for appraisers, course providers, property tax agents, other state appraisal boards, and lending institutions.

Agency Summary				
Program/Cost Center	FY 2009 <i>Actual</i>	FY 2010 <i>Approp.</i>	FY 2011 <i>Agency Req.</i>	FY 2011 <i>Exec. Rec.</i>
Licensure/Certification/Registration	607.2	624.2	624.2	624.2
Agency Total	607.2	624.2	624.2	624.2
<i>Category</i>				
FTE	4.5	4.5	4.5	4.5
Personal Services	225.0	284.1	284.1	284.1
ERE Amount	92.4	86.8	86.8	86.8
Prof. And Outside Services	181.1	142.0	142.0	142.0
Travel - In State	7.3	7.6	7.6	7.6
Travel - Out of State	4.5	4.0	4.0	4.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	84.2	86.3	86.3	86.3
Equipment	0.0	0.0	0.0	0.0
Transfers Out	12.7	13.4	13.4	13.4
Agency Total	607.2	624.2	624.2	624.2
<i>Fund</i>				
Board of Appraisal Fund	607.2	624.2	624.2	624.2
Agency Total	607.2	624.2	624.2	624.2

Recent Budget Activity/Perspective

The most significant activity since FY 2007 for the Board of Appraisal was the FY 2008 fund transfer of \$537,900. The Board was originally scheduled for a \$590,000 transfer in FY 2009; however, because of an insufficient fund balance at the time, Laws 2009, Chapter 11 reduced the amount to \$30,000.

The most significant activity since FY 2007 for the Board of Appraisal was the FY 2008 fund transfer of \$537,900. The Board was originally scheduled for a \$590,000 transfer in FY 2009; however, because of an insufficient fund balance at the time, Laws 2009, 1st Regular Session, Chapter 11 reduced the amount to \$30,000.

Performance Measures

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Number of new and existing licensees	3,317	2832	2,745	2,745
Number of complaints received against appraisers	247	200	275	275
Average days from receipt of complaint to resolution	123	125	130	130

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	1.5
Agency Request	622.0
Administrative Cost Percentage	0.24%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona Commission on the Arts

Mission:

To ensure Arizona is a place where people broaden, deepen and diversify their engagement with the arts, as creators, audiences and supporters, in ways that are satisfying and integral to their lives.

Description:

The Arizona Commission on the Arts is a 43-year-old agency of the State of Arizona which supports:

The development and retention of statewide jobs in the arts, culture and education sectors;

Access to quality, vital arts and arts education opportunities for all Arizona citizens;

Increased economic impact in local communities through partnerships that develop tax and business revenue.

Annually, the Arts Commission grants and programs serve 8 million people, and 1.7 million Arizona youth are served by Arts Commission-sponsored arts education programs in private, charter and public schools.

The Arts Commission maximizes resources in four key areas: Partnerships, Leadership Activities, Services and Strategic Funding.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Arts Support	1,507.1	895.9	968.5	680.1
Agency Total	1,507.1	895.9	968.5	680.1
<i>Category</i>				
FTE	11.5	10.5	10.5	10.5
Personal Services	484.3	447.6	447.6	447.6
ERE Amount	97.0	90.1	90.1	90.1
Prof. And Outside Services	23.1	38.2	38.2	32.1
Travel - In State	4.8	10.0	10.0	10.0
Travel - Out of State	9.8	2.5	2.5	2.5
Aid to Others	839.3	209.7	282.3	0.0
Other Operating Expenses	47.4	69.7	69.7	69.7
Equipment	1.4	28.1	28.1	28.1
Agency Total	1,507.1	895.9	968.5	680.1
<i>Fund</i>				
General Fund	1,507.1	895.9	968.5	680.1
Agency Total	1,507.1	895.9	968.5	680.1

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Community Service Project	860.2	215.8	288.4	0.0
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Recent Budget Activity/Perspective

For FY 2007, the Arts Commission was appropriated \$625,000 for operating; \$1.3 million for Community Service Projects (matching arts grants provided to organizations throughout the state); and \$2

Recent Budget Activity/Perspective

million to bring the corpus of the Arts Endowment to its full intended balance of \$20 million.

For FY 2008, the Commission was appropriated an additional \$200,000 for the Opening Doors Grant Program, designed to help teachers learn how to include arts in their curriculum. Midway through the year, the program was cut by (\$100,000). The remaining \$100,000 was cut before the start of FY 2009.

During FY 2009, Arts Trust Fund revenues from corporate annual report filings dropped by (\$220,000). Endowment interest, which had peaked at \$1 million in FY 2008, fell by (\$600,000) in FY 2009. In addition, the Agency's General Fund budget was cut by (\$423,200), and the corpus of the Arts Endowment was reduced by (\$5.3 million).

For FY 2010, the Arts Commission was awarded a grant of \$322,900 through the American Recovery and Reinvestment Act, for preservation of jobs in the arts. Arts Trust Fund revenues have fallen somewhat, and Endowment interest has all but disappeared. The Commission's General Fund budget has been cut an additional (\$624,100), and another transfer has been legislated for \$115,400. All of these issues impact the amount of funding available for grants.

Executive Recommendations

FY 2011

Solutions to Budget

Community Service Projects Special Line Item (215.8)

The Executive recommends eliminating the remaining \$215,800 in the Community Service Projects special line item. This would eliminate General Fund support of community arts grants.

General Fund (215.8)

FY 2010 Supplemental Recommendations

FY 2010

Lump Sum Reduction (72.7)

The Executive recommends a lump sum General Fund decrease of (\$72,700). This would most likely require the postponement of the Arizona Centennial Arts and Culture Programs and the closure of the small grants programs for the remainder of the year.

General Fund (72.7)

Performance Measures

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Individuals benefiting from programs sponsored by agency (in thousands)	7,141.0	8,512.0	8,400.0	7,000.0
<p>➤ <i>Figures for this measure are compiled in our online grants program (EGOR) and reflect the total number of persons benefiting from programs supported by Arts Commission grants; figures provided by grantees as a part of their annual final reports.</i></p>				
Constituent satisfaction ratings (scale of 0-8)	7.20	7.25	7.00	7.00
<p>➤ <i>Figures for this measure are compiled by Arts Commission staff and reflect ratings from the agency's annual satisfaction survey as well as evaluations from all presentations, convenings, workshops and review panels. Though the Arts Commission has enjoyed superior constituent satisfaction ratings for several fiscal years, we are not projecting an increase given the fact that our rating is already so high.</i></p>				
The cumulative contributions to Arizona ArtShare increase in both non-designated funds and contributions to arts organization endowments (in thousands)	43,289.0	22,161.0	20,000.0	20,000.0
<p>➤ <i>Figures for this measure reflect the cumulative contributions to statewide arts endowments since the inception of ArtShare. Each year Arizona arts organizations that maintain endowments are asked to send data detailing their endowment totals to the Arts Commission. Because of current economic challenges, organizations have had to use endowment principal for operations, contributions are significantly diminished, and investments have lost considerable value.</i></p>				

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	253.1
Agency Request	5,644.0
Administrative Cost Percentage	4.48%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Attorney General - Department of Law

Mission:

To provide comprehensive legal protection to the citizens of Arizona and quality legal services to the state agencies of Arizona.

Description:

The Office of the Attorney General was created by Article V, Section I of the Arizona Constitution. The Attorney General is an elected position and holds office for a four-year term. Powers of the Attorney General are conferred by the Arizona Constitution and by statute. The fundamental obligation of the Attorney General is to act as legal advisor to all state agencies except those few exempted by law. Additionally, primary responsibilities include prosecuting and defending proceedings in which the State has an interest and rendering written opinions upon questions of law.

To fulfill these responsibilities, the Department of Law is comprised of eight divisions. These divisions are the Child and Family Protection Division, the Civil Division, the Civil Rights Division, the Criminal Division, the Finance Division, the Public Advocacy Division, the Employee Services Office and Executive Administration. Each division is further organized into sections which specialize in a particular area of practice.

Agency Summary				
<i>Program/Cost Center</i>	<i>FY 2009 Actual</i>	<i>FY 2010 Approp.</i>	<i>FY 2011 Agency Req.</i>	<i>FY 2011 Exec. Rec.</i>
Legal Services	51,047.2	51,782.6	52,794.4	51,782.6
Central Administration	6,057.3	4,652.4	6,101.6	4,693.7
Agency Total	57,104.5	56,435.0	58,896.0	56,476.3
<i>Category</i>				
FTE	644.9	601.9	601.9	601.9
Personal Services	33,516.8	33,450.4	33,833.9	33,450.4
ERE Amount	11,283.7	11,435.5	11,510.2	11,435.5
Prof. And Outside Services	1,254.2	1,935.5	2,220.4	1,935.5
Travel - In State	173.1	152.1	152.1	152.1
Travel - Out of State	96.7	82.1	82.1	82.1
Aid to Others	2,699.6	2,698.4	2,698.4	2,698.4
Other Operating Expenses	6,611.2	5,462.9	7,180.8	5,504.2
Equipment	241.2	93.7	93.7	93.7
Transfers Out	1,228.0	1,124.4	1,124.4	1,124.4
Agency Total	57,104.5	56,435.0	58,896.0	56,476.3

<i>Fund</i>				
General Fund	21,483.0	17,987.5	19,436.7	18,028.8
Consumer Protection/Fraud Revolving Fund	2,499.9	3,513.7	3,798.6	3,513.7
Attorney General Antitrust Revolving	189.1	242.8	242.8	242.8
Attorney General Collection Enforcement	2,625.1	3,313.4	3,582.1	3,313.4
Attorney General Agency Services Fund	12,364.4	13,440.4	13,440.4	13,440.4
Victims Rights Fund	3,204.1	3,248.2	3,248.2	3,248.2
Risk Management Fund	8,392.3	9,037.4	9,037.4	9,037.4

Attorney General Legal Services Cost Allocation Fund	6,346.6	5,651.6	6,109.8	5,651.6
Agency Total	57,104.5	56,435.0	58,896.0	56,476.3

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Grand Jury	179.0	179.0	179.0	179.0
SLI Victims' Rights	3,204.1	3,248.2	3,248.2	3,248.2
SLI Military Airport Planning	74.6	0.0	0.0	0.0

Recent Budget Activity/Perspective

In FY 2007, the Attorney General's Office and Department of Law was appropriated \$60.7 million from State funds.

By the end of FY 2008, the appropriation had been increased by about \$5 million for pay increases and other operating expenses, but was reduced by about (\$1 million) through lump sum and hiring freeze reductions. In addition, (\$1.5 million) was transferred out of the Department's funds to the General Fund.

For FY 2009, increases of \$1.7 million and \$2.1 were provided for, respectively, Consumer Fraud and attorney salaries. Reductions were (\$1.7 million), and (\$500,000) was transferred from Department funds to the General Fund.

For FY 2010, the Department's budget was reduced by (\$7.2 million), and (\$10.5 million) was transferred out of Department funds.

Executive Recommendations

FY 2011

Baseline Adjustments

COP Rent Increase	41.3
The Executive recommendation provides for the agency's share of the increased lease-purchase debt service payment in FY 2011.	
General Fund	41.3

Performance Measures

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Percentage of cases resolved using voluntary settlement agreements	15.0	20	15	15
➤ <i>The Division has a successful Conflict Resolution Program that utilizes a network of volunteer mediators in Phoenix and Tucson. The Program has been instrumental in increasing the number of cases resolved using voluntary settlement agreements.</i>				
Percentage of death penalty sentences affirmed by the Arizona Supreme Court	100	67	90	90
➤ <i>The decrease in FY09 was due to two cases being reversed and remanded for re-sentencing and one case being reduced to natural life.</i>				
Customer satisfaction rating for client agencies (scale of 1 to 8, with 8 the highest)	7.17	7.25	7.20	7.20
Days to respond to a request for a legal opinion	42	72	42	42
➤ <i>FY2009 Actual was higher than estimate due to 2 opinions taking much longer than average and fewer number of same day and/or one-day turnarounds.</i>				
Percent of agency staff turnover	18.70	18.30	18.50	18.50

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	0.0
Agency Request	98,602.0
Administrative Cost Percentage	0.00%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Automobile Theft Authority

Mission:

To deter vehicle theft in Arizona through a cooperative effort by supporting law enforcement activities, vertical prosecution, and public education programs.

Description:

The Arizona Automobile Theft Authority (AATA) exists to facilitate and fund programs to deter and prevent vehicle theft in Arizona. The AATA is supported by semi-annual assessments from more than 425 auto insurance companies doing business in Arizona. These dedicated funds facilitate a cooperative effort between the insurance industry, law enforcement, criminal justice agencies, and the citizens of Arizona. Resources are focused on auto theft enforcement/investigative units, effective prosecution efforts, and public education & prevention programs.

Agency Summary				
Program/Cost Center	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Automobile Theft Authority	4,775.1	5,140.2	5,481.3	5,140.2
Agency Total	4,775.1	5,140.2	5,481.3	5,140.2
Category				
FTE	6.0	6.0	6.0	6.0
Personal Services	295.4	314.0	314.0	314.0
ERE Amount	101.6	111.5	111.5	111.5
Prof. And Outside Services	18.3	25.8	25.8	25.8
Travel - In State	0.9	2.0	2.0	2.0
Travel - Out of State	4.1	3.7	3.7	3.7
Aid to Others	4,198.3	4,508.5	4,849.6	4,508.5
Other Operating Expenses	150.6	167.2	167.2	167.2
Equipment	5.9	7.5	7.5	7.5
Agency Total	4,775.1	5,140.2	5,481.3	5,140.2
Fund				
Automobile Theft Authority Fund	4,775.1	5,140.2	5,481.3	5,140.2
Agency Total	4,775.1	5,140.2	5,481.3	5,140.2

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Auto Theft Authority Grants	4,198.3	4,457.5	4,798.6	4,457.5
SLI Reimbursable Programs	0.0	50.0	50.0	50.0

Recent Budget Activity/Perspective

The FY 2007 appropriation for the Automobile Theft Authority was \$5.3 million.

In FY 2008 and FY 2009, the Authority received increased funding for its grant programs – vertical prosecution, Auto Theft Task Force, and local law enforcement grants - to strengthen the effectiveness of auto theft investigations and prosecution.

Both the fund sweep enacted mid-year in FY 2009 and the fund reduction and transfer in FY 2010 have required the Authority to reduce the Task Force to half the size it was in FY 2008, reduce the

Recent Budget Activity/Perspective

vertical prosecution program from six counties to one prosecutor in one county, and reduce other grants to local law enforcement agencies.

Summary:

-\$782,900 Fund Increase
 -\$841,100 Fund Reductions and Transfers
 -\$300,800 Fund Cash Balance Transfers
 -\$53,200 Hiring Freeze/Personnel Expense Reductions

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Arizona vehicle theft rate (# per 100,000 population)	n/a	568	692	769
➤ 2008 data from AZ. DPS Crime in AZ. Report. FBI Uniform Crime Report to release final 2008 data October '09.				
Customer satisfaction rating (scale of 1-3, 1 highest rating)	1	1	1	1
Number of felony arrests by Task Force	326	200	175	175
Number of "chop shops" investigated by Task Force	27	36	19	19
Return on investment (for every dollar funded by the Arizona Auto Theft Authority amount recovered by Task Force)	14.03	12.79	9.95	9.95
➤ Lower return on investment is expected due to reduced funding and staffing.				

Administrative Costs

	FY 2011
Administrative Costs	373.7
Agency Request	6,017.0
Administrative Cost Percentage	6.21%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Board of Barber Examiners

FY 2011

Mission:

To preserve the public welfare and health through the development and enforcement of adequate sanitation procedures, rules, and laws governing barbers and barbering establishments.

Description:

The Arizona Board of Barbers communicates with licensees regarding proper sanitation methods and changes in the law; administers barbering examinations; grants and renews licenses; inspects barbering establishments; investigates consumer complaints regarding unlawful activities; and takes effective measures to resolve complaints, including holding hearings, levying fines, and suspending or revoking licenses.

Agency Summary				
Program/Cost Center	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	276.4	329.9	329.9	351.0
Agency Total	276.4	329.9	329.9	351.0
<i>Category</i>				
FTE	3.6	4.0	4.0	4.0
Personal Services	153.5	163.8	163.8	181.3
ERE Amount	57.7	57.7	57.7	61.3
Prof. And Outside Services	4.3	20.4	20.4	20.4
Travel - In State	21.5	44.0	44.0	44.0
Travel - Out of State	2.5	3.0	3.0	3.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	38.0	39.9	39.9	39.9
Equipment	(1.1)	1.1	1.1	1.1
Agency Total	276.4	329.9	329.9	351.0
<i>Fund</i>				
Barber Examiners Board	276.4	329.9	329.9	351.0
Agency Total	276.4	329.9	329.9	351.0

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Annual Leave Payout	0.0	0.0	0.0	21.1
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Recent Budget Activity/Perspective

The Board of Barber Examiners was appropriated \$300,500 from the Barbers Board Fund in FY 2007.

The Board's appropriation increased slightly during FY 2008 to \$346,500 to pay for increases in joint office costs, program costs, and standard costs. During FY 2008, the Board had just over \$400,000 transferred from the Barbers Board Fund.

The Board's appropriation for FY 2009 was \$328,200, a decrease of \$16,600.

The Board's appropriation for FY 2010 was \$329,900, an increase of \$1,400 from the FY 2009 appropriation, as a result of a standard increase.

Executive Recommendations

FY 2011

Other Adjustments

Annual Leave Payout 21.1

The Executive recommends a \$21,100 special line item appropriation from the Barber Examiners Board Fund for the annual leave payouts for three employees eligible for retirement in FY 2011.

Barber Examiners Board Fund 21.1

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of barber/instructor and shop/school licenses	6,891	6972	7,200	7,400
Number of complaints received	350	340	340	350
Average number of calendar days from receipt of application to issuance or denial	2	3	3	3
Number of inspections conducted	1,619	1890	3,200	3,200

Administrative Costs

	FY 2011
Administrative Costs	21.2
Agency Request	328.0
Administrative Cost Percentage	6.46%

The agency request represents all funds, not just appropriated funds.

These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Board of Behavioral Health Examiners

FY 2011

Mission:

To establish and maintain standards of qualifications and performance for licensed behavioral health professionals in the fields of counseling, marriage and family therapy, social work, and substance abuse counseling, and to regulate the practice of licensed behavioral health professionals for the protection of the public.

Description:

The Board licenses and biennially renews licensure for approximately 8,000 behavioral health professionals, which requires that these professionals meet minimum standards of education, experience, and competency as measured by examination. The Board also receives and investigates complaints, takes necessary disciplinary action, and responds to inquiries from consumers regarding the licensure status and complaint history of individual behavioral health professionals.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	1,243.7	1,378.8	1,483.6	1,453.2
Agency Total	1,243.7	1,378.8	1,483.6	1,453.2
Category				
FTE	17.0	17.0	17.0	17.0
Personal Services	618.0	687.7	687.7	687.7
ERE Amount	255.8	346.5	346.5	346.5
Prof. And Outside Services	156.8	158.7	233.1	233.1
Travel - In State	3.9	10.0	10.0	10.0
Travel - Out of State	0.0	8.3	8.3	8.3
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	175.1	164.5	194.9	164.5
Equipment	33.8	3.1	3.1	3.1
Transfers Out	0.3	0.0	0.0	0.0
Agency Total	1,243.7	1,378.8	1,483.6	1,453.2
Fund				
Behavioral Health Examiner Fund	1,243.7	1,378.8	1,483.6	1,453.2
Agency Total	1,243.7	1,378.8	1,483.6	1,453.2

Recent Budget Activity/Perspective

For FY 2007, the Behavioral Health Examiners Board received an appropriation of \$1.2 million from the Behavioral Health Examiners Fund. For FY 2008, this was increased to \$1.4 million, funding four additional FTE and one-time equipment costs; however, the Board took a lump-sum reduction of (\$12,300.) For FY 2009, the Board received an appropriation of \$1.4 million, and took a lump-sum reduction of (\$12,400.) For FY 2010, the Board received an appropriation of \$1.4 million.

Executive Recommendations

FY 2011

Baseline Adjustments

Legal Services Adjustment	38.3
The Executive recommends an increase of \$38,300 for legal support from the Office of the Attorney General in FY 2011. The Board's ability to take timely disciplinary action against incompetent or predatory licensees is directly related to the level of legal representation it is able to procure. This adjustment will provide full-time legal representation, enabling the Board to process a backlog of complaints and formal hearings.	
Behavioral Health Examiners Fund	38.3
Formal Hearing Expense Adjustment	36.1
The Executive recommends an increase of \$36,100 for formal hearing expenses in FY 2011. The Board's inability to conduct the necessary formal hearings creates an unacceptable risk of harm to the public, and is unwarranted in a situation where the regulated community has accepted increased fees to facilitate the formal hearing process.	
Behavioral Health Examiners Fund	36.1

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of new and existing licenses issued	8,241	8,332	8,225	8,114
Average number of days to renew a license from receipt of application to issuance	17	24	30	30
Average days to resolve a complaint	570	695	400	400
Number of complaints received about licensees	118	137	150	150

Administrative Costs

Administrative Costs	FY 2011 115.0
Agency Request	1,473.0
Administrative Cost Percentage	7.81%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona Biomedical Research Commission

Mission:

To advance medical research within the State of Arizona.

Description:

The Biomedical Research Commission awards contracts for medical research projects studying the causes of disease, epidemiology and diagnosis of disease, the formulation of cures, medically accepted treatment, and prevention of diseases. The Commission oversees research projects to ensure contract compliance, and serves as the technology transfer agent for discoveries made using State funding. The Commission also awards and manages additional contracts designed to advance biotechnology in the academic, non-profit, and for-profit sectors in Arizona.

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	629.0
Agency Request	15,719.0
Administrative Cost Percentage	4.00%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

<i>Program/Cost Center</i>	Agency Summary			
	<i>FY 2009 Actual</i>	<i>FY 2010 Approp.</i>	<i>FY 2011 Agency Req.</i>	<i>FY 2011 Exec. Rec.</i>
Arizona Biomedical Research Commission	1,500.0	500.0	500.0	500.0
Agency Total	1,500.0	500.0	500.0	500.0
<i>Category</i>				
FTE	0.0	0.0	0.0	0.0
Personal Services	0.0	0.0	0.0	0.0
ERE Amount	0.0	0.0	0.0	0.0
Prof. And Outside Services	500.0	500.0	500.0	500.0
Travel - In State	0.0	0.0	0.0	0.0
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0
Transfers Out	1,000.0	0.0	0.0	0.0
Agency Total	1,500.0	500.0	500.0	500.0
<i>Fund</i>				
Health Research Fund	1,500.0	500.0	500.0	500.0
Agency Total	1,500.0	500.0	500.0	500.0

Recent Budget Activity/Perspective

Laws 2002, Chapter 186 appropriated \$500,000 annually from the Health Research Fund from FY 2003 to FY 2012 for biotechnology research.

Laws 2007, Chapter 263 originally appropriated \$1.0 million from the General Fund for a Public Regenerative Tissue Repository from FY 2008 to FY 2012. The revised FY 2008 and FY 2009 budgets subsequently eliminated this appropriation.

State Capital Post-Conviction Public Defender Office

Mission:

To provide representation to capital defendants in post conviction proceedings, as assigned by the Supreme Court, in accordance with guidelines established by the American Bar Association.

Description:

The State Capital Post-Conviction Public Defender Office was established by Laws 2006, Chapter 369, and began accepting cases in September 2007. All capital convictions are automatically appealed to the State Supreme Court. If the sentence is affirmed on appeal, the Supreme Court appoints counsel to represent the inmate in state post conviction relief proceedings. The agency will accept appointments from the Supreme Court to the extent resources allow. Counties are responsible for reimbursing the state for one-half of the resources expended, limited to \$30,000 per case. These funds are deposited in the State General Fund.

The Office is bound by the Arizona Rules of Criminal Procedure, specifically, Rule 6.8, which provides that counsel shall be guided by the performance standards in the 2003 American Bar Association Guidelines for the Appointment and Performance of Defense Counsel in Death Penalty Cases. The Guidelines, require, among other things, the formation of a defense team consisting of two lawyers, a mitigation specialist, and an investigator for each case. At least one member of the team must be qualified by training and experience to screen individuals for the presence of mental or psychological disorders or impairments. Expert witnesses will be frequently utilized by the Office.

<i>Program/ Cost Center</i>	Agency Summary			
	<i>FY 2009 Actual</i>	<i>FY 2010 Approp.</i>	<i>FY 2011 Agency Req.</i>	<i>FY 2011 Exec. Rec.</i>
Capital Post-Conviction Public Defender	753.3	647.0	1,755.7	818.3
Agency Total	753.3	647.0	1,755.7	818.3
<i>Category</i>				
FTE	5.5	4.6	14.0	6.0
Personal Services	451.2	395.7	989.1	509.7
ERE Amount	141.6	149.8	353.8	172.6
Prof. And Outside Services	59.7	49.0	162.0	70.0
Travel - In State	3.2	3.6	9.0	3.6
Travel - Out of State	18.4	10.5	42.0	10.5
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	78.4	37.8	151.4	51.3
Equipment	0.8	0.6	48.4	0.6
Agency Total	753.3	647.0	1,755.7	818.3
<i>Fund</i>				
General Fund	753.3	647.0	1,755.7	818.3
Agency Total	753.3	647.0	1,755.7	818.3

Recent Budget Activity/Perspective

The State Capital Post-Conviction Public Defender’s Office was established by Laws 2007, Chapter 369, and had an initial General

Recent Budget Activity/Perspective

Fund appropriation in FY 2007 of \$220,000. The FY 2007 appropriation represented a partial year appropriation, as the current State Capital Post-Conviction Public Defender was not appointed until March 2007. The Office accepted its first case in September 2007.

The FY 2008 appropriation to the Office included a reduction of one-time monies and an increase of \$543,800 to annualize the FY 2007 operating budget. The initial FY 2009 budget also included a General Fund increase to allow the Office to retain a 1.0 FTE attorney that would have been laid off due to FY 2007 non-lapsing monies no longer being available to pay their salary.

Budget reductions enacted since FY 2008 have required the Office to defer equipment purchases, defer out of state travel, eliminate conference and seminar training, reduce expert witness expenditures, and utilize furloughs. All of these reductions negatively impact the Office’s ability to adequately represent their clients and file petitions in a timely manner.

In FY 2010, the Office received a one-time grant from the Arizona Criminal Justice Commission which has allowed 1.4 FTE – 1.0 FTE attorney and 0.4 FTE administrative assistant – to be retained that otherwise would have been laid off due to FY 2010 budget reductions.

Summary:

- \$746,000 General Fund increases
- \$255,200 General Fund Budget Reductions
- \$63,800 Hiring Freeze/Personnel Expense Reductions

Executive Recommendations

FY 2011

FY 2011

Baseline Adjustments

Continuity of Service Level 171.3

In FY 2010, the State Capital Post-Conviction Public Defender's Office received a one-time Byrne Memorial Grant through the Arizona Criminal Justice Commission. The grant allowed the Office to retain 1.0 FTE attorney and 0.4 FTE administrative assistant that otherwise would have been laid off due to FY 2010 budget reductions. The Office currently has four cases pending. There are eighteen inmates on death row awaiting the appointment of counsel.

The Executive recommends \$171,300 from the General Fund in FY 2011 which will allow the Office to retain the 1.4 FTE currently funded by the ACJC grant.

The Executive also supports two statutory changes. The first is that the statutory cap of \$30,000 that counties reimburse the State for case expenses should be eliminated. The reimbursed monies should be deposited in a non-lapsing fund for Office operating costs, such as expert witness expenditures. Many of the Office's costs are variable and case specific, and without adequate funding the Office cannot perform its function.

Second, a statutory change should be made to allow the Capital Post-Conviction Public Defender's Office to consult and provide assistance to private attorneys on post-conviction relief cases. The statutory change may encourage more private attorneys to accept post-conviction relief cases if the State Capital Post-Conviction Public Defender's Office is allowed to provide resources and assistance in these complex and time-consuming cases.

General Fund 171.3

Administrative Costs

FY 2011

Administrative Costs 168.8
Agency Request 1,821.0
Administrative Cost Percentage 9.27%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

State Board for Charter Schools

Mission:

To foster accountability in charter schools, which will improve student achievement through market choice.

Description:

The Arizona State Board of Charter Schools reviews new and renewal applications and grants charters to qualified applicants and oversees all aspects of the charter schools it sponsors, which includes academic, financial and statutory compliance as well as adherence to the terms and conditions in the charter contract.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
State Board for Charter Schools	998.7	823.9	975.2	823.9
Agency Total	998.7	823.9	975.2	823.9
<i>Category</i>				
FTE	8.0	8.0	10.0	8.0
Personal Services	398.3	458.7	561.5	458.7
ERE Amount	175.4	185.8	224.8	185.8
Prof. And Outside Services	11.5	38.1	38.1	38.1
Travel - In State	5.9	13.3	13.3	13.3
Travel - Out of State	3.6	3.0	3.0	3.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	402.5	123.4	123.4	123.4
Equipment	1.5	1.6	11.1	1.6
Agency Total	998.7	823.9	975.2	823.9
<i>Fund</i>				
General Fund	998.7	823.9	975.2	823.9
Agency Total	998.7	823.9	975.2	823.9

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Number of sponsorship applications received	34	50	51	51
➤ <i>This number reflects the total number of unique applications received.</i>				
Number of sponsorship applications approved	13	33	31	31
Number of sponsored charters with one or more sites in operation	341	361	384	404
➤ <i>The numbers include all State Board of Education sponsored schools since the Charter School Board has agreed to provide oversight for these schools.</i>				
Number of sponsored charter school sites in operation	439	475	504	533
➤ <i>The numbers include all State Board of Education sponsored schools since the Charter School Board has agreed to provide oversight for these schools.</i>				
Number of annual on-site monitoring visits	141	76	145	168
Customer satisfaction survey (Scale 1-8)	6.4	6.96	7	7
Number of annual complaints regarding sponsored schools	104	84	95	95

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	34.6
Agency Request	1,056.0
Administrative Cost Percentage	3.28%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

State Board of Chiropractic Examiners

FY 2011

Mission:

To protect the health, welfare, and safety of Arizona citizens who seek and use chiropractic care.

Description:

The Board of Chiropractic Examiners conducts examinations and evaluates applications from chiropractors seeking initial or renewal of licensure, as well as from persons seeking participation in Board-approved preceptorship or chiropractic assistant programs. The Board investigates backgrounds of applicants for licensure and complaints made against chiropractors and conducts administrative hearings as required. The Board provides information to the public concerning applicants, licensees, and regulatory actions taken. These functions are accomplished through a fees-financed program of examination, licensure, and regulation.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	459.3	476.6	453.2	453.2
Agency Total	459.3	476.6	453.2	453.2
<i>Category</i>				
FTE	5.0	5.0	5.0	5.0
Personal Services	241.5	259.5	259.5	259.5
ERE Amount	80.5	84.3	84.3	84.3
Prof. And Outside Services	42.5	52.1	28.7	28.7
Travel - In State	7.5	5.0	5.0	5.0
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	73.2	75.7	75.7	75.7
Equipment	11.6	0.0	0.0	0.0
Transfers Out	2.5	0.0	0.0	0.0
Agency Total	459.3	476.6	453.2	453.2
<i>Fund</i>				
Chiropractic Examiners Board	459.3	476.6	453.2	453.2
Agency Total	459.3	476.6	453.2	453.2

Recent Budget Activity/Perspective

For FY 2007, the Board was appropriated \$509,200. For FY 2008, \$9,500 was added and (\$100,000) was transferred from the agency's fund to the General Fund. For FY 2009, (\$68,800) was transferred from the agency's fund to the General Fund. For FY 2010, the budget was reduced by (\$43,800) at the agency's request.

Executive Recommendations

FY 2011

Other Adjustments

Appropriation Reduction (23.4)

Historically, the Board's appropriation has been higher than revenues, and it seeks to align its expenditures with anticipated revenues. The Executive concurs with this effort.

Chiropractic Examiners Board Fund (23.4)

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Number of licenses eligible for renewal	2,619	2565	2,620	2,620
Percent of license renewal applications processed within 15 business days	94	100	95	95
Total number of investigations conducted	224	177	150	150

Administrative Costs

	FY 2011
Administrative Costs	70.1
Agency Request	475.0
Administrative Cost Percentage	14.76%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Department of Commerce

Mission:

To provide state leadership to create and retain quality jobs and strengthen Arizona's economic base.

Description:

As the State's principal economic development agency, the Department develops and implements the state's economic development plan directed at creating and retaining quality jobs statewide. Accordingly, the Department implements strategies that promote Arizona's global competitiveness; collects and disseminates economic and business-related information; supports community infrastructure and economic planning in rural areas; facilitates the coordination of the state's workforce development system; supports the expansion of existing businesses, including small and minority-owned businesses; conducts targeted business attraction to enhance economic diversification; and promotes international trade and investment.

Agency Summary				
Program/ Cost Center	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Administration and Finance	2,324.8	1,115.9	1,115.9	1,115.9
Business Development	2,558.9	3,561.9	3,561.9	3,561.9
Workforce Development	239.7	2,921.9	2,921.9	2,921.9
Community Development	1,495.5	3,586.2	3,586.2	3,586.2
Agency Total	6,618.9	11,185.9	11,185.9	11,185.9
<i>Category</i>				
FTE	73.9	66.9	66.9	66.9
Personal Services	3,287.6	2,044.0	2,044.0	2,044.0
ERE Amount	1,132.0	760.1	760.1	760.1
Prof. And Outside Services	989.2	1,461.1	1,461.1	1,461.1
Travel - In State	31.0	84.5	84.5	84.5
Travel - Out of State	31.5	163.4	163.4	163.4
Aid to Others	184.4	234.0	234.0	234.0
Other Operating Expenses	876.7	1,641.0	1,641.0	1,641.0
Equipment	36.5	40.8	40.8	40.8
Transfers Out	50.0	4,757.0	4,757.0	4,757.0
Agency Total	6,618.9	11,185.9	11,185.9	11,185.9
<i>Fund</i>				
General Fund	4,012.6	6,512.0	6,512.0	6,512.0
Lottery Fund	252.0	268.1	268.1	268.1
Commerce Development Bond Fund	124.6	145.4	145.4	145.4
Commerce and Economic Development	2,229.7	4,074.7	4,074.7	4,074.7
Oil Overcharge Fund	0.0	185.7	185.7	185.7
Agency Total	6,618.9	11,185.9	11,185.9	11,185.9

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Women & Minority-Owned Business	121.1	129.6	129.6	129.6
SLI Small Business Advocate	118.4	127.0	127.0	127.0
SLI International Trade Offices	1,120.9	1,670.6	1,670.6	1,670.6
SLI CEDC Commission	195.2	207.9	207.9	207.9

SLI Nation Law Center	200.0	200.0	200.0	200.0
SLI Advertising and Promotion	266.9	659.2	659.2	659.2
SLI Sonora Trade Office	25.0	25.0	25.0	25.0
SLI Rural Economic Development	200.0	340.1	340.1	340.1
SLI Economic Development Matching Funds	67.9	104.0	104.0	104.0
SLI Main Street	114.6	130.0	130.0	130.0
SLI Rural Economic Development Initiative (REDI) Matching Grants	28.6	45.0	45.0	45.0
SLI Military Airport Planning	80.4	2,175.0	2,175.0	2,175.0

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Percent of surveys marked "very good" or "excellent" from annual survey of Administration Division's internal customers	78	78	78	80
Total number of jobs created by companies participating in the Enterprise Zone program	5,248	5,639	4,900	5,000
Capital investment made by companies participating in Enterprise Zone program (property tax and income tax programs) (in millions)	796.9	232	275	300
Potential foreign investors attracted to Arizona for site visits	13	7	6	6
Number of companies recruited to rural locations	10	2	5	5
Average hourly wage rate per job	19.78	22.62	19.00	19.00
➤ <i>Based on companies receiving business development assistance.</i>				
Jobs created by companies utilizing Commerce Business Development programs	7,156	2,649	3,000	3,000
Number of new company relocations, expansions	40	40	NA	NA
Number of companies assisted	87	41	10	60
Number of workers under contract to be trained	18,270	6,930	1,000	7,500
➤ <i>Forecasted to go through training to increase their job skills.</i>				
Number of projects attracted or facilitated	36	40	NA	NA

Administrative Costs

	FY 2011
Administrative Costs	1,866.4
Agency Request	86,049.0
Administrative Cost Percentage	2.17%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Arizona Community Colleges

Mission:

To provide quality, affordable, higher-educational opportunities at local, community campuses.

Description:

The Arizona community college system is comprised of 11 community college districts. Arizona's community colleges provide programs and training in the arts, sciences and humanities, and vocational education leading to an Associates degree, certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.

SLI Capital Outlay Mohave	0.0	0.0	738.8	0.0
SLI Capital Outlay Navajo	500.0	0.0	563.2	0.0
SLI Capital Outlay Pima	0.0	0.0	3,342.2	0.0
SLI Capital Outlay Pinal	0.0	0.0	925.5	0.0
SLI Capital Outlay Yavapai	0.0	0.0	823.4	0.0
SLI Capital Outlay Yuma/La Paz	0.0	0.0	1,001.5	0.0
SLI Equalization Cochise	5,833.4	7,841.8	9,641.3	7,841.8
SLI Equalization Graham	14,775.7	17,465.4	20,073.3	17,465.4
SLI Equalization Navajo	5,386.5	6,624.0	7,482.8	6,624.0
SLI Equalization Yuma/La Paz	1,931.4	2,938.3	6,525.9	2,938.3

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Operating State Aid	116,308.8	97,556.8	101,783.0	97,556.8
Capital Outlay State Aid	500.0	0.0	21,064.5	0.0
Equalization Aid	27,927.0	34,869.5	43,723.3	34,869.5
Dine College	1,944.0	1,918.0	1,918.0	1,918.0
Rural County Reimbursement Subsidy	1,000.0	1,000.0	1,000.0	1,000.0
Agency Total	147,679.8	135,344.3	169,488.8	135,344.3
<i>Category</i>				
FTE	0.0	0.0	0.0	0.0
Personal Services	0.0	0.0	0.0	0.0
ERE Amount	0.0	0.0	0.0	0.0
Prof. And Outside Services	0.0	0.0	0.0	0.0
Travel - In State	0.0	0.0	0.0	0.0
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	147,679.8	135,344.3	169,488.8	135,344.3
Other Operating Expenses	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0
Agency Total	147,679.8	135,344.3	169,488.8	135,344.3
<i>Fund</i>				
General Fund	147,679.8	135,344.3	169,488.8	135,344.3
Agency Total	147,679.8	135,344.3	169,488.8	135,344.3

Recent Budget Activity/Perspective

Since the start of FY 2009, State support for the Community College system has declined by \$35 million, or by 20% of the total General Fund appropriation. In FY 2008, the Community College districts received full formula funding of \$170.7 million from the General Fund and in FY 2010 received \$135.3 million.

In FY 2008, the Community Colleges received appropriations of \$120.1 million and \$23.5 million for, respectively, Operating State Aid and Equalization Aid. In FY 2009, these special line items sustained lump sum reductions totaling (\$14.5 million). The FY 2010 budget continues these reductions, and includes additional reductions to Operating State Aid of (\$9.2 million) and (\$1.7 million) resulting from the elimination of the hold-harmless provision in the funding formula.

In FY 2008, the Community Colleges received an appropriation of \$21.1 million for Capital Outlay State Aid. In FY 2009, the General fund contributed only \$500,000 for this SLI, and in FY 2010 Capital Outlay Aid was suspended entirely.

The Executive recommends a lump-sum appropriation to the agency with special line items.

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Operating Cochise	8,303.1	7,488.7	7,726.7	7,488.7
SLI Operating Coconino	3,245.4	2,679.4	2,788.1	2,679.4
SLI Operating Gila	713.0	658.4	826.3	658.4
SLI Operating Graham	5,173.2	4,243.9	4,569.4	4,243.9
SLI Operating Maricopa	55,416.1	45,327.4	46,938.9	45,327.4
SLI Operating Mohave	4,063.3	3,682.9	3,978.4	3,682.9
SLI Operating Navajo	4,250.3	3,590.0	3,732.6	3,590.0
SLI Operating Pima	18,874.1	15,942.1	16,467.7	15,942.1
SLI Operating Pinal	5,854.3	4,935.1	5,403.2	4,935.1
SLI Operating Yavapai	4,903.4	4,196.0	4,387.5	4,196.0
SLI Operating Yuma/La Paz	5,512.6	4,812.9	4,964.2	4,812.9
SLI Capital Outlay Cochise	0.0	0.0	1,227.4	0.0
SLI Capital Outlay Coconino	0.0	0.0	446.7	0.0
SLI Capital Outlay Gila	0.0	0.0	215.9	0.0
SLI Capital Outlay Graham	0.0	0.0	564.1	0.0
SLI Capital Outlay Maricopa	0.0	0.0	11,215.8	0.0

Registrar of Contractors

Mission:

To promote quality construction by Arizona contractors through a licensing and regulatory system designed to protect the health, safety, and welfare of the public.

Description:

The agency licenses and regulates residential and commercial contractors and investigates and resolves complaints against licensed and unlicensed contractors. The agency also administers the Residential Contractors' Recovery Fund, which reimburses residential property owners for poor workmanship or non-performance by a licensed residential contractor.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Regulatory Affairs	10,362.9	12,232.7	12,316.6	12,291.6
Agency Total	10,362.9	12,232.7	12,316.6	12,291.6
<i>Category</i>				
FTE	144.8	144.8	144.8	144.8
Personal Services	4,895.0	5,725.1	5,725.1	5,725.1
ERE Amount	1,874.1	2,281.0	2,281.0	2,281.0
Prof. And Outside Services	328.8	505.0	505.0	505.0
Travel - In State	307.9	505.1	505.1	505.1
Travel - Out of State	4.4	11.8	11.8	11.8
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	1,537.0	1,928.9	2,012.8	1,987.8
Equipment	263.0	266.8	266.8	266.8
Transfers Out	1,152.7	1,009.0	1,009.0	1,009.0
Agency Total	10,362.9	12,232.7	12,316.6	12,291.6
<i>Fund</i>				
Registrar of Contractors Fund	10,362.9	12,232.7	12,316.6	12,291.6
Agency Total	10,362.9	12,232.7	12,316.6	12,291.6

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Incentive Pay	113.8	113.7	113.7	113.7
SLI Office of Administrative Hearings	1,002.3	1,009.0	1,009.0	1,009.0
SLI Information Management System	209.2	506.5	506.5	506.5

Recent Budget Activity/Perspective

The Registrar of Contractors has absorbed fund transfers of \$15 million from FY 2008 to the enacted FY 2010 budget.

These transfers have impacted most notably the Residential Contractor's Recovery Fund, which provide an alternative to those contractors who cannot afford to be fully bonded. The agency is hopeful that it can continue to pay claims on the fund and not require contractors to pay additional dues to the fund as a result of the sweeps.

A mid-year budget adjustment in FY 2008 cost the agency \$2 million in fund transfers. In FY 2009, the agency lost an additional

Recent Budget Activity/Perspective

(\$8.6 million). Subsequent to this, the Department has experienced another set of sweeps for (\$4.4 million) in FY 2010.

Executive Recommendations

FY 2011

Other Adjustments

COP Rent Increase	58.9
The Executive recommends increasing the appropriation from the Registrar of Contractors Fund by \$58,900 to absorb projected rent increases for the agency's Tucson office.	
Registrar of Contractors Fund	58.9

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Total inspections conducted	NA	NA	17,000	17,000
Total number of contractors licensed in state	60,164	60,094	63,527	65,629
Number of complaints received - unlicensed contractors	2,243	2,313	2,160	2,138

Administrative Costs

FY 2011

Administrative Costs	1,351.6
Agency Request	18,917.0
Administrative Cost Percentage	7.14%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Corporation Commission

Mission:

To exercise exclusive state regulatory authority over public service corporations (public utilities) in the public interest; to grant corporate status and maintain public records; to ensure the integrity of the securities marketplace; and to foster the safe operations of railroads and gas pipelines in Arizona.

Description:

The Corporation Commission was established by Article 15 of the State Constitution and is composed of five elected commissioners. Commissioners are currently serving terms which expire in 2010 or 2012. The seats are staggered four year terms. Staffing is provided in seven divisions, each headed by a division director serving under the Commission's Executive Director, who is the chief executive officer and responsible for the day-to-day operations of the divisions. The Commission's primary responsibilities include reviewing and establishing public utility rates, regulating the sale of securities, pipeline and railroad safety, and administering the Arizona Corporations Code. The Commission also serves as the repository of corporate annual reports and other publicly available documents filed by corporations in accordance with state law.

Agency Summary				
Program/ Cost Center	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Administration	2,894.9	3,018.3	3,018.3	3,107.7
Hearings	1,499.9	1,561.3	1,566.2	1,561.3
Corporations	5,264.4	5,091.4	5,132.7	5,091.4
Securities	6,521.4	5,090.4	5,090.4	5,090.4
Railroad Safety	627.9	679.5	689.7	679.5
Pipeline Safety	1,183.6	999.4	999.4	999.4
Utilities	6,436.5	6,385.8	6,828.6	6,385.8
Legal	1,857.8	1,914.5	1,914.5	1,914.5
Information Technology	2,875.2	2,808.6	2,602.6	2,808.6
Agency Total	29,161.6	27,549.2	27,842.4	27,638.6
<i>Category</i>				
FTE	330.3	308.3	308.3	308.3
Personal Services	15,332.5	16,848.5	16,848.5	16,848.5
ERE Amount	5,533.1	5,875.1	5,875.1	5,875.1
Prof. And Outside Services	225.3	742.1	1,162.1	742.1
Travel - In State	296.7	158.0	158.0	158.0
Travel - Out of State	39.5	46.1	46.1	46.1
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	3,671.2	3,745.7	3,618.9	3,835.1
Equipment	345.1	133.7	133.7	133.7
Transfers Out	3,718.2	0.0	0.0	0.0
Agency Total	29,161.6	27,549.2	27,842.4	27,638.6
<i>Fund</i>				
General Fund	4,213.9	637.6	647.8	727.0
Utility Regulation Revolving	14,568.7	14,539.8	14,987.5	14,539.8
Securities Regulatory & Enforcement	3,708.7	4,765.8	4,765.8	4,765.8
Public Access Fund	4,242.0	6,784.7	6,620.0	6,784.7

Securities Investment Management Fund	2,377.2	769.5	769.5	769.5
Arizona Arts Trust Fund	51.1	51.8	51.8	51.8
Agency Total	29,161.6	27,549.2	27,842.4	27,638.6

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Same Day Service	0.0	270.6	270.6	270.6
SLI Utility Audits and Studies	0.0	380.0	800.0	380.0
SLI Same Day Service	0.0	129.8	129.8	129.8

Executive Recommendations

FY 2011

Baseline Adjustments

COP Rent Increase 89.4

The Executive recommendation provides for the agency's share of the increased lease-purchase debt service payment in FY 2011.

General Fund 89.4

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Range of days to process expedited requests - corporate filings	2-5	2-5	2-5	2-5
Range of weeks to process regular requests - Corporate Filings	3-6	3-6	3-6	3-6
Total active corporations and Limited Liability Corporations recorded	536,851	585,789	625,000	665,000
Number of complaints	245	362	250	250
Number of grade crossing accidents	31	35	35	35
Total number of Interstate pipeline safety violations	3	1	0	0

Administrative Costs

FY 2011

Administrative Costs 5,759.5

Agency Request 28,866.0

Administrative Cost Percentage 19.95%

The agency request represents all funds, not just appropriated funds.

These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Department of Corrections

Mission:

To serve and protect the people of Arizona by imprisoning those offenders legally committed to the Arizona Department of Corrections and by providing community based supervision for those conditionally released.

Description:

The Arizona Department of Corrections serves and protects the people of the state of Arizona by incarcerating inmates in correctional facilities and supervising conditionally released offenders in the community. During incarceration, medical care and other health and welfare services are provided to inmates. In addition, programs such as work, education, training, and substance abuse treatment are provided to inmates to promote employability, literacy, sobriety, and accountability to crime victims and provide the opportunity to become law-abiding citizens upon their release.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Prison Operations and Services	908,607.7	870,636.2	1,045,397.0	957,288.0
Community Corrections Administration	13,335.8	14,276.1	13,670.8	14,276.1
	37,601.7	39,367.8	48,900.1	34,464.5
Agency Total	959,545.2	924,280.1	1,107,967.9	1,006,028.6
<i>Category</i>				
FTE	9,755.9	9,755.9	10,607.2	10,354.2
Personal Services	412,371.0	362,095.8	444,594.5	432,848.4
ERE Amount	176,947.5	176,840.5	190,705.2	187,669.5
Prof. And Outside Services	190,917.4	209,850.5	257,510.0	230,787.3
Travel - In State	127.6	113.7	158.2	147.9
Travel - Out of State	71.3	69.2	69.2	69.2
Food	39,096.8	38,360.8	43,519.7	38,440.2
Aid to Others	266.5	262.9	262.9	262.9
Other Operating Expenses	84,719.0	94,986.2	116,131.8	65,617.2
Equipment	3,982.7	3,749.4	16,832.9	6,886.7
Capital Outlay	1,075.5	1,053.8	1,053.8	6,402.0
Transfers Out	49,969.9	36,897.3	37,129.7	36,897.3
Agency Total	959,545.2	924,280.1	1,107,967.9	1,006,028.6
<i>Fund</i>				
General Fund	916,412.7	879,927.0	1,065,661.2	967,597.6
Corrections Fund	25,504.4	29,017.6	26,607.8	24,284.7
State Education Fund for Correctional Education	231.0	507.5	548.6	507.5
DOC - Alcohol Abuse Treatment	392.6	554.4	599.3	496.4
Juvenile Corrections CJEF Distribution	0.0	0.0	0.0	556.0
Transition Office Fund	177.6	380.0	180.0	380.0
Transition Program Drug Treatment Fund	270.2	1,055.0	600.0	1,055.0
Prison Construction and Operations Fund	13,929.2	11,499.4	12,431.8	9,317.6
Endowments/Land Earnings	0.0	0.0	0.0	1,098.6

Penitentiary Land Earnings	1,418.8	979.2	979.2	375.2
State Charitable, Penal & Reformatory Land Earnings	1,208.7	360.0	360.0	360.0
Agency Total	959,545.2	924,280.1	1,107,967.9	1,006,028.6

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Overtime/Compensatory Time	9,739.1	12,139.7	13,095.4	12,139.7
SLI Private Prison Per Diem	80,319.1	92,324.9	132,302.6	92,324.9

Recent Budget Activity/Perspective

For FY 2007, the Department was appropriated \$870.5 million and housed an average of 35,900 inmates. For FY 2008, increases totaled \$92.5 million, including \$57.8 million for additional prison beds for the growing population, \$4.1 million for increased health care costs, and \$20.7 million for salary and employee benefits adjustments. Subsequently, the budget was reduced by (\$19.5 million), and \$3.9 million was transferred from agency funds to the General Fund. During FY 2008 the prison population grew by 2,100 inmates.

For FY 2009, appropriations were increased by \$56.2 million, including \$51.6 million for accommodating the increased prison population and \$4.6 million for increased health care costs. Also included was a (\$4.5 million) lump-sum reduction, an (\$18.3 million) reduction to out-of-state prison payments, and (\$3.9 million) transferred from agency funds to the General Fund. During FY 2009, the prison population increased by 1,692 inmates.

For FY 2010, the Department's budget received increases totaling \$93.7 million, of which \$93 million was appropriated to accommodate the increased prison population. The budget also was reduced by (\$40.5 million) to delay the opening of new beds; (\$26 million) as savings from requiring the Department to pay outside health care services at no more than the AHCCCS rates; (\$50 million) to be offset by federal stimulus money for one year; and (\$32.1 million) as a lump-sum reduction. Also, (\$8.6 million) was transferred from agency funds to the General Fund. Through the first six months of FY 2010 the prison population has grown by 106 inmates.

Executive Recommendations

FY 2011

Baseline Adjustments

Alignment of Revenue and Expenditures	(58.0)
The Executive recommends a reduction of (\$58,000) to align expenditures with revenue.	
DOC - Alcohol Abuse Treatment Fund	(58.0)
State Prisons Bed Plan	0.0

On December 31, 2009, the State Prison System held 40,581 inmates, surpassing the existing facilities' design capacity by (4,594) inmates, or 11%. The additional 4,594 inmates are

temporarily accommodated in emergency makeshift beds until more permanent facilities are available. During FY 2011, barring any changes to the criminal code or the criminal justice system, the inmate population is expected to grow at the rate of 114 per month, for an increase of 1,368 inmates.

During its 2007 session, the Legislature authorized the opening of 6,000 new prison beds, of which 4,000 are to be operated by the State and 2,000 operated by a private vendor. The 2,000 private beds are slated to be opened in April 2010, while the 4,000 public beds are scheduled to start opening in July 2010. These new beds will help ease the prison overcrowding, and the bed deficit at the end of FY 2011 is expected to be (3,463). The number of inmates who can reasonably be housed in temporary or emergency beds without making substantial infrastructure upgrades (e.g., fresh water and wastewater capacity, electrical and plumbing lines, and expanded structures) is about 3,500.

The 2009 Legislative session authorized the issuance of a request for proposals for 5,000 new in-state private beds to open in FY 2012. These new beds are expected to reduce the bed deficit to 3,000 at the end of FY 2012.

To ensure adequate long-term planning for the increasing prison population, the Executive is recommending the authorization of 4,000 new in-state private beds to be opened in FY 2013 and FY 2014.

General Fund 0.0

OSPB Recommendation for Prison Bed Plan

Assumes Population Growth of 114

	Capacity Changes	Population	Capacity	Bed Deficit
Dec-09		40,581	35,987	(4,594)
Jan-10		40,695	35,987	(4,708)
Feb-10		40,809	35,987	(4,822)
Mar-10	(384) Close Huerfano	40,923	35,603	(5,320)
Apr-10	560 Open Kingman			
	(293) Close Huerfano	41,037	35,870	(5,167)
May-10	560 Open Kingman			
	(2,052) Close Diamondback	41,151	34,378	(6,773)
Jun-10	700 Open Kingman	41,265	35,078	(6,187)
Jul-10	180 Open Kingman			
	1,000 Open Perryville	41,379	36,258	(5,121)
Aug-10	1,000 Open Yuma 2	41,493	37,258	(4,235)
Sep-10	(1,760) Close Great Plains			
	1,000 Open Yuma			
	1,000 Open Tucson	41,607	37,498	(4,109)
Oct-10		41,721	37,498	(4,223)
Nov-10		41,835	37,498	(4,337)
Dec-10		41,949	37,498	(4,451)
Jan-11		42,063	37,498	(4,565)
Feb-11		42,177	37,498	(4,679)
Mar-11		42,291	37,498	(4,793)
Apr-11		42,405	37,498	(4,907)
May-11		42,519	37,498	(5,021)
Jun-11		42,633	37,498	(5,135)

Bed Plan: 2,000 New Private Prison Beds 39,981.9

Laws 2007, Chapter 261 authorized the addition of 2,000 private prison beds. For FY 2010, the Department was appropriated \$8 million to begin loading the 2,000 new private beds in Kingman, as well as the \$5.01 per diem increase for the 1,400 existing beds at the complex. The Department will begin loading the 2,000 new beds in April 2010 at a rate of 50 per week until all beds are fully loaded in September 2010. The Executive recommends an increase of \$39.9 million to fund the beds scheduled to be used in FY 2011. Included in the appropriation are \$146,000 and 2.0 FTE positions for a Correctional Captain and Correctional Officer III, which will be added to the existing monitoring team at the Kingman Complex. These positions are responsible for inmate discipline, the determination of good-time credits required by truth-in-sentencing, and the monitoring of the private vendor contract. The judgment of inmate discipline, which affects the amount of time an inmate must serve in prison, cannot be delegated to the private vendor.

General Fund 39,981.9

Bed Plan: 4,000 New Beds Start-up Costs 14,103.9

FY 2011

Laws 2007, Chapter 261 authorized 4,000 new public beds. The beds, which will begin opening in July 2010, are located at the complexes at Perryville (1,000 beds), Tucson (1,000) and Yuma (2,000). All of the new units will be minimum- to medium-security facilities. The Executive recommends \$14.1 million for the start-up costs associated with the 4,000 new beds. The start-up costs include all equipment necessary to operate the facilities but not included in the construction. Start-up also includes training for new staff hires – nine weeks for Correctional Officers and four weeks for all other staff.

General Fund 14,103.9

Bed Plan: 4,000 New State Beds Operating Costs 44,253.2

The 4,000 new public beds are scheduled to begin opening in July 2010 and are located at the complexes at Perryville (1,000 beds), Tucson (1,000) and Yuma (2,000). The Executive recommends \$44.3 million General Fund and 746.3 FTEs for the operation of 4,000 new beds.

General Fund 44,253.2

Bed Plan: Closure of Provisional Beds (86,520.3)

The Department of Corrections currently contracts for out-of-state private prison beds to ease overcrowding in facilities within Arizona. The Department does not plan to renew the three contracts that expire by the end of FY 2010 and in FY 2011. Approximately 2,400 inmates will return to in-state facilities. The Executive recommends a decrease of \$86.5 million for the closure of provisional bed contracts at the Huerfano (Colorado) and Diamondback (Oklahoma) facilities.

General Fund (86,520.3)

Population Growth, Inmate Marginal Cost 6,292.8

Expenses directly related to individual inmates (e.g., food, clothing and minor medical) are funded each year as the number of inmates increases. The Executive projects net population growth in the near future to average 114 new inmates each month, or 1,368 additional inmates in FY 2011. The Executive recommends \$6.3 million General Fund for marginal costs expenditures using the traditional marginal annual cost amount of \$4,600 per inmate.

General Fund 6,292.8

Medical Reimbursement at AHCCCS Rates 20,000.0

Laws 2009, Third Special Session, Chapter Six stipulated that, for all outside medical care, the Department could pay only at a level that does not exceed the capped fee-for-service schedule adopted by AHCCCS, resulting in a projected savings of \$26.0 million. The Department has been unable to secure health care contracts at that rate but has been able to reduce some contract costs below previous levels. Expected savings in FY 2010 are likely to be in the area of \$6 million in FY 2010, rather than the hoped-for \$26 million. The Executive recommends \$20 million in FY 2011 for medical expenses. The Department has issued a request for

FY 2011

proposals to secure health care services at rates at or near AHCCCS rates.

General Fund 20,000.0

Medical Inflation 4,590.2

For FY 2010, the Department is estimated to expend \$69.5 million for outside medical expenditures. To continue services at current levels, costs will increase due to inflation by about 5%. Outside medical expenses include hospitals, special use of outside physicians or medical specialists, pharmaceuticals, transportation, laboratory services, and medical and dental supplies.

General Fund 4,590.2

Food Contract Increase 1,309.0

Initial terms and conditions of the food vendor contract allow for annual inflationary adjustments for food prices, based on the previous year's consumer price index. The 10-year contract is in its eighth year. The baseline adjustment of \$1.3 million is for the increase expected in November 2010.

General Fund 1,309.0

Backfill of One-Time Federal Stimulus Funding 50,000.0

Laws 2009, First Regular Session, Chapter 12 reduced the Department's appropriation by (\$50 million), with the intent that it would receive \$50 million from the State Fiscal Stabilization Fund (SFSF) under the American Recovery and Reinvestment Act of 2009. The Federal money received was a one-time subsidy. The baseline adjustment backfills the one-time \$50 million for prison operations.

General Fund 50,000.0

Backfill Other Appropriated Funds 0.0

The Department of Corrections uses various appropriated funds for prisons. In FY 2011, three funds are projected to have declining revenues. The baseline adjustment shifts to the General Fund \$7.5 million in expenditures from the Corrections Fund, Prison Construction and Operations Fund, and Penitentiary Land Fund.

General Fund 7,518.7

Corrections Fund (4,732.9)

Prison Construction and Operations Fund (2,181.8)

Penitentiary Land Earnings Fund (604.0)

COP Rent Increase 2.1

The Executive recommendation provides for the agency's increased COP rent in FY 2011.

General Fund 2.1

Other Adjustments

Additional Fund Sources 0.0

The Department of Corrections will be able to use monies in the Juvenile Corrections CJEF Distribution and the State Charitable, Penal, Reformatory Land Funds to offset General Fund expenses

FY 2011

following the closure of the Department of Juvenile Corrections. The Executive recommends that the Department use these funds for private prison costs and prison security.

General Fund	(1,654.6)
Juvenile Corrections CJEF Dist Fund	556.0
Endowments/Land Earnings Fund	1,098.6

Solutions to Budget

Temporary Release for Criminal Aliens (642.6)

Except for criminal aliens, most inmates can qualify for temporary release up to 90 days before their scheduled release from prison. Criminal aliens were a special case because of risk exposure to the public if Federal Immigration and Customs Enforcement did not deport individuals or released them within Arizona without notifying Arizona authorities. The Department is implementing a policy change to allow criminal aliens temporary release with additional safeguards with ICE. Beginning in January 2010, if ICE does not deport a criminal alien, ICE must re-establish the connection between the criminal alien and the Department of Corrections. The policy change is expected to affect about 300 criminal aliens during FY 2010 and another 600-700 over the following 12 months.

General Fund (642.6)

No Inflationary Adjustments (5,899.2)

The Executive recommends no inflationary adjustments for food contracts or outside medical costs.

General Fund (5,899.2)

Service Contracts Reduction (391.3)

The Department has thousands of contracts with vendors and is currently negotiating for reduced rates. The Executive's recommended savings are based on the outcomes of early negotiations.

General Fund (391.3)

Reduce Inmate Worker Pay (367.8)

The Executive recommends a 5% reduction in pay to inmates, to an average of \$0.27 per hour.

General Fund (367.8)

Administrative Reduction (4,905.4)

The Executive recommendation reduces administrative FTE positions by 150.

General Fund (4,905.4)

FY 2010 Supplemental Recommendations

	<u>FY 2010</u>
Medical Reimbursement at AHCCCS Rates	20,000.0

FY 2010

Laws 2009, Third Special Session, Chapter Six stipulated that, for all outside medical care, the Department could pay only at a level that does not exceed the capped fee-for-service schedule adopted by AHCCCS, resulting in a projected savings of \$26 million. The Department has been unable to secure health care contracts at that rate but has been able to reduce some contract costs below previous levels. Expected savings in FY 2010 are likely to be in the area of \$6 million in FY 2010, rather than the hoped-for \$26 million. The Executive recommends \$20 million in FY 2010 for medical expenses.

The Department has issued a request for proposals to secure health care services at rates at or near AHCCCS rates.

General Fund 20,000.0

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Number of escapes of inmates from any location	2	0	0	0
Average daily inmate population	37,919	39,628	41,440	43,252
Average daily bed deficit	6,159	4,420	5,055	2,550

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	11,321.0
Agency Request	1,217,782.0
Administrative Cost Percentage	0.93%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Board of Cosmetology

Mission:

To ensure the public health, welfare and safety through education and enforcement of the cosmetology laws and rules by the efficient regulation of salons, schools, and individuals who practice cosmetology.

Description:

In order to achieve its mandate of protecting the public in Arizona, the Board of Cosmetology issues 12 categories of licenses to salons, schools and individuals who qualify by reciprocity or through the administration of a written and practical examination. The Board enforces regulation by routine health and safety inspections of salons and schools, investigates consumer complaints, conducts hearing and imposes enforcement action when appropriate. The Board also establishes health and safety standards, educational and curriculum standards and oversight, and provides monthly classes on infection control and law and regulation practices for the general licensing population by registration. The Board also uses the educational classes for remediation and regulatory rehabilitation of violators by Board Order as terms of probation. Furthermore, The Board offers electronic services to customers to increase efficiency and reduce the demands on full-time staff. The Board is recognized by national industry entities as being progressive, insightful, and a leader in cosmetology regulation.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	1,670.7	1,759.5	1,759.5	1,759.5
Agency Total	1,670.7	1,759.5	1,759.5	1,759.5
<i>Category</i>				
FTE	24.5	24.5	24.5	24.5
Personal Services	526.1	757.2	757.2	757.2
ERE Amount	244.1	314.0	314.0	314.0
Prof. And Outside Services	62.4	124.2	124.2	124.2
Travel - In State	46.6	46.4	46.4	46.4
Travel - Out of State	8.0	8.0	8.0	8.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	688.5	467.1	467.1	467.1
Equipment	78.4	9.8	9.8	9.8
Cost Allocation	16.4	16.4	16.4	16.4
Transfers Out	0.2	16.4	16.4	16.4
Agency Total	1,670.7	1,759.5	1,759.5	1,759.5
<i>Fund</i>				
General Fund	293.3	0.0	0.0	0.0
Cosmetology Board	1,377.4	1,759.5	1,759.5	1,759.5
Agency Total	1,670.7	1,759.5	1,759.5	1,759.5

Recent Budget Activity/Perspective

FY 2008 included two budget increases for the Board of Cosmetology: \$89,000 to implement an electronic document management system, and \$61,100 for statewide adjustments.

Recent Budget Activity/Perspective

FY 2009 included an increase of \$58,500 from the Board of Cosmetology fund for statewide adjustments, and a \$3.1 million fund transfer.

The FY 2010 General Appropriation Act included a \$252,000 appropriation from the General Fund to alleviate cash flow problems in the Board of Cosmetology Fund. The FY 2010 budget also included an increase of \$11,700 from the Board of Cosmetology Fund for state employee health insurance adjustments.

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Average calendar days from receipt of completed application to issuance of license	15	20	20	17
Total individuals and establishments licensed	101,094	110,000	103,000	106,000
Total inspections conducted	5,828	5890	5890	5890
Total complaints and application denials	2,165	2477	2477	2400

Administrative Costs

	FY 2011
Administrative Costs	182.0
Agency Request	1,903.0
Administrative Cost Percentage	9.56%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona Criminal Justice Commission

Mission:

To sustain and enhance the cohesiveness, the effectiveness, and the coordination of the criminal justice system in Arizona; to monitor the criminal justice system and identify needed revisions to the system; to monitor existing criminal justice statutes and proposed or new criminal justice statutes and identify needed revisions in the statutes or proposed legislation; to acquire and administer designated funds for the enhancement of specified criminal justice programs and activities in the State of Arizona; and to make reports on these activities and functions.

Description:

The Arizona Criminal Justice Commission is a nineteen-member, statutorily-authorized entity which is mandated to carry out various coordinating, administrative, management, monitoring, and reporting functions regarding the criminal justice system in Arizona. The nineteen Commission members are appointed by the Governor, according to statutory guidelines, and represent the various elements of the criminal justice system in the State. Ten of the nineteen are county or local elected officials and the remainder are appointed criminal justice agency heads. In addition to its statutorily-mandated duties, the Commission is the state agency responsible for the acquisition of several formula criminal justice grants each year and for the management, administration, and reporting on these federal grants. The Commission generates reports regarding the Criminal Justice Records Improvement Program and State Identification Program grants to the US Department of Justice, Bureau of Justice Assistance and the National Criminal History Improvement Program to the Bureau of Justice Statistics. The Commission also develops and publishes an annual records improvement plan.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Agency Management	254.7	351.4	351.4	355.6
Crime Victims	4,491.0	4,375.3	4,430.8	4,319.8
Statistical Analysis Center	(1.6)	0.0	0.0	0.0
Crime Control	2,813.9	1,926.6	2,080.4	1,926.6
Criminal Justice System Improvement	15.4	28.7	28.7	28.7
Agency Total	7,573.4	6,682.0	6,891.3	6,630.7
<i>Category</i>				
FTE	8.0	8.0	8.0	8.0
Personal Services	412.3	411.3	457.6	365.0
ERE Amount	140.6	150.0	159.2	140.8
Prof. And Outside Services	147.5	15.6	15.6	15.6
Travel - In State	9.3	10.8	10.8	10.8
Travel - Out of State	6.9	6.5	6.5	6.5
Aid to Others	6,722.9	5,941.0	6,094.8	5,941.0
Other Operating Expenses	66.3	83.5	83.5	87.7
Equipment	3.1	6.4	6.4	6.4
Transfers Out	64.5	56.9	56.9	56.9
Agency Total	7,573.4	6,682.0	6,891.3	6,630.7

Fund

General Fund	1,054.8	0.0	0.0	0.0
Criminal Justice Enhancement Fund	763.9	684.1	739.6	632.8
Victims Compensation and Assistance Fund	4,026.3	4,100.0	4,100.0	4,100.0
State Aid to County Attorneys Fund	886.7	973.6	1,052.5	973.6
State Aid to Indigent Defense Fund	841.7	924.3	999.2	924.3
Agency Total	7,573.4	6,682.0	6,891.3	6,630.7

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Victim Compensation and Assistance	4,026.3	4,100.0	4,100.0	4,100.0
SLI State Aid to County Attorneys	886.7	973.6	1,052.5	973.6
SLI State Aid to Indigent Defense	841.7	924.3	999.2	924.3
SLI Rural State Aid to County Attorneys	157.7	0.0	0.0	0.0
SLI Rural State Aid to Indigent Defense	150.1	0.0	0.0	0.0

Recent Budget Activity/Perspective

The Criminal Justice Commission appropriation in FY 2007 was \$10.0 million. A one-time \$3 million distribution of methamphetamine interdiction funding; a one-time information system appropriation of \$900,000; as well as statewide adjustments and lump sum reductions lowered the FY 2008 appropriation to \$8.0 million with additional fund transfers of \$3.2 million. Additional lump sum reductions changed the FY 2009 appropriation to \$7.9 million with fund transfers totaling \$5.8 million. The FY 2010 appropriation has seen further lump sum reductions and a total elimination of General Fund monies. Currently the agency is appropriated \$6.4 million with additional fund transfers of \$4.2 million. This represents 36.4% reduction in appropriation and over \$13.2 million in fund transfers.

Executive Recommendations

FY 2011

Baseline Adjustments

Lease-Purchase Rent Increase 4.2

The Executive recommendation provides for the agency's share of the increased lease-purchase debt service payment in FY 2011.

Criminal Justice Enhancement Fund 4.2

Solutions to Budget

Special Session Adjustment (55.5)

The Executive recommends a (\$55,500) reduction to the Criminal Justice Enforcement Fund in FY 2011 to annualize the operating budget reduction enacted by Laws 2009, Fifth Special Session, Chapter 1.

Criminal Justice Enhancement Fund (55.5)

FY 2010 Supplemental Recommendations

FY 2010

Indigent Defense Expenditure Reduction FY 2010
(449.2)

The Executive recommendation aligns with the agency's expected FY 2010 expenditures.

State Aid to Indigent Defense Fund (449.2)

Performance Measures

	<u>FY 2008</u> <u>Actual</u>	<u>FY 2009</u> <u>Actual</u>	<u>FY 2010</u> <u>Expected</u>	<u>FY 2011</u> <u>Expected</u>
Applicants requesting funds	47	50	50	50
Number of arrests made by grant-funded task forces	7,707	8,680	6,000	6,000
Number of studies/reports completed and published	8	34	10	30

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	733.4
Agency Request	38,575.0
Administrative Cost Percentage	1.90%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Arizona State Schools for the Deaf and the Blind

Mission:

To work together with the parents, school districts, advocacy organizations, business and community members to create nurturing environments in which children with sensory impairments feel valued, develop their unique abilities, strive to achieve academic excellence, and develop skills to help them become productive and responsible members of society. This mission is based upon the belief that all children with sensory impairments can learn and that every effort must be made to ensure that students are provided with a thorough and efficient education in a safe environment where students can fulfill their academic potential.

Description:

The Arizona State Schools for the Deaf and the Blind (ASDB) consists of a variety of programs that provide education and evaluation to sensory-impaired children and youth from birth to 22 years of age. School-aged children are served in one of the site based schools located in Tucson or Phoenix or in their home school district through one of the five Regional Cooperative programs. In addition to educational and evaluation services, the ASDB Tucson campus provides a residential program. Sensory impaired preschool children are served in both Tucson and Phoenix. Infants and toddlers with vision or hearing loss receive services in their homes throughout the State. ASDB also provides comprehensive evaluation services for a limited number of referred sensory impaired children with multiple disabilities.

Agency Total 38,106.7 36,075.0 36,703.9 36,351.0

Executive Recommendations

FY 2011

Baseline Adjustments

Increases in COP Building Rent Charges	276.0
The Executive recommendation provides for the agency's increase in COP Building Rent Charges in FY 2011.	
General Fund	276.0

Administrative Costs

FY 2011

Administrative Costs	3,772.8
Agency Request	64,280.0
Administrative Cost Percentage	5.87%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation by program.

Agency Summary

Program/Cost Center	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Phoenix Day School	8,258.2	9,456.7	9,499.2	9,456.7
Tucson Campus	16,341.4	17,141.4	17,701.0	17,141.4
Regional Cooperatives	5,110.2	1,073.0	1,073.0	1,073.0
Preschool	4,801.3	4,263.6	4,290.4	4,263.6
Administration	3,595.6	4,140.3	4,140.3	4,416.3
Agency Total	38,106.7	36,075.0	36,703.9	36,351.0

Category

FTE	587.2	587.2	587.2	587.2
Personal Services	22,692.6	19,037.3	19,113.3	19,037.3
ERE Amount	8,824.1	9,613.5	9,643.9	9,613.5
Prof. And Outside Services	1,413.7	1,433.4	1,433.4	1,433.4
Travel - In State	59.3	40.5	40.5	40.5
Travel - Out of State	22.8	12.0	12.0	12.0
Food	124.5	136.7	136.7	136.7
Aid to Others	1.1	0.0	0.0	0.0
Other Operating Expenses	4,471.0	4,720.6	5,243.1	4,996.6
Equipment	491.3	1,081.0	1,081.0	1,081.0
Capital Outlay	6.3	0.0	0.0	0.0
Agency Total	38,106.7	36,075.0	36,703.9	36,351.0

Fund

General Fund	23,411.7	21,268.4	21,897.3	21,544.4
Schools for the Deaf & Blind Fund	14,695.0	14,806.6	14,806.6	14,806.6

Commission for the Deaf and the Hard of Hearing

Mission:

To ensure, in partnership with the public and private sectors, accessibility for the Deaf, Hard of Hearing, DeafBlind and persons with speech difficulties to improve their quality of life.

Description:

The Arizona Commission for the Deaf and the Hard of Hearing (ACDHH) acts as an information bureau for the Deaf, Hard of Hearing, DeafBlind, and individuals with speech difficulties, as well as for State agencies and institutions providing services to those consumers. Local government and other public or private community agencies benefit also from ACDHH information, programs and activities. An excellent example of services benefiting the community: ACDHH Deaf and Hard of Hearing Specialists provide sensitivity training for State agencies or other organizations and groups that work with Deaf, Hard of Hearing, DeafBlind, and individuals who have speech difficulties.

ACDHH also administers a telecommunications equipment distribution voucher program that loans equipment to qualifying Arizona State residents. The Arizona Relay Service (7-1-1), which allows equal accessibility of public telephone service, is available through ACDHH as well. The service is administered by ACDHH and is required by the Federal Communications Commission (FCC). ACDHH is also mandated to provide licensing of American Sign Language interpreters and certification of American Sign Language teachers.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Council Activities	1,281.7	1,692.7	2,023.4	1,610.7
TDD (Telecommunication Device for the Deaf)	2,512.7	2,386.5	2,386.5	2,386.5
Agency Total	3,794.4	4,079.2	4,409.9	3,997.2
<i>Category</i>				
FTE	14.0	13.0	13.0	13.0
Personal Services	717.5	725.8	742.2	709.4
ERE Amount	265.8	270.7	274.0	267.4
Prof. And Outside Services	555.2	659.9	954.9	613.6
Travel - In State	27.9	25.9	25.9	25.9
Travel - Out of State	7.8	4.5	4.5	4.5
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	1,884.7	1,777.2	1,793.2	1,761.2
Equipment	335.5	615.2	615.2	615.2
Agency Total	3,794.4	4,079.2	4,409.9	3,997.2
<i>Fund</i>				
Telecommunication for the Deaf	3,794.4	4,079.2	4,409.9	3,997.2
Agency Total	3,794.4	4,079.2	4,409.9	3,997.2

Recent Budget Activity/Perspective

The FY 2007 appropriation for the Commission for the Deaf and

Recent Budget Activity/Perspective

the Hard of Hearing was \$5.4 million.

The Commission did not experience reductions to its appropriation until the mid-year FY 2009 reductions. Since then the Commission has experienced (\$1.3 million) in appropriation reductions and transfers. The most significant reduction the Commission has had to enact was the suspension of the taping of its "Community View" program. "Community View" is a weekly television program that showcases educational and informational topics for the deaf and hard of hearing community. It is estimated that approximately 1,600-2,400 Arizonans watch each show.

Fund cash balance transfers, totaling \$8.3 million between FY 2008 and FY 2010, have significantly reduced the cash reserves of the Commission. Both the appropriation reductions and cash balance transfers have halted the agency's plans to expand, improve, or begin new programs and services for the deaf and hard of hearing community in Arizona.

Summary:

- \$86,900 Fund Increases
- \$1.3 million Fund Reductions and Transfers
- \$8.3 million Fund Cash Balance Transfers
- \$124,200 Hiring Freeze/Personnel Expense Reductions

Executive Recommendations

FY 2011

Solutions to Budget

- Operating Budget Reduction (82.0)
- The Executive recommendation annualizes the reductions enacted by Laws 2009, Fifth Special Session, Chapter 1.
- Telecom for the Deaf Fund (82.0)

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of general licensed interpreters	167	227	191	241
Annual call minutes for the telecommunications relay service	1,160,411	1,050,861	1,276,767	1,622,782
Number of equipment distributed to consumers	1,766	1,367	1,500	1,500
Percent of customer satisfaction with equipment distribution voucher program	97.87	97.18	90	90
Number of applications distributed to consumers regarding the equipment distribution program	2,000	1,800	1,500	1,500
➤ AZTEDP applications are primarily available at demonstration sites.				
Percent of telecommunication relay service calls completed without a complaint	99.98	99.7	99.90	99.90

Administrative Costs

FY 2011

Administrative Costs	300.9
Agency Request	5,441.0
Administrative Cost Percentage	5.53%

The agency request represents all funds, not just appropriated funds.
These administrative costs are estimated for the express purpose of
satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

State Board of Dental Examiners

FY 2011

Mission:

To provide professional, courteous service and information to the dental profession and the general public through examination, licensing, complaint adjudication and enforcement processes to protect the oral health, safety, and welfare of Arizona citizens through a fair and impartial system.

Description:

The State Board of Dental Examiners examines, licenses, and certifies professionals to practice in the field of dentistry. The Board also accepts complaints against licensees and certificate holders, investigates allegations, and administratively adjudicates complaints. The Board serves approximately 8,000 professionals licensed or certified to practice in the state, as well as all Arizona citizens who receive their professional services.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	1,081.5	1,106.5	1,199.4	1,166.4
Agency Total	1,081.5	1,106.5	1,199.4	1,166.4
<i>Category</i>				
FTE	11.0	11.0	11.0	11.0
Personal Services	434.5	536.5	536.5	536.5
ERE Amount	153.3	147.6	147.6	147.6
Prof. And Outside Services	235.9	259.7	259.7	259.7
Travel - In State	5.2	3.2	3.2	3.2
Travel - Out of State	5.8	5.5	5.5	5.5
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	224.4	130.3	199.5	166.5
Equipment	19.2	23.7	47.4	47.4
Transfers Out	3.2	0.0	0.0	0.0
Agency Total	1,081.5	1,106.5	1,199.4	1,166.4
<i>Fund</i>				
Dental Board Fund	1,081.5	1,106.5	1,199.4	1,166.4
Agency Total	1,081.5	1,106.5	1,199.4	1,166.4

Recent Budget Activity/Perspective

The appropriation for the Board of Dental Examiners was \$1,026,500 for FY 2007 from the Dental Examiners Board Fund. Additional staff, database upgrades, and other standard adjustments resulted in an appropriation of \$1,145,800 in FY 2008, which represents an increase of \$119,300 from the FY 2007 appropriation. Also during FY 2008, there was \$4,200,000 transferred from the Dental Board Fund. The Board's appropriation decreased to \$1,102,800 in FY 2009, which represents an overall decrease of \$43,000. The appropriation increased by \$3,700 to \$1,106,500 for FY 2010.

Executive Recommendations

FY 2011

Other Adjustments

GLSuite Software Enhancements & Technical Support	23.7
The Executive recommendation provides for software enhancements that will allow the agency to upgrade from an antiquated database with insufficient capabilities. The old database operates on DOS, which is a system that most employees know nothing about. The old database doesn't allow the Board to alter the names and other information of entries in the database, and it is incompatible with allowing the Board to offer license renewal online in the future.	
Dental Board Fund	23.7
Other Operating Expenditures Continuation	36.2
The Executive recommends an increase for higher information technology costs and higher postage rates.	
Dental Board Fund	36.2

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Total number of individuals or facilities licensed	7913	7942	8155	8358
Customer satisfaction rating (scale 1-5)	5	5	4	4
Average number of calendar days from receipt of complaint to resolution of complaint	124	148	150	150
Total number of investigations conducted	536	560	537	537
Total number of complaints received annually	529	457	485	485
Average calendar days to renew a license (from receipt of application to issuance)	10	10	10	10

Administrative Costs

	FY 2011
Administrative Costs	56.9
Agency Request	1,190.0
Administrative Cost Percentage	4.78%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona Drug and Gang Prevention Resource Center

Executive Recommendations

FY 2011

Mission:

To help organizations, individuals, neighborhoods, and communities decrease drug and gang related problems and other destructive behaviors. To help Arizonans encourage and develop healthy and successful families and communities.

Description:

The Arizona Drug and Gang Prevention Resource Center is a statewide resource system that assists agencies, organizations, and coalitions in their community's drug and gang prevention activities. The Center manages an information clearinghouse (exhibits; literature distribution; video, book, curricula, visual learning aids & games and material loans), addresses evaluation of prevention programs, provides training and technical assistance in utilizing programs designated as Model, Effective or Promising. The Center collaborates with state and local government agencies, school districts, and social service organizations in the submission of grant proposals to enhance funding for prevention and to improve the lives of Arizonans.

Agency Summary				
Program/ Cost Center	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Drug and Gang Prevention Center	454.5	579.6	579.6	344.4
Agency Total	454.5	579.6	579.6	344.4
Category				
FTE	3.0	6.6	6.6	6.6
Personal Services	160.6	385.6	385.6	220.4
ERE Amount	50.8	114.5	114.5	68.2
Prof. And Outside Services	3.4	32.8	32.8	14.5
Travel - In State	0.5	1.0	1.0	0.5
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	4.6	10.4	10.4	5.5
Equipment	0.0	0.0	0.0	0.0
Cost Allocation	6.3	35.2	35.2	35.2
Transfers Out	228.3	0.1	0.1	0.1
Agency Total	454.5	579.6	579.6	344.4
Fund				
Drug and Gang Prevention Resource Center Fund	431.3	235.2	235.2	0.0
Intergovernmental Agreements and Grant Funds	23.2	344.4	344.4	344.4
Agency Total	454.5	579.6	579.6	344.4

Recent Budget Activity/Perspective

In FY 2007, the agency was appropriated \$616,600. Statewide adjustments and lump sum reductions grew the appropriation to \$638,900 in FY 2008. Additional lump sum reductions cut the appropriation to \$584,900 in FY 2009 and \$579,600 in FY 2010. The agency also had transfers of \$224,400 in FY 2009 and \$273,500 in FY 2010.

Other Adjustments

Remove State Funding (235.2)

The Executive recommends removing all State funding from the Drug and Gang Prevention Resource Center by removing the statutory transfer from the Arizona Criminal Justice Commission. The funds are currently dedicated back to ACJC in a required Inter-Governmental Agreement. Laws 2009, Third Special Session, Chapter 6 mandates that the Drug and Gang Prevention Resource Center enter into an agreement with the Arizona Criminal Justice Commission to return \$235,200 to ACJC for its Youth Survey program. This accounts for all remaining funding to the Drug and Gang Resource Center Fund. No employees currently work at the resource center and the office is closed.

Drug and Gang Prevention Resource Center Fund (235.2)

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Prevention service requests completed (in thousands)	2.6	2.5	2.5	2.5
Prevention materials disseminated (in thousands)	133.5	28.0	11.0	11.0
Number of people directly and indirectly impacted (in thousands)	28.6	33.0	25.0	25.0

Administrative Costs

	FY 2011
Administrative Costs	170.0
Agency Request	2,032.0
Administrative Cost Percentage	8.37%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Department of Economic Security

Mission:

To promote the safety, well-being and self-sufficiency of children, adults, and families.

Description:

The Department of Economic Security (DES) is an integrated human services agency that provides critical protective and assistance services each month to more than one million of Arizona's children, adults and families.

Together, DES' programs impact the safety, well-being and self-sufficiency of Arizonans. Some of these programs include: Child Protective Services; Children Services to provide families the tools they need to care for their children; child care assistance for working parents; Adult Protective Services; domestic violence shelter and supports; early intervention services for infants and toddlers at risk of developmental delays; home and community-based services for individuals with developmental disabilities and the aged; independent living programs for both seniors and young adults; unemployment insurance; employment assistance including vocational rehabilitation and job training; and child support enforcement.

DES and its services are an integral part of the Arizona community. Recognizing the interconnectedness and interdependence between DES services and community resources, the Department works closely with a network of community organizations and providers, as well as federal agencies that oversee Department programs, other state agencies, and Native American tribes in the delivery of services to the people of Arizona.

The Department's objective is to move beyond simply delivering services to ensuring that these services are offered to improve outcomes and are integrated to best meet the clients' needs in the most effective and efficient manner possible. Emphasis is on assisting individuals and families to gain the tools they need to effectively and permanently escape the hardships of poverty and other barriers that currently prevent them from being self-sufficient.

The following overarching, interrelated goals have been established for DES:

- Strengthen individuals and families
- Increase self-sufficiency
- Develop the capacity of communities

These goals serve as the framework and foundation for the DES vision that every child, adult, and family in the state of Arizona will be safe and economically secure.

Administration	33,111.1	55,626.4	77,896.1	79,602.2
Developmental Disabilities	309,830.2	250,928.7	336,590.3	337,797.1
Benefits and Medical Eligibility	158,163.3	156,525.3	169,286.4	126,206.0
Child Support Enforcement	22,019.8	21,615.1	22,590.1	21,615.1
Aging and Community Services	41,240.3	42,408.0	44,857.8	38,627.0
Children, Youth and Families	291,248.7	285,875.8	330,715.4	310,328.9
Employment and Rehabilitation Services	245,697.2	257,314.2	270,563.8	234,969.2
Agency Total	1,101,310.6	1,070,293.5	1,252,499.9	1,149,145.5

<i>Category</i>				
FTE	4,164.4	3,843.5	3,863.3	3,852.3
Personal Services	146,346.7	152,387.5	160,936.6	158,849.0
ERE Amount	61,906.4	56,040.7	59,535.1	59,156.7
Prof. And Outside Services	26,118.3	16,883.6	20,192.8	20,069.3
Travel - In State	2,460.9	3,422.2	3,710.6	3,710.6
Travel - Out of State	15.1	29.1	29.1	29.1
Food	369.8	317.1	317.1	317.1
Aid to Others	818,264.6	800,828.9	957,990.5	856,826.5
Other Operating Expenses	42,140.1	38,699.8	47,918.0	48,317.1
Equipment	3,688.7	1,684.2	1,869.7	1,869.7
Capital Outlay	0.0	0.4	0.4	0.4
Agency Total	1,101,310.6	1,070,293.5	1,252,499.9	1,149,145.5

<i>Fund</i>				
General Fund	639,786.7	546,076.6	786,997.8	678,951.2
Tobacco Tax and Health Care Fund	0.0	200.0	0.0	0.0
Workforce Investment Grant	40,666.4	55,954.8	55,954.8	55,954.8
Temporary Assistance for Needy Families	250,068.6	283,150.7	224,465.1	224,265.1
Child Care and Development Fund	118,865.8	130,448.6	130,448.6	130,448.6
Special Administration Fund	1,046.3	1,135.3	1,388.4	1,135.3
Child Support Enforcement Administration Fund	14,384.4	15,352.7	15,352.7	16,494.9
Domestic Violence Shelter Fund	2,153.9	2,220.0	2,400.0	2,090.8
Child Abuse Prevention Fund	793.1	1,459.1	1,577.4	1,459.1
Children and Family Services Training Program Fund	165.1	178.2	209.6	178.2
Public Assistance Collections Fund	182.7	377.0	427.6	377.0
Department Long-Term Care System Fund	25,493.2	27,069.4	26,469.4	31,119.4
Spinal and Head Injuries Trust Fund	2,079.7	1,875.4	2,012.8	1,875.4
Risk Management Fund	181.0	271.5	271.5	271.5
Indirect Cost Recovery Fund	2,000.0	1,000.0	1,000.0	1,000.0
Reed Act Fund	3,443.7	3,524.2	3,524.2	3,524.2
Agency Total	1,101,310.6	1,070,293.5	1,252,499.9	1,149,145.5

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

Agency Summary

<i>Program/Cost Center</i>	<i>FY 2009 Actual</i>	<i>FY 2010 Approp.</i>	<i>FY 2011 Agency Req.</i>	<i>FY 2011 Exec. Rec.</i>
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SLI Finger Imaging	208.9	589.4	589.4	589.4	SLI CPS Emergency Placement	5,173.2	4,527.2	5,647.5	4,653.9
SLI Attorney General Legal Services	842.9	902.9	902.9	902.9	SLI CPS Residential Placement	16,498.3	15,424.5	17,532.9	16,067.7
SLI Tri-Agency Disaster Recovery	0.0	271.5	0.0	0.0	SLI Foster Care Placement	22,752.6	20,912.6	22,668.5	17,033.0
SLI Document Management	74.1	0.0	0.0	0.0	SLI Education and Training Vouchers	200.0	200.0	200.0	200.0
SLI Payment "Deferral"	0.0	25,000.0	42,000.0	42,000.0	SLI Family Builders Program	3,192.4	0.0	0.0	0.0
SLI Case Management Title XIX	13,769.7	9,297.3	11,930.1	12,360.4	SLI Intensive Family Services	1,489.2	0.0	0.0	0.0
SLI Case Management State-Only	3,947.0	3,855.5	3,855.5	3,855.5	SLI Child Abuse Prevention	43.1	709.1	827.4	709.1
SLI Home and Community Based Services Title XIX	159,927.7	140,924.1	188,926.0	195,779.6	SLI Homeless Youth Intervention	266.7	0.0	0.0	0.0
SLI Home and Community Based Services State-Only	27,702.1	14,414.2	35,894.7	30,764.7	SLI Comprehensive Medical and Dental Program	1,757.0	1,757.0	1,757.0	1,757.0
SLI Institutional Services Title XIX	5,072.8	3,752.9	4,417.1	4,590.4	SLI Joint Substance Abuse - AZ Familes (FIRST)	5,827.4	6,138.9	6,138.9	6,138.9
SLI Institutional Services State-Only	139.4	144.9	144.9	144.9	SLI Permanent Guardianship Subsidy	7,746.7	8,815.3	8,815.3	8,815.3
SLI Medical Services	45,398.5	31,743.0	40,317.7	38,825.2	SLI Adoption Services	55,244.6	55,244.6	61,859.5	61,845.5
SLI ATP-Coolidge Title XIX	5,643.6	3,817.4	4,494.8	4,671.6	SLI Adoption Services - Family Preservation Projects	448.1	500.0	500.0	0.0
SLI ATP-Coolidge State-Only	95.6	69.3	69.3	69.3	SLI CPS Appeals	732.3	698.2	698.2	698.2
SLI State-Funded Long Term Care Services	25,830.7	26,384.2	26,384.2	26,384.2	SLI CYF Attorney General Legal Services	11,433.3	10,910.6	10,910.6	10,910.6
SLI Autism Training and Oversight	0.0	200.0	0.0	0.0	SLI Independent Living Maintenance	3,136.0	2,979.2	2,979.2	2,979.2
SLI Medicare Clawback Payments	2,206.6	2,456.1	2,456.1	2,456.1	SLI JOBS	15,521.7	13,166.6	13,258.7	13,166.6
SLI Children's Autism Intensive Behavioral Treatment Services	1,350.0	0.0	0.0	0.0	SLI Day Care Subsidy	131,552.2	120,613.9	133,289.0	98,613.9
SLI Children's Autism Intensive Early Intervention Services for Toddlers	500.0	0.0	0.0	0.0	SLI Transitional Child Care	26,755.4	36,193.0	36,193.0	36,193.0
SLI Arizona Early Intervention Program	1,843.7	1,343.7	3,500.0	3,500.0	SLI Vocational Rehabilitation Services	3,526.2	3,299.1	3,299.1	3,299.1
SLI TANF Cash Benefits	114,051.3	115,485.0	123,840.4	81,985.0	SLI Independent Living Rehabilitation Services	2,313.3	1,709.4	1,966.8	1,589.4
SLI Tribal Pass-Thru Funding	4,875.9	4,680.3	4,680.3	4,680.3	SLI Summer Youth Employment and Training	750.0	0.0	0.0	0.0
SLI General Assistance	1,514.1	0.0	0.0	0.0	SLI Workforce Investment Act - Discretionary	2,585.8	3,614.0	3,614.0	3,614.0
SLI Tuberculosis Control Payments	7.0	12.2	12.2	12.2	SLI Workforce Investment Act - Local Governments	36,080.6	48,040.6	48,040.6	48,040.6
SLI Eligibility System Upgrade	103.3	0.0	0.0	0.0	SLI Assistive Technology	0.0	200.0	200.0	200.0
SLI Genetic Testing	32.4	72.4	72.4	72.4					
SLI CSE Attorney General Legal Services	3,138.1	2,996.1	2,996.1	2,996.1					
SLI County Participation	682.9	1,339.1	1,339.1	1,339.1					
SLI Adult Services	15,652.9	14,497.4	16,070.7	12,924.1					
SLI Community and Emergency Services	3,564.7	4,549.0	4,549.0	3,724.0					
SLI Coordinated Hunger Program	1,709.1	1,754.6	1,754.6	1,754.6					
SLI Coordinated Homeless Program	2,294.0	2,522.6	2,522.6	2,522.6					
SLI Domestic Violence Prevention	13,351.4	13,648.7	13,828.7	11,994.5					
SLI Lifespan Respite Care	320.5	0.0	0.0	0.0					
SLI Children Support Services	60,425.9	62,212.6	87,328.0	76,674.5					

Recent Budget Activity/Perspective

In FY 2007, the Department of Economic Security was appropriated \$719 million from the General Fund.

In FY 2009, that amount was increased to \$794.3 million. Other than a downward adjustment of (\$10.5 million) to account for Cash Assistance caseload, the Department did not sustain significant reductions to its budget this fiscal year. \$28.8 million in General Fund was provided to address the growing TXIX population. The federal Deficit Reduction Act reduced the amount of federal dollars available to Child Support and Children Services programs, and Arizona was forced to backfill these reductions with state funds. Childcare provider rates were also raised by 5% (\$9.0 million General Fund). The State also began several new programs, including the Autism Pilot Program and Respite Care. Services to seniors, food banks, the blind, and at-risk youth were also expanded during this time. Later, the FY 2008 budget was revised to include a supplemental of \$15 million

Recent Budget Activity/Perspective

FY 2011

for TXIX programs. The revision also included several cuts from program surpluses that included Cash Assistance, General Assistance, Healthy Families and the Eligibility System Upgrade.

The original FY 2009 appropriation for DES grew to \$808.3 million General Fund. This was driven by caseload increases in mandatory programs and several reductions to the DES budget. Many of the programs that had been created or expanded in FY 2008 were rolled-back in FY 2009. Developmental Disability providers rates were frozen and the Marriage and Communication Skills program was eliminated.

Laws 2009, First Special Session, Chapter 1 further reduced the DES budget in several ways. First, all efficiency initiatives, such as document management and eligibility system upgrades, were eliminated. Programs for hunger, homelessness, and domestic violence prevention were also reduced. Finally, the Healthy Families, Lifespan Respite Care, and General Assistance programs were completely eliminated. The child care waiting list was implemented and currently over 10,000 children are awaiting this form of assistance. 5% in additional reductions were distributed across all remaining programs. After all these reductions, the DES budget was reduced to \$642.7 million General Fund. As a result of these reductions, over 800 employees were laid off.

The original FY 2010 Budget was line-item vetoed by the Governor, thus all lump sum reductions to the Department were not enacted at the beginning of the year. Mandatory caseload growth drove the budget up to \$727.2 million General Fund and the reductions were limited to small targeted cuts in children services and Cash Assistance. Over \$100 million in General Fund expenses were offset by temporary federal assistance.

The Forth Special Session restored the cuts that had been line-item vetoed from the First Regular Session. These reductions included a 20% cut to Cash Assistance and Foster Care monthly stipends. The child care waiting list was maintained as well. Many of the reductions from FY 2009 were annualized. With the enactment of these reductions, the DES budget was reduced to \$571 million.

The Fifth Special session reduced the DES budget by an additional (\$26.0 million). The reductions necessary to implement this amount included eliminating a sight conservation program for low-income individuals, eliminating grandparent kinship care, utilizing child care surpluses as a result of the waiting list, reducing funding for developmentally disabled clients, and eliminating a limited number of employees. This reduction ignored the fact that there is an ongoing \$40.3 million structural shortfall in the TANF Block grant that must also be addressed through either budget reductions or backfills.

Executive Recommendations

FY 2011

Baseline Adjustments

Technical Adjustments 16,800.0

The Executive recommends several technical adjustments that result in a \$17 million General Fund increase and a (\$605.3 million) decrease in other funds. These adjustments are meant to reflect funds that were advance-appropriated in HB 2643. Most are technical in nature, while others simply make adjustments that allow DES to better manage its budget situation.

Payment Deferral. The DES Rollover mechanism that was authorized as part of the FY 2010 agreement reduced the Department's budget by \$25 million in FY 2009 and allowed for those expenses to be repaid in the FY 2010 budget. The rollover would grow by \$17 million in FY 2011, and the Executive recommends establishing a new special line item to allocate these additional expenditures. The deferral shifts the recognition of these costs from one year to the next.

Appropriation Elimination. In FY 2008, the Department was granted \$200,000 for autism oversight and training from the Health Research Account of the Tobacco Tax and Health Care Fund. This is not a permissible use of these voter-protected funds, and the Biomedical Research Commission, which oversees the fund, will not release these dollars to DES. The Executive recommends that this appropriation be eliminated, since the dollars appropriated can never be expended.

Workforce Investment Act. The Department administers this federal block grant, and the DES cost allocation plan spreads its central costs, such as IT, accounting and human resources, across all fund sources. However, the WIA Grant has not been allocated any of these costs. The Executive recommends that \$225,000 be allocated to the Administrative Support Division, and an equivalent amount should be reduced from the Division of Employment and Rehabilitation Services.

Data Integrity and Storage. In prior years, \$271,500 was allocated from the Risk Management Fund to DES for a tri-agency disaster recovery program in which data was backed up and stored out of state. This contract has been cancelled, and DES has reallocated these dollars to in-house IT professionals within the Division of Aging and Community Services (DACS) for the purpose of maintaining system integrity and failover protections within the Adult Protect Services client data system. The Executive recommends that these funds be permanently allocated to DACS, since they now support functions within that Division.

Unemployment Claims. In FY 2011, the Executive Recommendation includes adjustments to the Unemployment Insurance Trust Fund and the Reed Act Fund due to increased claims against those funds. Both funds will be depleted in FY 2010, and the State will have to apply for no-interest loans from the federal government to continue to pay benefits. More details

FY 2011

are provided in the sources and uses section.

General Fund	17,000.0
Tobacco Tax and Health Care Fund	(200.0)
Workforce Investment Grant Fund	0.0
Special Administration Fund	0.0
Risk Management Fund	0.0
Reed Act Fund	0.0

Federal Funds Backfill 101,251.7

In FY 2009, as one of the primary mechanisms to inject stimulus dollars into state budgets, the American Recovery and Reinvestment Act (ARRA) increased the Federal Matching Assistance Percentage (FMAP) from 65.75% to 75.93%. The "enhanced FMAP" of 75.93% would remain intact through FY 2010 and end on December 31, 2010 (FY 2011). At that time, Arizona's FMAP will revert to 65.85%.

In order to free up as much General Fund monies as possible, the Legislature allocated the enhanced FMAP savings to DES, DHS and AHCCCS and then reduced their budgets by an equivalent amount. For DES, the General Fund budget was reduced by (\$82.8 million) and then backfilled by the same amount from federal funds.

In FY 2011, when the enhanced FMAP is no longer in existence, the "normal" state share of funding for Title XIX programs must be restored. Because the enhanced FMAP runs out halfway through the year, roughly one-half of the funding must be restored in FY 2011, and the remainder must be restored in FY 2012.

Furthermore, the Governor had allocated discretionary stimulus dollars to several DES programs, in FY 2010, which will need to be backfilled in FY 2011.

The Executive recommends \$101.2 million in General Fund to backfill federal funding cliffs

General Fund	101,251.7
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TXIX Developmental Disabilities Caseload Growth 28,459.1
 The Division of Developmental Disabilities (DDD) serves 22,000 residents through the Arizona Long Term Care System (ALTCS). This program is a federally matched Medicaid (Title XIX) program that provides medical, residential and community-based services for individuals with developmental disabilities.

The Executive recommends \$28.5 million General Fund to fund 6.9% caseload growth and 3% capitation rate growth. These assumptions are consistent with historical trends.

General Fund	28,459.1
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COP Balloon Payment 4,113.4

The State has entered into various Certificates of Participation

FY 2011

(COPs) in order to undertake capital projects such as construction or building improvements. COP 2002B is entering its final year of existence, and a massive balloon payment is due in FY 2011.

Several agencies are impacted by this increase and, if no additional funding is provided, will have to absorb the increased costs.

The net increase from COP changes is too large for the agency to absorb. The Executive recommends \$4 million from the General Fund, \$92,200 from the Child Support Enforcement Admin Fund, and \$689,000 in federal match to offset the rising COP costs in FY 2011. Without this funding, the Department will be forced to make programmatic reductions in order to pay rent at these sites.

General Fund	4,021.2
Child Support Enforcement Administration Fund	92.2

TANF Shortfall (40,500.0)

The federal Temporary Assistance for Needy Families (TANF) Block Grant has, in past years, been under-appropriated, creating a large carry-forward in the fund's balance from year-to-year. The Legislature exhausted this balance by appropriating expenditures at a level that exceeded annual revenues, and the fund balance has been shrinking since. In FY 2011, the appropriation level will exceed available revenues and fund balance by \$18.4 million. These funds must be backfilled by the General Fund in order for the Department to maintain existing levels of service.

Further complicating this matter is the fact that the Department's access to TANF Contingency Funds has been eliminated. This \$2 billion national pool of additional TANF dollars may be accessed by states that meet certain unemployment thresholds. Arizona's annual share of this pool has been \$40.3 million since FY 2008. In FY 2010, California and New York will meet the threshold to tap these additional funds. The size of those states' allocations will wipe out the remaining balance of the TANF Contingency Fund.

The Executive recommends a (\$40.5 million) TANF reduction to offset the loss of these federal dollars. The Department joined with other states in lobbying Congress to address this issue at the federal level. Unfortunately, until that solution occurs, the State must live within its available funding level. To that end, specifically, the Executive recommends the following reductions in order to bring TANF expenditures back into balance.

First, many of the reductions to the DES Budget were so severe in FY 2009 that they were not annualized in FY 2010, in order to spread the pain over more months and lessen the burden on DES clients. Foster care subsidies, as well as TANF Cash Assistance subsidies, were reduced by 20%, and a child care waiting list was implemented. The annualization of these reductions would reduce the DES budget by \$23.5 million.

Second, since the inception of the waiting list for low-income

FY 2011

working families, the attrition rate within the Child Care program has exceeded all expectations. The Department anticipates an additional \$17 million surplus in this program, \$7 million of which may be allocated to address the TANF shortfall.

Finally, the Executive recommends reducing Cash Assistance Eligibility from 60 months to 36 months. This option will generate \$27.0 million in savings in FY 2011, \$10.0 million of which will be dedicated to solving the TANF cliff.

In addition to these reductions, the Executive recommends appropriating \$18.4 million from the General Fund in FY 2011 to offset the TANF shortfall created by the over-appropriation of expenditures from the regular TANF fund. This permanent backfill must be undertaken to keep expenditures within annual revenues, now that the fund balance has been depleted.

General Fund	18,385.6
Temporary Assistance for Needy Families	(58,885.6)

Solutions to Budget

Developmental Disabilities Group Home Consolidation (1,000.0)
The Executive recommends an additional (\$1.0 million) General Fund reduction in order to annualize the savings generated by the consolidation of group homes in FY 2010.

General Fund	(1,000.0)
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Temporary Federal Funding Offset 4,500.0
The American Recovery and Reinvestment Act (ARRA) temporarily increased federal funding sources coming into Arizona in FY 2010. As a result, the Department anticipated \$4.5 million in General Fund expenses could be offset with these funds on a one-time basis. Further, ARRA has increased matching levels for the Child Support Enforcement Administration (CSEA) Fund, allowing the State to increase the size of its retained earnings.

The Executive recommends an additional \$4.5 million General Fund increase to offset lost ARRA funds. These windfalls were one-time in nature, thus they must be restored in FY 2011.

General Fund	4,500.0
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Eliminate SSBG Planning Funds (350.0)
The Executive recommends an additional (\$350,000) General Fund reduction to annualize the cuts to Social Services Block Grant (SSBG) planning funds made in Laws 2009, Fifth Special Session, Chapter 1. There will be little impact from the loss of planning dollars, as the councils generally direct the same amount of funding to the same services each year.

General Fund	(350.0)
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Eliminate Sight Conservation Program (120.0)
The Executive recommends an additional (\$120,000) General Fund reduction from the DES budget in FY 2011 in order to annualize

FY 2011

the savings generated from the elimination of the Sight Conservation program as part of Laws 2009, Fifth Special Session, Chapter 1.

AHCCCS does not cover eye exams, glasses, or other services for the prevention or correction of eye problems for individuals 21 and over. The Sight Conservation Program filled this gap for 9,000 of the 1.2 million adults that qualified for AHCCCS.

General Fund	(120.0)
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Eliminate Grandparent Kinship Care (450.0)

The Executive recommends an additional (\$450,000) General Fund reduction from the DES budget in order to annualize the savings generated in FY 2010 as a result of eliminating Grandparent Kinship Care in FY 2010 due to Laws 2009, Fifth Special Session, Chapter 1.

General Fund	(450.0)
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Community Services Reductions (2,479.2)

The Executive recommends a reduction of (\$2.35 million) from the General Fund and (\$129,200) from the Domestic Violence Shelter Fund in FY 2011. This will maintain service reductions already recommended in FY 2010 but will not annualize the reductions due to the short-term and vulnerable nature of the client populations.

General Fund	(2,350.0)
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Temporary Assistance for Needy Families	0.0
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Domestic Violence Shelter Fund	(129.2)
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Reduce or Eliminate Division of Children Youth and Families Programs (5,300.0)

The Executive recommends maintaining the FY 2010 recommended reductions of (\$5.3 million) made to the Division of Children, Youth, and Families in FY 2011.

General Fund	(5,300.0)
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Temporary Assistance for Needy Families	0.0
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Means Testing and Fee Increases (2,500.0)

The Executive recommends a (\$7.6 million) General Fund reduction from the DES budget. There are several changes within the Department that could generate significant savings.

First, the Department will implement means testing for child-only cash assistance cases. Currently, in child-only cases, only the child's income is measured to determine if they qualify for cash assistance. With a statutory change, the Department would be able to means-test the entire household to determine income eligibility.

For each child support payment made, the Department collects a \$2.25 fee to cover the costs of operating the Child Support Enforcement Clearinghouse. Federal law allows the Department

to collect fees to cover 100% of the cost of operating the clearinghouse. The current fee covers only 60% of the program's costs, and DES would raise the fee to \$5.00 to offset General Fund support of the clearinghouse. Legislation is necessary to implement this change.

Finally, DES can make several changes to the Division of Developmental Disabilities (DDD) program. The Department currently bills a client's Supplemental Security Income (SSI) benefits at 70% to reimburse the State for services provided. This means that, of an individual's \$674 monthly payment, the Department would intercept \$472 for reimbursement purposes. However, AHCCCS bills clients at 88%, or \$563 of the SSI amount. With statutory changes, the Department could begin to collect at the higher rate and offset General Fund expenditures. The Department will also (a) stop providing services to families that refuse to provide required billing information, (b) begin to bill adoption subsidies in much the same way it currently bills SSI benefits, and (c) no longer exceed the cost-effectiveness limit of \$138,500 per client per year unless families pay the additional costs.

General Fund	(7,600.0)
Child Support Enforcement Administration Fund	1,050.0
Department Long-Term Care System Fund	4,050.0

Reduce Adult Services (1,573.3)

The Executive recommends an additional (\$1.6 million) General Fund reduction to adult services in order to annualize the reductions made as a result of Laws 2009, Fifth Special Session, Chapter 1.

These programs include supplemental payments for housekeeping and home health aid, home care for non-AHCCCS clients, and \$2.5 million for the Older Americans Act match, which provides over \$22 million in federal assistance to the elderly in Arizona each year. By federal law, there is no means testing for these services.

General Fund	(1,573.3)
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Eliminate Enhanced Rates For Developmental Disability Contracts (1,000.0)

The Executive recommends an additional (\$1.0 million) General Fund reduction to annualize the elimination of enhanced DD contract rates that was enacted as a result of Laws 2009, Fifth Special Session, Chapter 1. Specifically, the Department would eliminate enhanced rates for habilitation services such as music therapy.

In the past, the Department has given funds to providers in order to recruit and retain higher-trained individuals to work with at-risk clients. In a recent study, these individuals were found to have the same salaries as employees not dealing with at-risk clients; thus, the funds are not being used for their intended

purpose. The Executive would eliminate these enhanced rates.

Finally, the Department will increase the caseload standards in Pima County and northeastern Arizona to align with the rest of the state.

General Fund	(1,000.0)
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Restrict Cash Assistance Eligibility to 36 Months (17,000.0)

Cash Assistance is a \$278 per month stipend intended to help needy families with dependent children pay living expenses. This amount was reduced from \$347 in FY 2009 as part of budget reductions. The federal government includes a maximum lifetime limit of benefits to 60 months, though states may include more stringent timelines.

Currently, in child-only cases, the step-parent's income is not counted toward determining eligibility for the household. This option would reduce the lifetime benefit to 36 months and would consider other members of the household for income qualifications. Approximately 10,000 families would be disqualified from their benefits immediately upon the implementation of this option.

The Executive recommends a (\$17.0 million) General Fund reduction to reflect the annualization of the reductions recommended in FY 2010.

General Fund	(17,000.0)
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Reduce State-Only Developmental Disability Services (3,700.0)

The Executive recommends a (\$3.7 million) General Fund reduction to annualize the elimination of services to certain State-only developmentally disabled clients.

Children ages three years and older will lose their therapy services and in-home supports such as attendant care and respite. Adults with developmental disabilities will lose in-home supports like attendant care, transportation to medical appointments, and day services, including supported employment. These vulnerable adults will be without activities or supervision during the day, which may lead to isolation and cause additional stress on family caregivers. These supports may be the only outside contacts and services available to these individuals. The loss of supervision, affiliation with others, employment, and supports that allow a person to live as independently as possible will severely impact the quality of life experienced by these individuals.

This recommendation also eliminates funding for non-emergency dental procedures at the Arizona Training Program at Coolidge.

General Fund	(3,700.0)
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Reduction in Force (249.7)

The Executive recommends an additional (\$249,700) General Fund reduction to annualize the reduction in force implemented as a

FY 2011

result of Laws 2009, Fifth Special Session, Chapter 1.

As part of the Fifth Special Session, the Department had to reduce its workforce by 5.5 FTE positions beginning January 1, 2010. These savings will be annualized in FY 2011.

General Fund (249.7)

Privatization Opportunities (50.0)

As part of the reductions implemented in Laws 2009, Fifth Special Session, Chapter 1, the Department utilized (\$50,000) in privatization opportunities to meet its targeted reduction. An additional (\$50,000) General Fund may be reduced from the DES budget in FY 2011 in order to annualize the reduction taken in FY 2010.

General Fund (50.0)

FY 2010 Supplemental Recommendations

FY 2010

Community Services Reductions (2,479.2)

The Executive recommends a reduction of (\$2.4 million) from the General Fund and (\$129,200) from the Domestic Violence Shelter Fund in FY 2010.

The Department contracts with Community Action Agencies to provide emergency services to families facing foreclosure, utility shut-offs, or eviction. They also pass through funding to Domestic Violence shelters. Since these services are short-term in nature, there really are no true annualizations possible. The Department would merely reduce contracts to these providers, which would result in fewer clients receiving assistance in the future. Approximately (\$840,000) would be reduced from Emergency Services, impacting 1,100 families. The remainder of the proposed reduction would eliminate shelter services for 1,600 future victims of domestic violence.

General Fund (2,350.0)

Temporary Assistance for Needy Families 0.0

Domestic Violence Shelter Fund (129.2)

FY 2010

Reduce or Eliminate Division of Children Youth and Families Programs (5,300.0)

The Executive recommends reducing certain programs related to child welfare.

The Division of Children, Youth, and Families (DCYF) contracts with a number of organizations to provide child welfare services. Some of these services include peer mentoring of children transitioning out of the foster care program, volunteer service coordination, and other specialty services. The Department also operates the Adoption Services – Family Preservation Projects Program. This program operates the 1-800-KIDSNEEDU hotline and provides counseling services for newly adoptive families. DES can eliminate specialty contracts and scale back the hours of the hotline to generate an annual savings of (\$5.3 million). The Department believes it can still achieve the full annual savings amount if these reductions are implemented on January 1.

General Fund (5,300.0)

Temporary Assistance for Needy Families 0.0

Means Testing and Fee Increases FY 2010
(2,500.0)

The Executive recommends a (\$4.9 million) General Fund reduction from the DES budget.

There are several changes within the Department that could generate significant savings. First, the Department would implement means-testing for child-only cash assistance cases. Currently, in child-only cases, only the child's income is measured to determine if they qualify for cash assistance. The Department would be able to means-test the entire household to determine income eligibility if statutes were changed.

The Department currently collects a \$2.25 fee for each child support payment made to cover the costs of operating the child support enforcement clearinghouse. This fee only covers 60% of the program's costs. Federal law allows the Department to collect fees to cover 100% of the cost of operating the clearinghouse. DES would raise the fee to \$5.00 to offset General Fund support of the clearinghouse. Legislation is necessary to implement this change.

Finally, DES can make several changes to DDD program. The Department currently bills a client's Supplemental Security Income (SSI) benefits at 70% to reimburse the state for services provided. This means that of an individual's \$674 monthly payment, the Department would intercept \$472 for reimbursement purposes. However, AHCCCS bills clients at 88% or \$563 of the SSI amount. The Department could begin to collect at the higher rate, and offset General Fund expenditures, with statutory changes. The Department will also stop providing services to families that refuse to provide required billing information. The Department will also begin to bill adoption subsidies in much the same way as it currently bills SSI benefits. Lastly, the Department will no longer exceed the cost-effectiveness limit of \$138,500 per client per year, unless families pay the additional costs.

These savings are based on a January 1 implementation date, but will require statutory changes to enact..

General Fund	(4,900.0)
Child Support Enforcement Administration Fund	525.0
Department Long-Term Care System Fund	1,875.0
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TANF Shortfall FY 2010
(30,500.0)

The Department's access to TANF Contingency Funds has been eliminated. This \$2 billion national pool of additional TANF dollars may be accessed by states that meet certain unemployment thresholds. Arizona's annual share of this pool has been \$40.3 million since FY 2008. In FY 2010, the states of California and New York will meet the threshold to tap these additional funds. The size of these states' allocations will wipe out the remaining balance of the TANF Contingency Fund. Arizona will be able to access its first quarter's share of the FY 2010 allocation (approximately \$10 million), reducing the TANF shortfall in FY 2010 to \$30.3 million.

The Executive recommends a (\$30.5 million) TANF reduction to offset the loss of these federal dollars. The Department joined with other states in lobbying Congress to address this issue at the federal level. Unfortunately, until that solution occurs, the State must live within its available funding level. To that end, Specifically, the Executive recommends the following reductions in order to bring TANF expenditures back into balance:

1. Annualize Service Reductions: Many of the reductions to the DES Budget were so severe in FY 2009 that they were not annualized in FY 2010 in order to spread the pain over more months and lessen the burden on DES clients. Foster care subsidies, as well as TANF Cash Assistance subsidies, were reduced by 20% and a child care waiting list was implemented. The annualization of these reductions would reduce the DES budget by \$23,500,000.
2. The attrition rate within the child care program has exceeded all expectations since the inception of the waiting list for low income working families. The Department anticipates a \$7.0 million surplus in child care in FY 2010 that can be utilized to address the TANF shortfall.

General Fund	0.0
Temporary Assistance for Needy Families	(30,500.0)
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FY 2010

Restrict Cash Assistance Eligibility to 36 Months (9,000.0)

Cash Assistance is a \$278 per month stipend intended to assist need families with dependent children with living expenses. This amount was reduced from \$347 in FY 2009 as part of the budget reductions. The federal government includes a maximum lifetime limit of benefits to 60 months, though states may include more stringent timelines. Currently, in child-only cases, the step-parent's income is not counted toward determining eligibility for the household.

This option would reduce the lifetime benefit to 36 months and would consider other members of the household for income qualifications. Approximately 10,000 families would be disqualified from their benefits immediately upon the implementation of this option.

The Executive recommends a (\$9.0 million) General Fund reduction.

General Fund (9,000.0)

Reduce State-Only Developmental Disability Services (1,850.0)

The Executive recommends a (\$1.9 million) general fund reduction to reflect the elimination of services to certain state-only developmentally disabled clients.

Children ages three years and older will lose their therapy services and in-home supports such as attendant care and respite. Adults with developmental disabilities will lose in-home supports like attendant care, transportation to medical appointments, and day services including supported employment. These vulnerable adults will be without activities or supervision during the day, which may lead to isolation and cause additional stress on family caregivers. These supports may be the only outside contacts and services available to these individuals. The loss of supervision, affiliation with others, employment, and supports that allow a person to live as independently as possible will severely impact the quality of life experienced by these individuals. This recommendation also eliminates funding for non-emergency dental procedures at the Arizona Training Program at Coolidge.

General Fund (1,850.0)

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Child protective services response rate (percent)	100	98.97	100	100
Average number of consumers with developmental disabilities served	19,700	21,811	23,120	24,507
Total Office of Accounts Receivable and Collections cost per dollar to administer, bill, and collect debts	0.1	.06	0.1	0.1
Adult Protective Services investigation percentage rate	100	100	100	100
Average cash benefits caseload (unduplicated)	37,030	38,467	40,057	42,850
Number of substantiated reports of child maltreatment	*	*	2,680*	2,680*
Number of children with finalized adoptions	1,562	*	1,500*	1,500*
➤ <i>*federal fiscal year</i>				
Percent of children in out-of-home care who exit the child welfare system who achieve permanent placement through reunification, adoption, or legal guardianship	30.6	*	34*	34*
➤ <i>*federal fiscal year</i>				
Percent of refugee medical assistance program eligibility determinations made within 48 hours of receipt of a complete application	100	100	100	100
Percent of total food stamp payments issued accurately	95.8	94.6*	95.1*	95.1*
➤ <i>*federal fiscal year</i>				
Percent of child protective service reports that are substantiated	*	*	8.0*	8.0*
Total average number of children in Day Care Subsidy program per month	37,396	39,401*	43,648	43,722
➤ <i>*YTD through May 2009</i>				
Ratio of current IV-D child support collected and distributed to current IV-D support due	50.9	49.99*	51.49*	52.99*
➤ <i>* federal fiscal year</i>				
Average cost per participant	252	197	197	197
Number of Cash Assistance employment placements	17,902	16,830	17,902	17,902
Average number of consumers with developmental disabilities served	8,770	8,451	8,738	9,035

Administrative Costs

	FY 2011
Administrative Costs	201,947.6
Agency Request	4,011,088.0
Administrative Cost Percentage	5.03%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation by program with special line items.

Department of Education

Mission:

To increase the quality of public education in the State of Arizona by raising expectations and providing support, resources, and assurances that enable schools and students to excel.

Description:

The Arizona Department of Education is administered by the Superintendent of Public Instruction, an elected official under the Arizona State Constitution. The Superintendent leads the State of Arizona in developing and implementing educational guidelines. Through the various programs within the Arizona Department of Education, the Superintendent oversees direct services to 238 locally governed school districts and 377 Charter Holders operating at over 502 Charter sites. The Department executes the educational guidelines through evaluation, training, school improvement assistance, dissemination of information, and administration and allocation of funds. The Department also serves as the primary source for current, reliable, and accurate information on the status and needs of the public school system.

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Basic State Aid	3,311,681.4	3,036,186.3	3,622,280.6	3,054,931.5
SLI Additional State Aid	295,940.8	423,642.0	366,586.0	409,477.6
SLI Other State Aid to Districts	818.1	983.9	983.9	983.9
SLI AIMS Intervention and Dropout Prevention	5,499.2	4,177.1	4,177.1	0.0
SLI Special Education Vouchers	40,237.7	35,242.1	35,242.1	35,242.1
SLI Extended School Year	500.0	413.6	413.6	500.0
SLI Early Childhood Block Grant	18,337.5	15,085.6	15,085.6	(1.0)
SLI Vocational Education Block Grant	11,397.3	11,492.7	11,492.7	57.7
SLI Chemical Abuse	642.7	643.1	643.1	6.7
SLI School Safety	6,808.8	5,209.6	5,209.6	5,209.6
SLI Teacher Certification	1,948.0	1,841.8	1,841.8	1,841.8

Recent Budget Activity/Perspective

Since 2008, cuts to schools and education programs have totaled more than \$300 million.

Some affected programs have included vocational technology programs, TAPBI, literacy programs, early childhood programs, charter schools, teacher professional development, and school accountability. More than \$160 million has been cut from school district soft capital funding. This funding is used to purchase school supplies such as computers, furniture, teaching aids, books and other printed materials, and computer licenses. In FY 2009, \$98 million was permanently reduced from school district base funding. For FY 2010, an additional \$472 million was reduced from school districts and charter schools. This amount was offset by the availability of federal recovery monies.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
State Board of Education/Vocational and Technological Education	3,301.6	971.1	971.1	971.1
School Finance - Payment and Financial Compliance	3,613,758.9	3,462,555.1	3,991,593.4	3,467,135.9
School Accountability and Improvement	19,830.0	19,690.6	19,690.6	13,013.8
Education Services	120,495.4	98,618.0	106,125.1	56,548.0
Professional Development Administration	2,165.7	2,044.8	2,044.8	2,044.8
	6,135.3	6,055.6	9,015.5	6,137.7
Agency Total	3,765,686.9	3,589,935.2	4,129,440.5	3,545,851.3
<i>Category</i>				
FTE	190.5	239.9	244.9	173.0
Personal Services	11,274.3	11,069.6	11,919.6	8,455.9
ERE Amount	3,400.0	3,794.9	3,994.7	2,771.9
Prof. And Outside Services	13,937.5	14,699.2	23,426.3	13,803.7
Travel - In State	222.8	292.5	322.5	185.4
Travel - Out of State	5.6	0.0	0.0	0.0
Aid to Others	3,662,950.0	3,520,831.9	4,049,870.2	3,482,154.3
Other Operating Expenses	5,030.6	4,009.4	4,669.5	3,242.4
Equipment	135.5	0.0	0.0	0.0
Transfers Out	68,730.6	35,237.7	35,237.7	35,237.7
Agency Total	3,765,686.9	3,589,935.2	4,129,440.5	3,545,851.3
<i>Fund</i>				
General Fund	3,712,194.7	3,533,990.9	4,073,496.2	3,490,087.3
Teacher Certification Fund	2,549.4	2,468.8	2,468.8	2,468.8
School Accountability Fund Prop 301	5,736.2	7,000.0	7,000.0	6,819.7
Statewide Compensatory Instruction Fund	(14.1)	0.0	0.0	0.0
Public Institutions Permanent School Earnings	45,220.7	46,475.5	46,475.5	46,475.5
Agency Total	3,765,686.9	3,589,935.2	4,129,440.5	3,545,851.3

Executive Recommendations

FY 2011

Baseline Adjustments

COP Rent Increase 82.1

The Executive recommendation provides for the agency's increased COP rent increase in FY 2011.

General Fund 82.1

Other Adjustments

Basic State Aid FY 2011 59,317.2

The Executive recommends a formula increase of \$105,792,700 for Basic State Aid. This includes 0.9% ADM growth, inflation funding of 1.3%, and (0.3%) NAV change.

Basic State Aid constitutes the State's financial obligation for funding K-12 public schools. A component of Basic State Aid is Equalization Assistance for traditional public schools. The average daily membership of each school district from the prior year is multiplied by a weighted factor that varies with the grade, special needs, and other adjustments. This is then multiplied by a statutorily determined support amount per pupil. The formula

FY 2011

incorporates transportation and capital funding as well.

School districts receive Basic State Aid when their local share, funded through property taxes, does not meet or exceed their equalization base amount. Districts that are able to raise the amount of their equalization base through their local share do not receive this funding. This equalization assistance represents the State's portion of the K-12 funding. The concept of equalization ensures that all school districts receive an equal share of the education dollar while taking into account the financial capacity of each school district.

Traditional school districts are one component of Basic State Aid. Charter Schools, juvenile correctional facilities, and adult correctional facilities that accommodate minors also receive assistance through formulas different from those employed by traditional school districts.

General Fund 59,317.2

Additional State Aid (14,164.4)

A.R.S. § 15-972 requires the State to pay 40% of each homeowner's primary property tax rate as a "rebate," up to a maximum of \$600. Laws 2007, Chapter 258, accelerates the enacted reduction in business property tax rates. Additionally, Article IX, Section 18 of the Arizona Constitution limits residential tax obligations to 1% of the home's cash value. All Class 3 properties are eligible for both the "homeowner's rebate" and the 1% cap.

General Fund (14,164.4)

Federal Backfill 472,114.0

In fiscal year 2010 education formula funding was reduced by \$472,114,000 and federal monies pursuant to the American Recovery and Reinvestment Act of 2009 were used to offset reductions to school budgets. The use of these monies helped preserve jobs, maintain teacher salaries, prevent class size increases and protect vital education programs.

For fiscal year 2011 federal monies are no longer available, therefore the Executive recommends an increase of \$472,114,000 from the General Fund to provide full funding for Basic State Aid.

General Fund 472,114.0

Excess Utilities (100,000.0)

The Executive recommends suspending funding for excess utilities. This results in General Fund savings of \$100 million.

General Fund (100,000.0)

Fund Shift 0.0

The Executive recommends shifting \$2.3 million in Prop. 301 monies from school accountability to AIMS testing. This will focus funds on the core State responsibility of student assessment and evaluation.

FY 2011

General Fund (2,319.4)

School Accountability Fund Prop 301 Fund 2,319.4

Solutions to Budget

Program Reduction (48,833.2)

The Executive recommends reducing or eliminating funding for non-essential programs for fiscal year 2011. Where possible alternative funds will be used to continue program services at a reduced level.

General Fund (46,333.5)

School Accountability Fund Prop 301 Fund (2,499.7)

Baseline Adjustment 86.4

General Fund 86.4

Eliminate Full Day Kindergarten (218,000.0)

The Executive recommends eliminating the increased K-3 weight for full day kindergarten. This results in a General Fund savings of \$218 million.

General Fund (218,000.0)

Suspend Early Graduate Scholar Program (4,686.0)

For FY 2010, State funding for the early graduation scholarship program, which provides scholarships of up to \$1,000 for high school seniors who graduate early, was suspended. The Executive recommends continuing the suspension for FY 2011.

General Fund (4,686.0)

Lump Sum Reduction (10,000.0)

The Executive recommends a lump sum reduction of (\$10 million) to charter school additional assistance.

General Fund (10,000.0)

Soft Capital Reduction (180,000.0)

The Executive recommends reducing soft capital funding by \$180 million. Soft capital funding provides school districts with money for items such as textbooks, teaching aids, computers, blackboards, computer licenses, library books and miscellaneous supplies.

General Fund (180,000.0)

FY 2010 Supplemental Recommendations

Program Reduction FY 2010
(27,559.4)

The Executive recommends reducing remaining funding for non-essential programs for fiscal year 2010.

General Fund (27,559.4)

School Accountability Fund Prop 301 Fund 0.0

Performance Measures

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Percent of Arizona high school students who enter 9th grade and graduate within four years	73	75	76	77
➤ <i>Fiscal Year data represents class cohort from 2 years previously (i.e. FY 2005 = Class of 2003).</i>				
Number of investigative cases closed	226	365	290	300
Number of days to process budget analysis from July 18	*102	103	103	103
➤ <i>*System related difficulties/legislature session has been closing later, causing September revisions which pushes back distribution of Budg-25 letters.</i>				
Percent of Instructional Improvement Fund (IIP) payments made on a quarterly basis	100	100	100	100
Percent of Classroom Site Fund payments made on a monthly basis	100	100	100	100
Percent of public education agencies demonstrating compliance with monitoring deficiencies within two years	99	98	100	100
Percent of students with disabilities with proficient performance in reading in grade 3	36	34	35	36
Percent of students with disabilities with proficient performance in reading in grade 5	31	30	31	32
Percent of students with disabilities with proficient performance in reading in grade 8	22	24	25	26
Percent of students with disabilities with proficient performance in reading in grade 10	28	32	33	34
Percent of local education agencies (with ELL students receiving state/federal funding) in full compliance with federal, state and ADE policy issues	58	35	59	60
Percent of calls that are resolved by the Support Center	89	91	85	85
Number of schools participating in department special initiatives	376	380	400	425
Maximum number of days to process complete certification applications	21	25	21	21

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	11,294.3
Agency Request	6,374,601.0
Administrative Cost Percentage	0.18%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation by program with special line items.

Department of Emergency and Military Affairs

Mission:

To promote, protect, and defend the health, safety, peace, and quality of life of the citizens of our communities, state, and nation.

Description:

The Department of Emergency and Military Affairs is divided into three programs: Administration, Emergency Management, and Military Affairs. The Administration program coordinates the activities of the other programs. It provides overall financial, contracting, personnel, and property management actions. The Emergency Services program prepares and coordinates emergency response plans for the State. The Military Affairs program contains the Army National Guard and Air National Guard programs each of which develop, train, and sustain a military force for the protection of life and property, preservation of peace, maintenance of order, and public safety. It also administers Project Challenge for training at-risk youth and the Joint Counter Narcotics Task Force.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Administration	1,631.1	1,239.4	1,782.4	1,239.4
Military Affairs	5,563.8	4,612.4	4,612.4	4,662.4
Emergency Management	2,403.8	4,772.8	4,772.8	4,640.1
Agency Total	9,598.7	10,624.6	11,167.6	10,541.9
<i>Category</i>				
FTE	57.6	57.6	57.6	57.6
Personal Services	3,255.6	3,597.7	3,597.7	3,597.7
ERE Amount	1,079.9	1,038.8	1,038.8	1,038.8
Prof. And Outside Services	168.1	98.0	98.0	98.0
Travel - In State	85.2	108.9	108.9	108.9
Travel - Out of State	11.9	23.7	23.7	23.7
Food	215.9	170.1	170.1	170.1
Aid to Others	658.8	2,396.3	2,396.3	2,263.6
Other Operating Expenses	1,923.2	857.0	1,400.0	907.0
Equipment	130.9	122.6	122.6	122.6
Transfers Out	2,069.2	2,211.5	2,211.5	2,211.5
Agency Total	9,598.7	10,624.6	11,167.6	10,541.9
<i>Fund</i>				
General Fund	9,466.0	10,491.9	11,034.9	10,541.9
Emergency Response Fund	132.7	132.7	132.7	0.0
Agency Total	9,598.7	10,624.6	11,167.6	10,541.9

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Guardsmen Tuition Reimbursement	739.5	0.0	0.0	0.0
SLI Governor's Emergency Funds	585.9	2,900.0	2,900.0	2,900.0

Recent Budget Activity/Perspective

In FY 2007 the department was appropriated \$14.5 million. Statewide adjustments and lump sum reductions changed the FY 2008 appropriation to \$14.7 million with \$100,000 in fund transfers.

Recent Budget Activity/Perspective

In FY 2009, lump sum and personnel reductions of \$1.7 million reduced the appropriation to \$12.5 million. Additional lump sum reductions of \$1.5 million; a halting of life cycle equipment replacement reduction of (\$227,700); and state land lease increases brought the FY 2010 appropriation to \$11.2 million. This represents a 23.1% reduction over a three year budget cycle.

Executive Recommendations

FY 2011

Baseline Adjustments

State Land Lease 50.0
The Executive recommendation provides for the increased costs of State Land leases. In FY 2010, \$387,000 was provided for a partial year increase. An additional \$50,000 is needed in FY 2011 for a total of \$437,000.

General Fund 50.0

Solutions to Budget

Local Emergency Response Training (132.7)

The Executive recommends a reduction in FY 2010 and FY 2011 for the state share of preparedness costs for local hazardous material response units.

Emergency Response Fund (132.7)

FY 2010 Supplemental Recommendations

FY 2010

Local Emergency Response Training (132.7)

The Executive recommends a reduction in FY 2010 and FY 2011 for the state share of preparedness costs for local hazardous material response units.

Emergency Response Fund (132.7)

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Percent of Air National Guard soldiers re-enlisted	90	87.2	89	88
Percent of Army National Guard soldiers re-enlisted	73	78	82	82
Number of communities with sustained Disaster Resistant Community Programs	106	112	112	115
Percent of requests for contingency exercise assistance supported	0	100	100	100
Average number of months of community recovery time from declaration of emergency to termination of emergency	16.4	19.2	15.0	15.0
Number of Project Challenge graduates annually	114	115	155	175

Administrative Costs

FY 2011

Administrative Costs	1,993.8
Agency Request	82,428.0
Administrative Cost Percentage	2.42%

The agency request represents all funds, not just appropriated funds.
These administrative costs are estimated for the express purpose of
satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

*The Executive recommends a lump-sum appropriation by program with
special line items.*

Department of Environmental Quality

Mission:

To protect and enhance public health and the environment in Arizona.

Description:

The Arizona Department of Environmental Quality protects public health and the environment by establishing and ensuring compliance with standards of quality for Arizona's air, land, and water; advancing public policy; and encouraging participation through statewide outreach.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Administration	14,970.5	14,369.8	14,535.6	11,494.2
Air Quality	39,135.2	43,963.4	44,813.4	43,742.6
Waste Program	18,250.8	10,781.3	11,681.3	9,605.9
Water Quality Program	10,642.5	11,995.2	16,215.5	10,632.6
Agency Total	82,999.0	81,109.7	87,245.8	75,475.3
<i>Category</i>				
FTE	473.4	473.4	473.4	473.4
Personal Services	18,984.3	18,019.5	20,256.2	14,293.0
ERE Amount	7,278.3	7,291.2	8,107.2	5,869.8
Prof. And Outside Services	29,133.8	32,710.4	32,735.4	32,589.9
Travel - In State	406.8	520.7	553.7	419.3
Travel - Out of State	16.8	40.3	45.3	40.3
Aid to Others	1,360.2	1,783.8	3,172.7	1,783.8
Other Operating Expenses	7,287.9	7,791.4	8,097.0	7,561.4
Equipment	559.3	657.7	696.8	628.8
Cost Allocation	4,955.9	5,141.0	6,427.8	5,135.3
Transfers Out	13,015.7	7,153.7	7,153.7	7,153.7
Agency Total	82,999.0	81,109.7	87,245.8	75,475.3
<i>Fund</i>				
General Fund	19,673.5	12,779.1	13,247.7	7,000.0
DEQ Emissions Inspection	28,154.3	33,427.9	34,277.9	33,427.9
Hazardous Waste Management	163.2	800.5	800.5	800.5
Air Quality Fund	5,016.8	5,152.9	5,152.9	5,152.9
Clean Water Revolving Fund	4,637.1	5,000.0	5,000.0	5,000.0
Underground Storage Tank Revolving	1.3	22.0	22.0	22.0
Recycling Fund	2,078.5	0.0	900.0	0.0
Permit Administration	5,752.2	5,681.4	5,681.4	5,681.4
Solid Waste Fee Fund	1,011.0	1,250.5	1,250.5	1,125.5
Used Oil Fund	0.7	138.3	138.3	138.3
Water Quality Fee Fund	4,086.2	5,632.6	9,384.3	5,632.6
Indirect Cost Fund	12,424.2	11,224.5	11,390.3	11,494.2
Agency Total	82,999.0	81,109.7	87,245.8	75,475.3

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Transfer to Counties	341.9	1,783.8	1,783.8	1,783.8
SLI Emissions Control Contractor Payments	25,492.2	27,639.6	27,639.6	27,639.6
SLI Waste Tire Program	48.0	44.7	44.7	44.7

SLI WQARF Priority Site Remediation 13,000.0 7,000.0 7,000.0 7,000.0

Recent Budget Activity/Perspective

The Department of Environmental Quality's FY 2007 appropriation was \$98.2 million.

In FY 2008 a total \$683,000 General Fund and \$4.3 million Other Fund increases were realized. Reductions included removal of one-time funding of small rural water systems; and water permit one-time funding. Increases were made for surface water permitting; border inspectors; hazardous emergency air response; emissions control contract; APP staff; expedited water quality permits; air quality staff; and recycling compliance. The FY 2008 appropriation total was \$103.3 million.

In Mid-FY 2008 a total of (\$2.7 million) General Fund and (\$201,100) Other Fund reductions were made resulting in an appropriation of \$100.4 million and fund transfers of \$39.6 million. Reductions included a WQARF appropriation reduction; lump sum reductions; and technical adjustments.

In FY 2009, (\$6.2 million) General Fund reductions and \$7.0 million Other Fund increases were realized. Changes included lump sum reductions; FY 2007 session enacted adjustment; fee offset; Clean Water Revolving Fund shift; and an indirect cost fund shift. The FY 2009 appropriation was \$101.2 million with \$42.3 million in Fund Transfers.

Mid-FY 2009 adjustments resulted in (\$4.4 million) General Fund and (\$1.2 million) Other Fund reductions including lump sum and salary lump sum reductions; elimination of travel reduction plan; and a Hazardous Waste Fund backfill. The adjusted appropriation was \$95.6 million with an additional \$33.4 million in Fund Transfers.

In FY 2010 (\$6.4 million) General Fund and (\$7.6 million) Other Fund reductions including reduced emissions contractor payments; shift of travel reduction program to emissions inspection fund; salary lump sum reductions; WQARF reductions; and lump sum reductions. The FY 2010 beginning appropriation is \$81.6 million with \$40.0 million in Fund Transfers.

Over the three year budget period the total appropriation has decreased by \$16.7 million, or 17% with over \$155 million in Fund Transfers.

Executive Recommendations

FY 2011

	<u>FY 2011</u>
<u>Baseline Adjustments</u>	
Tucson DEQ Rent Increase	165.8
The Executive recommends an Indirect Cost Recovery Fund increase of \$165,800 to fund a scheduled increase in rent for FY 2011.	
Indirect Cost Fund	165.8
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Lease-Purchase Rent Increase	103.9
The Executive recommendation provides for the agency's share of the increased lease-purchase debt service payment in FY 2011.	
Indirect Cost Fund	103.9
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<u>Other Adjustments</u>	
Solid Waste Fee Fund Expenditure Reduction	(125.0)
The Executive recommendation aligns with the agencies expected FY 2011 expenditures.	
Solid Waste Fee Fund	(125.0)
<hr/>	
<u>Solutions to Budget</u>	
Self Funding/ Lump Sum Budget	(6,247.7)
The Executive recommends a change in the Department's funding structure. A General Fund reduction of (\$6.2 million) is proposed and a change from "budget by program with special line items" to "lump sum budget" is recommended for FY 2011. The agency will explore fee and licensing changes.	
General Fund	(6,247.7)
<hr/>	
UST Revolving Fund Expenditure Reduction	0.0
The Executive recommends a (\$9.8 million) non-appropriated UST Revolving Fund expenditure reduction and General Fund transfer in FY 2011 to annualize the budget reduction enacted by Laws 2009, Fifth Special Session, Chapter 1. The agency will be forced to rank claims for storage tank projects and delay reimbursements into future years.	
The Executive also recommends continuing the excise tax for the Underground Storage Tank Fund beyond its December 1, 2013, repeal date. The Fund was to have collected \$60 million by this time for the continued cleanup and reimbursement of storage tank sites. Budget cuts have reduced the balance of the fund. Collection of \$60 million will require at least an additional three years.	
Underground Storage Tank Revolving Fund	0.0
<hr/>	
Special Session Adjustment	468.6
A change of \$468,600 General Fund in FY 2011 restores funding reductions enacted by Laws 2009, Fifth Special Session, Chapter 1.	
General Fund	468.6

FY 2010 Supplemental Recommendations

FY 2010

FY 2010
(125.0)

Solid Waste Fee Fund Expenditure Reduction

The Executive recommendation aligns with the agencies expected FY 2010 expenditures.

Solid Waste Fee Fund (125.0)

Performance Measures

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
	Actual	Actual	Expected	Expected
Number of non-attainment areas exceeding national ambient air quality standards.	5	4	5	5
Percentage of facilities from Drinking Water Priority Log assigned to enforcement staff.	100.0	100.0	100.0	100.0
Percent reduction in drinking water plan review processing time.	24.7	22.6	N/A	N/A
➤ <i>FY2008 & FY2009 Measure Only.</i>				
Percent reduction in Arizona pollutant discharge elimination system (AZDPDES) permit processing time.	25.02	N/A	N/A	N/A
➤ <i>This Measure is applicable for FY08 and needs to be removed.</i>				
Percent reduction in Aquifer protection permit processing time.	N/A	18.0	N/A	N/A
➤ <i>FY2009 Measure Only.</i>				
Percentage of statutorily set permit timelines met through License Time Frame rule.	99.47	99.7	100.0	100.0
Customer satisfaction rating for citizens (scale of 1-8)	7.7	7.8	7.7	7.7
Number of days per year exceeding National Ambient Air Quality Standards (NAAQS) for Ozone (O3), Carbon Monoxide (CO), or Particulates (PM10).	0.0	8.0	0.0	0.0
Percent of contaminated sites in Waste Programs Division closed requiring no further action (cumulative) versus known universe of contaminated sites in the Waste Programs Division (cumulative)	84.5	86.9	84.5	84.5

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	16,230.5
Agency Request	334,042.0
Administrative Cost Percentage	4.86%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Governor's Office for Equal Opportunity

Mission:

To administer and enforce state and federal laws prohibiting discrimination for over 44,000 state employees to ensure there are not any discriminatory practices in State government.

Description:

The Governor's Office of Equal Opportunity (GOEO) provides information and technical assistance to state agencies to ensure nondiscrimination and equal opportunity access to employment, state contracts, and appointments. The GOEO assists state agencies/divisions in promoting equal opportunity in employment, appointments, and procurement practices conducted on behalf of the State.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Equal Opportunity	218.6	196.6	212.5	196.6
Agency Total	218.6	196.6	212.5	196.6
<i>Category</i>				
FTE	1.9	1.9	1.9	1.9
Personal Services	134.5	102.7	102.7	102.7
ERE Amount	48.0	41.7	41.7	41.7
Prof. And Outside Services	2.0	3.0	3.0	3.0
Travel - In State	0.0	2.8	2.8	2.8
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	34.0	46.4	62.3	46.4
Equipment	0.1	0.0	0.0	0.0
Agency Total	218.6	196.6	212.5	196.6
<i>Fund</i>				
General Fund	218.6	196.6	212.5	196.6
Agency Total	218.6	196.6	212.5	196.6

Recent Budget Activity/Perspective

The Governor's Office for Equal Opportunity received a \$15,100 increase from the General Fund in FY 2008. However, a lump sum reduction of (\$13,000) was implemented for FY 2009, and another lump sum reduction to the General Fund of (\$36,800) is scheduled for FY 2010. These reductions will hinder the Office's outreach and education efforts.

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Number of calls answered providing information and assistance regarding Equal Opportunity rules and regulations	702	572	600	600
Total training hours provided to state employees	818	748	900	900
Number of community organizations contacted by the Governor's Office for Equal Opportunity to help facilitate the dissemination of information regarding employment opportunities	276	296	250	250
Number of minority/women-owned businesses contacted and provided with information regarding state contracting opportunities	2,767	2,261	2,500	2,500
Number of persons trained in mediation	0	0	10	10

Administrative Costs

	FY 2011
Administrative Costs	191.2
Agency Request	317.0
Administrative Cost Percentage	60.32%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

State Board of Equalization

FY 2011

Mission:

To provide an independent appeal process for taxpayers, the county assessors, and the Department of Revenue in disputes relating to the valuation and classification of property for ad valorem tax purposes.

Description:

The State Board of Equalization (SBOE) is comprised of thirty-three members, thirteen appointed by the Governor, including the Chairman, and ten members each from Maricopa and Pima counties. The Board's jurisdiction is primarily over locally assessed real and personal property in Maricopa and Pima counties. Under A.R.S. §§ 42-14001 et seq, the Board's authority extends to centrally assessed property statewide. The State Board of Equalization also can provide hearing officer services for outlying counties. Currently, the SBOE provides services to La Paz, Mohave, Navajo, Pinal and Yavapai counties. The Board, formerly Division I of the State Board of Tax Appeals, was created on August 1, 1995 through a consolidation of the appeals process.

Program/ Cost Center	Agency Summary			
	FY 2009 <i>Actual</i>	FY 2010 <i>Approp.</i>	FY 2011 <i>Agency Req.</i>	FY 2011 <i>Exec. Rec.</i>
State Board of Equalization	602.2	602.5	602.5	674.5
Agency Total	602.2	602.5	602.5	674.5
<i>Category</i>				
FTE	7.0	7.0	7.0	7.0
Personal Services	347.9	337.2	337.2	407.2
ERE Amount	122.8	123.0	123.0	123.0
Prof. And Outside Services	17.5	23.1	23.1	23.1
Travel - In State	3.1	7.2	7.2	7.2
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	110.9	112.0	112.0	114.0
Equipment	0.0	0.0	0.0	0.0
Agency Total	602.2	602.5	602.5	674.5
<i>Fund</i>				
General Fund	602.2	602.5	602.5	674.5
Agency Total	602.2	602.5	602.5	674.5

Recent Budget Activity/Perspective

The State Board of Equalization has experienced appropriation reductions of (\$70,400) between FY 2007 and FY 2010. The agency absorbed (\$16,900) in FY 2008 and (\$53,700) in FY 2009. These cuts have limited the agency's ability to pay board members to hear property valuation appeals. This has occurred despite the number of appeals rising dramatically during the period in which the agency's budget has been cut. To this end, the State Board will need a supplemental appropriation in FY 2010 in order to meet it's current workload.

Executive Recommendations

FY 2011

Baseline Adjustments

Increasing Volume of Appeals	72.0
The Executive recommends an increase of \$70,000 from the General Fund to absorb costs associated with anticipated appeal volume in FY 2011.	
General Fund	72.0

FY 2010 Supplemental Recommendations

	<u>FY 2010</u>
Increasing Volume of Appeals	70.0
In response to an increasing volume of appeals, the Executive recommends a supplemental appropriation of \$70,000 to the agency from the General Fund.	
General Fund	70.0

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	<u>Actual</u>	<u>Actual</u>	<u>Expected</u>	<u>Expected</u>
Cost per parcel (in dollars)	13	0	12	12
Parcels appeals received	51,200	85,900	95,000	95,000

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	120.4
Agency Request	656.0
Administrative Cost Percentage	18.35%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Board of Executive Clemency

Mission:

To ensure public safety by considering and granting parole, work furlough, home arrest, and absolute discharge to inmates certified eligible by the Department of Corrections and who appear not to pose a threat to society, and by recommending to the Governor only those executive clemency actions which are in the best interest and safety of the citizens of Arizona.

Description:

Each month the Board conducts parole hearings for inmates who have committed offenses prior to January 1994. Hearings include consideration for home arrest, work furlough, parole release, absolute discharge, rescission, modification, revocation (of both parole and community supervision), and absolute discharge from parole supervision. The Board also conducts clemency hearings which include commutation, pardon, and reprieve.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Board of Executive Clemency	1,044.5	880.2	951.6	964.8
Agency Total	1,044.5	880.2	951.6	964.8
<i>Category</i>				
FTE	13.0	13.0	13.0	13.0
Personal Services	602.1	485.1	544.5	558.6
ERE Amount	253.8	238.9	250.9	250.0
Prof. And Outside Services	(2.3)	0.0	0.0	0.0
Travel - In State	5.2	6.0	6.0	6.0
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	183.6	150.2	150.2	150.2
Equipment	2.1	0.0	0.0	0.0
Agency Total	1,044.5	880.2	951.6	964.8
<i>Fund</i>				
General Fund	1,044.5	880.2	951.6	964.8
Agency Total	1,044.5	880.2	951.6	964.8

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Annual Leave Payout	0.0	0.0	0.0	13.2
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Recent Budget Activity/Perspective

The Board of Executive Clemency was appropriated \$1.1 million from the General Fund in FY 2007. The appropriation increased to \$1.2 million for FY 2008. During FY 2008, the Board was asked to reduce staff costs in the amount of (\$60,000), which was the primary reason why the Board's appropriation was reduced to \$1.1 million for FY 2009. During FY 2009, the Board's appropriation was reduced during mid-year by (\$50,000) to \$1.0 million. The FY 2010 appropriation reflects a salary lump sum reduction of (\$96,000), putting the final appropriation at \$951,600. During FY 2010, a reduction in appropriation was enacted, which lowered the current FY 2010 appropriation to \$880,200.

Executive Recommendations

FY 2011

Other Adjustments

Term Expiration - Board Annual Leave Payout 13.2
The Executive recommends a one-time special line item of \$13,200 for the annual leave payout for a board member whose term will expire.

General Fund 13.2

Statutory Change for A.R.S. 31-404 (J) 0.0

The Executive recommends amending A.R.S. 31-404 (J) to allow the Board to fail an action under consideration if two members of the Board constitute a quorum and are not in agreement. This will allow the Board to avoid the need to re-hear cases if the two members are deadlocked, which will allow the Board to hear more new cases in their reduced hours.

General Fund 0.0

Position Restoration 71.4

The Executive recommends an increase of \$71,400 to allow the Board to fill the positions that were eliminated due to spending reductions in December of 2009. The restored positions will compile information for the Board, conduct monthly hearings, and schedule hearings that the Board must hear.

General Fund 71.4

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Number of parole hearings scheduled	725	701	800	800
Percent of parole grants	18	18	37	37
Number of revocations	2,443	2,529	2,600	2,600
Number of victims notified	2,743	2,467	2,500	2,500

Administrative Costs

	FY 2011
Administrative Costs	166.5
Agency Request	1,404.0
Administrative Cost Percentage	11.86%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona Exposition & State Fair

FY 2011

Mission:

To provide unlimited opportunity to celebrate Arizona's heritage, youth, industry, traditions, and future by bringing the entire community together.

Description:

The Arizona Exposition and State Fair (AESF) is a 96-acre entertainment facility that showcases a variety of events, including one of the preeminent state fairs in the country. The AESF, which owns the property and buildings it occupies, rents its facilities to a variety of tenants and promoters, such as the Arizona National Livestock Show and the Maricopa County Fair. The AESF provides a location to showcase industry, agriculture, education, and entertainment for the enjoyment of Arizona citizens.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Interim Events	3,656.0	6,682.9	6,682.9	4,145.7
State Fair Operations	7,907.9	7,070.1	7,964.6	6,104.3
Agency Total	11,563.9	13,753.0	14,647.5	10,250.0
<i>Category</i>				
FTE	182.7	184.0	184.0	184.0
Personal Services	4,093.2	4,326.1	4,326.1	4,326.1
ERE Amount	1,109.0	1,172.0	1,172.0	1,172.0
Prof. And Outside Services	2,926.5	2,991.9	2,991.9	2,526.1
Travel - In State	2.3	2.1	2.1	2.1
Travel - Out of State	6.0	7.0	7.0	7.0
Aid to Others	1.0	1.0	1.0	1.0
Other Operating Expenses	3,126.5	2,569.3	3,463.8	2,069.3
Equipment	147.4	146.4	146.4	146.4
Capital Outlay	152.0	2,537.2	2,537.2	0.0
Agency Total	11,563.9	13,753.0	14,647.5	10,250.0
<i>Fund</i>				
Coliseum & Exposition Center	11,563.9	13,753.0	14,647.5	10,250.0
Agency Total	11,563.9	13,753.0	14,647.5	10,250.0

Recent Budget Activity/Perspective

Relatively little activity took place within the Arizona Exposition and State Fair budget until FY 2009, when the agency received a lump sum reduction of (\$1.0 million). The agency also received a (\$1.7 million) reduction and a 2.0 FTE position reduction in 2010. Furthermore, a (\$2.9 million) transfer was made to the General Fund, and a second fund transfer of (\$2.1 million) is scheduled for the end of FY 2010.

Executive Recommendations

FY 2011

Other Adjustments

Expenditure Authority Adjustment	(965.8)
The Executive recommends a (\$1.0 million) reduction in expenditure authority to more accurately reflect actual spending on the State Fair and other events.	
Coliseum and Expo Center Fund	(965.8)

Solutions to Budget

Capital Outlay Adjustment	(2,537.2)
The Executive recommends the suspension of all capital outlay costs for FY 2011, as maintaining FY 2010 appropriated capital outlay costs for FY 2011 would result in a negative fund balance for the Coliseum and Expo Center fund.	
Coliseum and Expo Center Fund	(2,537.2)

FY 2010 Supplemental Recommendations

<u>FY 2010</u>	
Expenditure Authority Adjustment	(1,065.8)

The Executive recommends a (\$1.1 million) reduction in expenditure authority to more accurately reflect planned spending on the State Fair and other events; the FY2010 Arizona State Fair earned significantly less revenue than in the recent past but also spent far less to operate the Fair.

Coliseum and Expo Center Fund	(1,065.8)
Capital Outlay Adjustment	(2,537.2)

The Executive recommends the suspension of all capital project costs for FY 2010.

Coliseum and Expo Center Fund	(2,537.2)
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Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Fair attendance (in thousands)	1,214.4	1,095.43	1,300.0	1,300.0
New revenue received from alternative sources (in dollars)	52,700	49,000	15,000	15,000
Number of guest service contacts	157	142	150	162

Administrative Costs

<u>FY 2011</u>	
Administrative Costs	1,303.2
Agency Request	16,700.0
Administrative Cost Percentage	7.80%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

State Department of Financial Institutions

Mission:

To regulate financial services to promote integrity within the industry and to foster economic growth, while providing outstanding consumer support.

Description:

The Arizona Department of Financial Institutions is charged with the licensing, supervision, and regulation of state chartered financial institutions and enterprises. The supervisory role is two-fold: 1) ensuring the safety and soundness of state chartered financial entities, and 2) verifying compliance with applicable state and federal laws. The Department also investigates complaints that are filed by consumers against licensed entities where violations of state law or rules have been alleged and directs appropriate remedial action if the violations are substantiated. The Department serves nearly 3,700 entities licensed to conduct business in the State as well as all Arizona citizens receiving services from these regulated companies. That number will soon grow by an estimated 5,000 licensees, as recent legislation requires that loan originators be licensed by the Department beginning July 1, 2010.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Office of Supervision	2,069.6	1,724.6	3,201.4	1,796.4
Office of Regulatory Affairs	1,183.0	1,227.0	2,233.0	1,964.9
Receiverships	51.6	21.4	21.4	21.4
Agency Total	3,304.2	2,973.0	5,455.8	3,782.7
<i>Category</i>				
FTE	57.1	48.1	73.1	55.1
Personal Services	2,060.5	1,789.9	3,057.8	2,061.0
ERE Amount	732.0	700.3	1,122.6	804.8
Prof. And Outside Services	8.9	15.7	460.4	366.0
Travel - In State	0.0	0.0	92.0	0.0
Travel - Out of State	0.1	0.0	56.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	499.6	464.1	592.4	476.3
Equipment	3.1	3.0	74.6	74.6
Agency Total	3,304.2	2,973.0	5,455.8	3,782.7
<i>Fund</i>				
General Fund	3,304.2	2,973.0	3,725.8	2,973.0
Financial Services Fund	0.0	0.0	1,730.0	809.7
Agency Total	3,304.2	2,973.0	5,455.8	3,782.7

Recent Budget Activity/Perspective

The Department of Financial Institutions has absorbed appropriation reductions of (\$1.1 million) and (\$6.1 million) in fund transfers from FY 2008 to the enacted FY 2010 budget. These adjustments have had a profound impact on the regulation of financial institutions in the State of Arizona. The agency no longer has the resources to conduct examinations on credit unions, collection agencies, and payday lenders chartered by the state. The reductions have also prevented the agency from implementing a

Recent Budget Activity/Perspective

federally-mandated loan originator licensing program.

A mid-year budget adjustment in FY 2008 reduced the agency's appropriation (\$200,000) and (\$1.0 million) in fund transfers. In FY 2009, the agency's appropriation was reduced (\$578,400) while losing (\$3.2 million) in fund transfers. Subsequent to this, the Department has experienced additional reductions of (\$331,900) in FY 2010 and another transfer of (\$1.9 million).

Executive Recommendations

FY 2011

Other Adjustments

Loan Originator Licensing	666.1
The Executive recommends that the Department make a good-faith effort to comply with federal legislation regarding loan originators. This legislation requires all loan originators to be licensed, either by state or federal authorities, and allows states to retain revenues associated from issuing those licenses.	
Financial Services Fund	666.1
Information Technology	143.6
The Executive recommendation upgrades the Department's information technology. This will allow the agency to utilize the full capability of the National Mortgage Licensing System (NMLS), which is crucial for the implementation of loan originator licensing in Arizona.	
Financial Services Fund	143.6

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Average number of calendar days from receipt to resolution of regular complaint	160	183	200	200
Percent of complainants indicating they receive good or better overall service from the Department	80	84	75	75
Open receiverships (at any point in fiscal year)	0	1	2	2
Percent of examinations receiving a satisfactory composite rating	85	82	80	80
Percent of examination reports mailed within 25 days of completion of all examination procedures	21	66	65	65
Percent of licensees indicating they receive good or better service from the Department	100	100	98	98
Percent of license applications approved within 45 days of receipt (excluding Banks and Credit Unions)	52.8	62	5	60

Administrative Costs

FY 2011

Administrative Costs	547.7
Agency Request	9,983.0
Administrative Cost Percentage	5.49%

The agency request represents all funds, not just appropriated funds.
These administrative costs are estimated for the express purpose of
satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Department of Fire, Building and Life Safety

Mission:

To provide consumer protection and ensure the public safety by maintaining and enforcing standards of quality and safety for manufactured/mobile homes, factory-built buildings, and by reducing hazards to life and property through enforcement and training related to the State Fire Code.

Description:

The Department of Fire, Building and Life Safety enforces safety standards for public buildings, manufactured homes, mobile homes, and factory-built buildings. The Department is comprised of the Office of Administration, the Office of Manufactured Housing, and the Office of the State Fire Marshal. The Office of Manufactured Housing licenses and regulates the production and ownership of manufactured housing; administers funds paid by manufacturers, mobile home park owners and residents; and administers funds reserved for claims filed against the payers or for involuntary relocation. The Office of the State Fire Marshal enforces the State Fire Code and provides training and education for fire personnel and the general public.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Administration	1,252.0	885.8	1,117.2	762.8
Manufactured Housing	801.5	529.6	529.6	529.6
State Fire Marshal	1,059.3	769.6	769.6	769.6
Agency Total	3,112.8	2,185.0	2,416.4	2,062.0
<i>Category</i>				
FTE	41.3	32.3	32.3	32.3
Personal Services	1,762.4	1,032.1	1,179.0	885.2
ERE Amount	589.9	559.6	589.9	529.3
Prof. And Outside Services	136.0	85.1	85.1	85.1
Travel - In State	144.0	37.7	37.7	37.7
Travel - Out of State	2.8	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	457.1	470.5	524.7	524.7
Equipment	20.6	0.0	0.0	0.0
Agency Total	3,112.8	2,185.0	2,416.4	2,062.0
<i>Fund</i>				
General Fund	3,112.8	2,185.0	2,416.4	2,062.0
Agency Total	3,112.8	2,185.0	2,416.4	2,062.0

Recent Budget Activity/Perspective

The agency's FY 2007 appropriation was set at \$3.6 million. Lump sum reductions of (\$310,600); statewide adjustments; new fire coordinator position increases; and manufactured housing program increases kept the FY 2008 appropriation to \$3.6 million. In FY 2009 and FY 2010, lump sum reductions of (\$458,500) and (\$598,200) respectively were realized as well as an (\$803,600) General Fund program reduction in FY 2010 changed the appropriations to \$3.1 million in FY 2009 and \$2.2 million in FY 2010. This represents an appropriation reduction of 40% over three years.

Executive Recommendations

FY 2011

Baseline Adjustments

COP Rent Increase	54.2
The Executive recommends an increase for COP rent in FY 2011.	
General Fund	54.2

Solutions to Budget

Special Session Adjustment	(177.2)
The Executive recommends a (\$177,200) General Fund reduction in FY 2011 to annualize the operating budget reduction enacted by Laws 2009, Fifth Special Session, Chapter 1.	
General Fund	(177.2)

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Average days from receipt of complete application to granting of license	2	2	2	2
Number of enforcement inspections for new construction	452	863	800	800
Total individuals or facilities licensed	1,721	1,420	1,450	1,500
Number of persons trained in fire and life safety issues	33	0	0	0

Administrative Costs

Administrative Costs	FY 2011
Administrative Costs	322.0
Agency Request	6,098.0
Administrative Cost Percentage	5.28%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona State Forester

Mission:

To provide for the prevention and suppression of wildfires on state and private lands located outside incorporated municipalities, utilizing state and private Forestry programs, and primarily through the use of cooperative agreements with local fire departments, other state and federal agencies and persons organized to prevent and suppress wildfires.

Description:

The Forestry Division provides for the prevention and suppression of wildfires on state and private lands, located outside incorporated municipalities, through the use of cooperative agreements with local fire departments, other state and federal agencies and persons organized to prevent and suppress wildfires. The division also maintains in-house overhead and firefighting capabilities through the qualifications of its own employees. Through the division's programs, 22,400,000 acres of state and private land are protected.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
State Forester	3,525.4	6,276.1	6,535.6	6,016.6
Agency Total	3,525.4	6,276.1	6,535.6	6,016.6
<i>Category</i>				
FTE	60.0	51.0	51.0	51.0
Personal Services	2,127.6	2,039.4	2,254.6	1,824.2
ERE Amount	1,100.6	824.0	868.3	779.7
Prof. And Outside Services	0.0	3,000.0	3,000.0	3,000.0
Travel - In State	26.3	47.3	47.3	47.3
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	75.0	75.0	75.0
Other Operating Expenses	269.4	290.4	290.4	290.4
Equipment	1.5	0.0	0.0	0.0
Agency Total	3,525.4	6,276.1	6,535.6	6,016.6
<i>Fund</i>				
General Fund	3,525.4	3,201.1	3,460.6	6,016.6
AZ Parks Board Heritage Fund	0.0	3,075.0	3,075.0	0.0
Agency Total	3,525.4	6,276.1	6,535.6	6,016.6

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Inmate Fire Crews	1,128.4	482.4	741.9	222.9
SLI Fire Suppression Operating Expenses	2,397.0	5,718.7	5,718.7	5,718.7

Recent Budget Activity/Perspective

The Office of the State Forester has absorbed appropriation reductions of (\$1.0 million) and (\$2.5 million) in fund transfers from FY 2008 to the enacted FY 2010 budget. The impact of these reductions has largely ended the Department's own firefighting capacity. The agency no longer anticipates having the funds to supervise the state's inmate fire crews or replace capital equipment like crew carriers used to transport inmates to the site

Recent Budget Activity/Perspective

of a fire. This also means that the state will be wholly reliant on private companies, local fire departments and the federal government to contain wildfires going forward.

A mid-year budget adjustment in FY 2008 reduced the agency's appropriation (\$56,800). In FY 2009, the agency had its appropriation reduced by (\$710,400) while losing (\$2 million) in fund transfers.

Subsequent to this, the State Forester experienced additional reductions of (\$259,600) in FY 2010 and (\$429,000) in transfers.

Executive Recommendations

FY 2011

Other Adjustments

Wildland Fire Suppression	0.0
The Executive recommends \$3.0 million from the General Fund for wildland fire suppression. The change returns wildland fire funding to the statutory funding provisions contained in A.R.S. 37-623.02.	
General Fund	3,000.0
AZ Parks Board Heritage Fund	(3,000.0)

Environmental County Grants	0.0
The Executive recommends \$75,000 from the General Fund for environmental county grants. The change returns the grant program to the funding provision found in Laws 2001, Chapter 336.	
General Fund	75.0
AZ Parks Board Heritage Fund	(75.0)

Solutions to Budget

Annualization of 5th Special Session Reductions	(259.5)
The Executive recommends annualizing of reductions contained in Laws 2009, Fifth Special Session, Chapter 1.	
General Fund	(259.5)

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	879.5
Agency Request	34,630.0
Administrative Cost Percentage	2.54%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

State Board of Funeral Directors & Embalmers

Mission:

To maintain and enforce a set of standards that provides protection for the health, safety, and welfare of Arizona citizens by educating the consumer and by actively and impartially regulating those licensed to provide funeral goods and services.

Description:

The Board of Funeral Directors and Embalmers examines and licenses individuals that provide funeral goods and services. The Board also receives complaints against licensees, investigates allegations, and administratively adjudicates complaints. The Board oversees approximately 1,800 licensees practicing in the state and serves all Arizona citizens who receive funeral goods and services.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	334.4	351.2	351.2	351.2
Agency Total	334.4	351.2	351.2	351.2
<i>Category</i>				
FTE	4.0	4.0	4.0	4.0
Personal Services	210.8	212.0	212.0	212.0
ERE Amount	44.9	46.5	46.5	46.5
Prof. And Outside Services	52.9	40.8	40.8	40.8
Travel - In State	1.4	6.5	6.5	6.5
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	24.0	45.4	45.4	45.4
Equipment	0.4	0.0	0.0	0.0
Agency Total	334.4	351.2	351.2	351.2
<i>Fund</i>				
Funeral Directors & Embalmers	334.4	351.2	351.2	351.2
Agency Total	334.4	351.2	351.2	351.2

Recent Budget Activity/Perspective

The Funeral Directors and Embalmers Fund was swept for (\$100,000) in FY 2008 and (\$491,700) in FY 2009. In FY 2010, the Funeral Directors and Embalmers Board was appropriated \$100,000 from the General fund to backfill the fund sweeps, because these fund transfers would have caused a deficit in the agency's budget mid-FY 2010.

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of inspections	170	50	100	150
Number of complaints received	48	48	50	50
Number of licenses	1,779	1836	1850	1870

Administrative Costs

	FY 2011
Administrative Costs	49.2
Agency Request	350.0
Administrative Cost Percentage	14.06%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona Game & Fish Department

Mission:

To conserve, enhance, and restore Arizona's diverse wildlife resources and habitats through aggressive protection and management programs; and to provide wildlife resources and safe watercraft and off-highway vehicle recreation for the enjoyment, appreciation, and use by present and future generations.

Description:

The Arizona Game and Fish Department is the state agency charged with the conservation, enhancement and restoration of Arizona's wildlife resources and habitats, and with the regulation and enforcement of watercraft and off-highway vehicles. The 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.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Central Administrative Services	3,001.6	4,100.2	4,100.2	4,100.2
Off-Highway Vehicle/Watercraft	2,306.2	4,422.0	4,642.0	4,072.0
Nongame and Endangered Wildlife	5,819.2	7,183.8	7,258.9	7,121.4
Game Management	11,794.3	13,392.2	13,767.4	13,079.9
Sportfish Management	7,580.1	10,825.8	11,214.7	10,576.0
Agency Total	30,501.4	39,924.0	40,983.2	38,949.5
<i>Category</i>				
FTE	273.4	273.4	273.4	273.4
Personal Services	13,283.0	13,323.7	14,501.9	13,323.7
ERE Amount	6,418.0	7,407.9	7,643.4	7,407.9
Prof. And Outside Services	977.4	534.0	534.0	534.0
Travel - In State	175.5	312.0	312.0	312.0
Travel - Out of State	80.4	30.7	30.7	30.7
Aid to Others	44.1	0.0	0.0	0.0
Other Operating Expenses	5,110.6	12,461.7	12,881.7	11,487.2
Equipment	1,068.6	1,730.0	955.5	1,730.0
Capital Outlay	535.8	0.0	0.0	0.0
Transfers Out	2,808.0	4,124.0	4,124.0	4,124.0
Agency Total	30,501.4	39,924.0	40,983.2	38,949.5
<i>Fund</i>				
Game & Fish Fund	27,884.0	35,063.8	35,864.3	34,439.3
Game & Fish Watercraft License	2,306.2	4,468.8	4,727.5	4,118.8
Game/Non-Game Fund	292.6	332.0	332.0	332.0
Waterfowl Conservation	18.6	43.4	43.4	43.4
Wildlife Endowment Fund	0.0	16.0	16.0	16.0
Agency Total	30,501.4	39,924.0	40,983.2	38,949.5

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Dingell-Johnson/Pittman-Robertson Federal Matching	1,404.0	1,904.0	1,904.0	1,904.0
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SLI Dingell-Johnson/Pittman-Robertson Federal Matching	1,404.0	1,904.0	1,904.0	1,904.0
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Recent Budget Activity/Perspective

For FY 2007, the Department was appropriated \$34.5 million.

For FY 2008, increases were enacted for 28 issues totaling \$6.7 million. There was a reduction of (\$3.5 million) for expenditures in FY 2007 that would only occur one time. For construction of 11 capital projects, \$2.9 million was appropriated. Department funds transferred (\$7.9 million) to the General Fund.

For FY 2009, there was a reduction of (\$2.2 million) and \$2.6 added for 8 capital projects. (\$3.7 million) was transferred from agency funds to the General Fund.

For 2010, appropriations were increased by \$5.4 million for operations and \$4.8 million for 8 capital projects. (\$2.4 million) was transferred from agency funds to the General Fund.

Executive Recommendations

FY 2011

Baseline Adjustments

Eliminate FY 2010 One-Time Funding (774.5)

The Executive recommends a reduction to eliminate one-time FY 2010 funding. Items purchased with the one-time FY 2010 monies include replacement equipment for the A-Motor Pool trucks and software upgrades.

Game and Fish Fund (774.5)

Other Adjustments

Vehicle Fuel and Repair 150.0

The Executive recommends an increase for vehicle repairs and fuel.

Game and Fish Fund 150.0

Solutions to Budget

Lottery Revenue 0.0

The Executive is recommending that all lottery revenue that is not voter protected be deposited into the General Fund to help with the State's budget deficit. Currently, the Department receives \$10 million per year from Lottery revenue via the Heritage Fund.

Game and Fish Fund 0.0

Lower Colorado Multispecies Conservation (350.0)

The Executive recommendation continues the reduced State participation in the Lower Colorado Multispecies Conservation Program recommended in FY 2010.

Watercraft Licensing Fund (350.0)

FY 2010 Supplemental Recommendations

FY 2010

FY 2010

Lower Colorado Multispecies Conservation (350.0)

The Executive recommends reducing the State participation in the Lower Colorado Multispecies Conservation Program during FY 2010 and FY 2011.

Watercraft Licensing Fund (350.0)

Performance Measures

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
	<u>Actual</u>	<u>Actual</u>	<u>Expected</u>	<u>Expected</u>
Number of Arizona Game and Fish Department watercraft enforcement hours	17,205	10,929	17,500	17,500
➤ <i>Decrease may be due to vacant positions and fewer recreation days (economy).</i>				
Number of observed watercraft violations	598	1,252	1,000	1,000
➤ <i>Decrease may be due to vacant positions and fewer recreation days (economy).</i>				
Number of watercraft registered in Arizona	147,066	142,765	145,000	145,000
➤ <i>Number of watercraft registered in Arizona</i>				
Watercraft registration renewal processing time by mail (in days)	4	4	4	4
➤ <i>Watercraft registration renewal processing time by mail (in days)</i>				
Number of watercraft user contacts made by field officers	5,323	2,178	11,000	11,000
➤ <i>Decrease may be due to vacant positions and fewer recreation days (economy).</i>				
Number of students completing Arizona Game and Fish Department sponsored watercraft safety classes	794	815	900	1000
➤ <i>Number of students completing Arizona Game and Fish Department sponsored watercraft safety classes</i>				
Number of off-highway user contacts by Arizona Game and Fish Department field officers	6,084	5,500	10,000	10,000
➤ <i>Decrease may be due to vacant positions and fewer recreation days (economy).</i>				
Ratio of number of big game permit tags to the number of people applying	.42	.53	.40	.40
Number of off-highway vehicle violations observed	243	373	900	900
➤ <i>Decrease may be due to vacant positions and fewer recreation days (economy).</i>				
Number of urban fishing licenses sold	41,923	30,614	42,500	43,500
➤ <i>Previous reports included all urban fishing related licenses sold. This number includes only Class U licenses.</i>				

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	5,520.1
Agency Request	104,102.0
Administrative Cost Percentage	5.30%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Department of Gaming

FY 2011

Mission:

To protect the public, ensure compliance with the gaming compacts, and regulate the gaming industry.

Description:

The Department of Gaming is responsible for carrying out the state's responsibilities under the Tribal-State gaming compacts. The Department monitors compliance by the Tribal gaming operations with all compact requirements, including those governing the nature, extent, and conduct of gaming activities; public health, safety, and welfare; and other operational requirements. It also conducts background investigations of all prospective gaming employees, management contractors, providers of gaming services, and manufacturers and distributors of gaming devices in order to ensure that unsuitable individuals or companies are not involved in Arizona's gaming industry.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Enforcement	9,952.6	11,195.7	12,261.5	11,229.0
Certification	1,891.1	1,986.2	1,986.2	1,986.2
Agency Total	11,843.7	13,181.9	14,247.7	13,215.2
<i>Category</i>				
FTE	123.0	123.0	123.0	123.0
Personal Services	5,964.2	6,103.1	6,103.1	6,103.1
ERE Amount	2,133.8	1,943.5	1,943.5	1,943.5
Prof. And Outside Services	2,103.7	2,675.7	3,158.5	2,675.7
Travel - In State	310.4	496.9	496.9	496.9
Travel - Out of State	81.4	124.8	124.8	124.8
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	1,113.5	1,366.6	1,560.6	1,399.9
Equipment	134.8	467.3	856.3	467.3
Transfers Out	1.9	4.0	4.0	4.0
Agency Total	11,843.7	13,181.9	14,247.7	13,215.2
<i>Fund</i>				
Lottery Fund	300.0	300.0	300.0	300.0
Permanent Tribal-State Compact Fund	1,891.1	1,986.2	1,986.2	1,986.2
Arizona Benefits Fund	9,652.6	10,895.7	11,961.5	10,929.0
Agency Total	11,843.7	13,181.9	14,247.7	13,215.2

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Problem Gambling	2,016.5	2,277.0	2,474.9	2,277.3
SLI Joint Monitoring System	145.7	233.3	0.0	0.0
SLI Casino Operations Certification	1,891.1	1,986.2	1,986.2	1,986.2

Executive Recommendations

FY 2011

Baseline Adjustments

Private Rent Increase 11.3

The Executive recommends increasing the appropriation from the Arizona Benefits Fund in FY 2011 by \$11,300, due to an increase in the cost of rent for private space.

Arizona Benefits Fund 11.3

COP Rent Increase 22.0

The Executive recommends an additional \$22,000 appropriation from the Arizona Benefits Fund for increased rent expenditures for the Department of Gaming's Tucson office.

Arizona Benefits Fund 22.0

Other Adjustments

Equipment 0.0

The Executive recommends eliminating the special line item for the Joint Monitoring System and transferring this expenditure for the data network carrier charges and network equipment maintenance to the Enforcement program's appropriation from the Arizona Benefits Fund.

Arizona Benefits Fund 0.0

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Percentage of facilities reviewed for compact compliance reviews	100	100	100	100
Percent of all gaming devices certified	100	99.9	100	100
Percent of temporary certifications issued within 20 days	95	100	95	95
Total number of individual applications received	9,709	8,999	12,000	12,000
Total number of days elapsed from receipt of completed application to the issuance of temporary certification	12	6.79	12	12

Administrative Costs

	FY 2011
Administrative Costs	1,884.2
Agency Request	13,135.0
Administrative Cost Percentage	14.34%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Arizona Geological Survey

Mission:

To inform and advise the public about the geologic character of Arizona to help meet societal needs for water, energy, and mineral resources and assist in prudently managing the state's land and natural resources.

Description:

Arizona Geological Survey (AZGS) staff perform several important functions for their customers who include governmental agencies, elected officials and staff, environmental and engineering geology firms, hydrologists, energy and mineral resource exploration and production companies, consultants, planners, property owners and potential buyers, attorneys, realtors, insurance companies, tourists, teachers, students, book dealers, professional societies, citizen groups, and interested individuals. First, they inform and advise the public by answering questions, selling maps and reports, maintaining a geology library and databases, giving talks, and leading field trips. Second, they map and characterize rock formations, surficial materials, and mineral and energy resources. Third, they describe and monitor potential hazards and limitations to land and resource management (e.g. earthquakes, flooding, land subsidence and earth fissures, landslides, debris flows, and rock solution). Fourth, they provide support for the Arizona Oil and Gas Conservation Commission.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Arizona Geological Survey	961.5	801.4	1,936.4	801.4
Agency Total	961.5	801.4	1,936.4	801.4
<i>Category</i>				
FTE	7.0	6.6	16.6	6.6
Personal Services	490.1	363.9	1,097.7	363.9
ERE Amount	144.3	137.1	327.2	137.1
Prof. And Outside Services	(1.6)	3.2	3.2	3.2
Travel - In State	35.4	30.0	45.0	30.0
Travel - Out of State	5.4	5.0	5.0	5.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	286.1	261.2	381.3	261.2
Equipment	1.8	1.0	77.0	1.0
Agency Total	961.5	801.4	1,936.4	801.4
<i>Fund</i>				
General Fund	961.5	801.4	1,936.4	801.4
Agency Total	961.5	801.4	1,936.4	801.4

Recent Budget Activity/Perspective

The Arizona Geological Survey has been reduced by (\$350,500) with (\$62,700) in fund transfers since FY 2007. These adjustments have slowed the agency's progress in identifying and cataloging natural hazards throughout Arizona, such as earth fissures.

A mid-year budget adjustment in FY 2008 reduced the agency's appropriation (\$60,000). In FY 2009, the agency had it's

Recent Budget Activity/Perspective

appropriation reduced by (\$139,700) while losing (\$14,500) in fund transfers. The agency has experienced additional reductions of (\$161,400) in FY 2010 and another transfer of (\$48,200).

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of talks given or fieldtrips led	126	34	40	40
Percent increase (decrease) in number of publications sold	-15	-2.8	2	2
➤ <i>More info is available via the internet and, less of the technical and topographic maps are needed in hard copy. We will adjust to this change in the market.</i>				
Percent increase (decrease) in sales of technical maps and reports	-6.3	-2.5	0	0
➤ <i>The market is changing as more things are available to be downloaded.</i>				
Percent increase (decrease) in sales of non-technical reports	8	21	8	8
➤ <i>Less technical things are selling, more interest in general use/recreation</i>				
Quality of products sold, 1-5 (highest scale)	5	4.5	4.8	4.8
Satisfaction with mail order service provided, 1-5 (highest scale)	4.9	4.9	4.9	4.9
Average days to issue a permit	3	3	5	5
Compliance and safety inspections made	28	29	28	28

Administrative Costs

	FY 2011
Administrative Costs	259.7
Agency Request	3,238.0
Administrative Cost Percentage	8.02%

The agency request represents all funds, not just appropriated funds.

These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Government Information Technology Agency

Mission:

To maximize information technology coordination and connectivity within the state of Arizona ensuring that its information technology infrastructure efficiently and effectively supports state business.

Description:

The Government Information Technology Agency (GITA) is responsible for statewide information technology (IT) planning, coordination and consulting for executive agencies. The GITA Director serves as the Chief Information Officer for the State of Arizona administering the state's IT resources through the establishment of statewide IT policies and standards and serves as a primary focal point for coordination of all IT projects across the state. The agency provides strategic IT planning to establish an effective IT direction for both infrastructure and security/privacy concerns. GITA also serves as a primary focal point for coordination of all IT projects across the state with development costs over \$25,000 that are monitored for potential schedule and cost overruns of which GITA has authority for suspension of expenditures, if risks and slippages are deemed excessive. In collaboration with the Information Technology Authorization Committee (ITAC), comprised of public and private sector members, GITA also monitors and tracks IT projects over \$1 million in total costs. In addition, under ARS 41-3541, GITA is responsible for the design and development of real-time interoperable communications between local, county, state, tribal and federal public safety organization through the Public Safety Communications Commission (PSCC).

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Government Information Technology Agency	4,075.4	7,136.7	7,396.5	7,136.7
Public Safety Communications Commission	639.8	757.3	818.7	760.8
Agency Total	4,715.2	7,894.0	8,215.2	7,897.5
<i>Category</i>				
FTE	30.0	29.0	29.0	29.0
Personal Services	2,234.3	2,355.0	2,355.0	2,355.0
ERE Amount	648.3	709.5	709.5	709.5
Prof. And Outside Services	636.1	427.1	618.3	427.1
Travel - In State	2.3	12.0	12.0	12.0
Travel - Out of State	8.4	16.0	16.0	16.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	1,135.3	4,290.2	4,420.2	4,293.7
Equipment	18.3	84.2	84.2	84.2
Transfers Out	32.2	0.0	0.0	0.0
Agency Total	4,715.2	7,894.0	8,215.2	7,897.5
<i>Fund</i>				
General Fund	1,064.9	757.3	818.7	760.8
Information Technology Fund	3,004.8	3,236.7	3,496.5	3,236.7

State Web Portal Fund	645.5	3,900.0	3,900.0	3,900.0
Agency Total	4,715.2	7,894.0	8,215.2	7,897.5

Recent Budget Activity/Perspective

The Government Information Technology Agency's 2008 budget included General Fund appropriations of \$1.5 million for the E-Health Initiative and \$500,000 and 3.0 FTE for the Statewide Information Security and Privacy Office. Furthermore, Laws 2007, Chapter 259 authorized the Information Technology Authorization Committee to have final approval on all State IT projects costing more than \$1.0 million, and required GITA to submit an RFP for solutions to encrypt personal information data.

The FY 2009 budget included a (\$100,000) decrease for the E-Health Initiative, but increased funding for the SISPO to \$870,300 and included funding for the 2-1-1 program, which totaled \$1.2 million.

The FY 2010 budget maintained the same funding for SISPO as in FY 2009, but it also eliminated all funding for the E-Health Initiative and the 2-1-1 program. As a result, the Arizona 2-1-1 program ended in January, 2009.

Executive Recommendations

FY 2011

Baseline Adjustments

Lease-Purchase Rent Increase	3.5
The Executive recommendation provides for the agency's share of the increased lease-purchase debt service payment in FY 2011.	
General Fund	3.5

FY 2010 Supplemental Recommendations

FY 2010

Web Portal Reduction (3,650.0)

In order to more accurately reflect expenditures from the Web Portal Fund, the Executive recommends an appropriation decrease for FY 2010. However, because of Laws 2009, Special Session 4, Chapter 3, that requires all revenues collected to be remitted directly to the Web Portal Fund and the vendor be paid after receipt of funds by GITA, the Executive recommends that the appropriation be returned to its previous level in FY 2011.

State Web Portal Fund	(3,650.0)
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Administrative Costs

FY 2011

Administrative Costs	720.8
Agency Request	17,360.0
Administrative Cost Percentage	4.15%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Office of the Governor

The Executive recommends a lump-sum appropriation to the agency.

Mission:

To provide leadership for the State of Arizona and to manage the Executive branch of state government to ensure that it efficiently and effectively serves Arizona's citizens.

Description:

The Governor serves as the Chief Executive Officer of Arizona state government. The Constitution provides that the Governor shall be the Commander-in-Chief of Arizona's military forces and authorizes the Governor to grant reprieves, commutations and pardons, pursuant to law. The Governor is also responsible for making appointments to positions in state government pursuant to law, representing Arizona in official dealings with other governmental entities, taking action on bills approved by the Legislature, and informing the public on issues affecting the state.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Governor's Office	6,750.3	7,043.9	7,605.3	7,095.1
Agency Total	6,750.3	7,043.9	7,605.3	7,095.1
<i>Fund</i>				
General Fund	6,750.3	7,043.9	7,605.3	7,095.1
Agency Total	6,750.3	7,043.9	7,605.3	7,095.1

Recent Budget Activity/Perspective

For FY 2007, the Governor's Office was appropriated \$6.6 million.

For FY 2008, the budget was increased by \$342,100 for statewide salary increases and by \$500,000 for additional funding. There was a lump sum reduction of (\$225,000), and (\$3.7 million) was transferred from Governor's Office funds to the General Fund.

For FY 2009, there were further reductions of (\$751,000) and an increase of \$50,000 for employee benefits. In addition, there was a one-time increase of \$600,000 to pay leave balances of departing Governor's Office staff. In addition, (\$1.1 million) was transferred from Governor's Office funds to the General Fund.

For FY 2010, the budget was increased by \$220,400 for employee benefits and decreased by a lump sum reduction of (\$561,400). In addition, (\$603,500) was transferred from Governor's Office funds to the General Fund.

Executive Recommendations

FY 2011

Baseline Adjustments

COP Rent Increase	51.2
The Executive recommendation provides for the agency's increased COP payment in FY 2011.	
General Fund	51.2

Governor's Office of Strategic Planning and Budgeting

Mission:

To facilitate the effective and efficient allocation of resources in accordance with fiscally sound principles that will enable the Governor and state government to provide quality services to the citizens of Arizona.

Description:

This office provides a central Executive branch resource for the compilation, analysis, and investigation of state fiscal matters. It advises the Governor in preparation of the Executive budget and advocates for that budget through the legislative process. The office assists and advises all entities of state government in budget development and execution. It also coordinates the process of defining state government programs, developing strategic plans, and measuring program performance to achieve desired results. The office is also responsible for fulfilling constitutionally and legislatively mandated reporting requirements related to the state budget.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Office of Strategic Planning and Budgeting	2,147.3	1,993.5	2,155.1	2,195.4
Agency Total	2,147.3	1,993.5	2,155.1	2,195.4
<i>Fund</i>				
General Fund	2,147.3	1,993.5	2,155.1	2,195.4
Agency Total	2,147.3	1,993.5	2,155.1	2,195.4

Recent Budget Activity/Perspective

For FY 2007, \$2.2 million was appropriated. For FY 2008, \$102,500 was added for statewide salary increases and (\$69,400) was taken as a lump sum reduction. For FY 2009, there were reductions of (\$423,000) and an appropriation for a one-time payment of \$250,000. For FY 2010, there was a lump sum reduction of (\$161,600).

Executive Recommendations

FY 2011

Other Adjustments

Arizona State Fee Commission 201.9

The Executive recommends 3.0 FTE analyst positions to establish the Arizona State Fee Commission. The purpose of this body will be to examine State-collected fees and assessments and determine if they are at appropriate levels.

General Fund 201.9

Administrative Costs

FY 2011

Administrative Costs	54.3
Agency Request	2,198.0
Administrative Cost Percentage	2.47%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Department of Health Services

Mission:

To set the standard for personal and community health through direct care delivery, science, public policy, and leadership.

Description:

The Arizona Department of Health Services is responsible for Public Health Services, including the Arizona State Laboratory, epidemiology & disease control, emergency medical services/trauma, public health emergency preparedness & response, public health statistics, vital records, border health, children with special health care needs, health systems development, minority health, chronic disease prevention & nutrition, oral health, tobacco education, and women's & children's health; Behavioral Health Services, including general mental health services, substance abuse & prevention services, services for the seriously mentally ill, title XIX adults and children, non-Title XIX adults and children, Regional Behavioral Health Authorities contract compliance, consumer rights, and quality management; the Arizona State Hospital, including adolescent services, adult civil services, adult forensic services, and the Arizona Community & Protection Treatment Center; and the licensing and certification of health and child care facilities.

Agency Summary				
Program/Cost Center	FY 2009 <i>Actual</i>	FY 2010 <i>Approp.</i>	FY 2011 <i>Agency Req.</i>	FY 2011 <i>Exec. Rec.</i>
Administration	34,270.1	32,614.3	32,811.5	32,809.9
Public Health	32,527.5	20,449.3	20,449.3	19,338.3
Family Health	40,534.2	34,007.0	41,061.6	46,983.8
Behavioral Health	424,585.1	369,587.1	458,974.5	435,923.9
Arizona State Hospital	68,164.6	67,949.0	67,949.0	67,949.0
Program Transfer	0.0	0.0	0.0	(46,654.3)
Agency Total	600,081.5	524,606.7	621,245.9	556,350.6
<i>Category</i>				
FTE	1,704.4	1,543.5	1,568.6	1,568.6
Personal Services	62,477.8	59,696.2	59,696.2	59,696.2
ERE Amount	23,996.6	20,201.2	20,201.2	20,201.2
Prof. And Outside Services	10,517.0	10,575.2	10,575.2	10,377.7
Travel - In State	454.4	482.4	482.4	482.4
Travel - Out of State	71.4	96.6	96.6	96.6
Aid to Others	120,525.2	105,815.0	188,284.8	112,799.2
Other Operating Expenses	25,747.3	29,434.8	29,632.0	29,566.9
Equipment	531.5	607.8	607.8	607.8
Transfers Out	355,760.3	297,697.5	311,669.7	322,522.6
Agency Total	600,081.5	524,606.7	621,245.9	556,350.6
<i>Fund</i>				
General Fund	538,479.8	444,195.9	540,835.1	471,030.0
Service Fees Increase Fund	521.8	4,493.4	4,493.4	7,582.4
Tobacco Tax and Health Care Fund	29,534.8	37,324.8	37,324.8	31,406.7
Capital Outlay Stabilization	1,572.5	1,578.0	1,578.0	1,578.0
Child Care and Development Fund	797.8	832.2	832.2	832.2
Health Research Fund	1,000.0	0.0	0.0	0.0

Emergency Medical Operating Services	4,835.6	5,154.8	5,154.8	5,154.8
Newborn Screening Program Fund	5,384.1	6,812.7	6,812.7	6,812.7
Substance Abuse Services Fund	2,375.0	2,250.0	2,250.0	2,250.0
Nursing Care Institution Resident Protection Revolving Fund	0.0	38.0	38.0	38.0
Environmental Laboratory Licensure Revolving	821.3	935.2	935.2	935.2
Child Fatality Review Fund	92.7	99.1	99.1	99.1
Vital Records Electronic Systems Fund	630.8	433.7	433.7	433.7
Hearing and Speech Professionals Fund	351.1	321.9	321.9	321.9
The Arizona State Hospital Fund	4,211.4	11,159.5	11,159.5	18,898.4
DHS State Hospital Land Earnings	1,039.1	1,150.0	1,150.0	1,150.0
DHS - Indirect Cost Fund	8,433.7	7,827.5	7,827.5	7,827.5
Agency Total	600,081.5	524,606.7	621,245.9	556,350.6

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Assurance and Licensure	10,027.0	8,414.6	8,414.6	8,414.6
SLI Newborn Screening Program	0.0	478.6	478.6	478.6
SLI Indirect Fund	7,433.7	6,827.5	6,827.5	6,827.5
SLI Hearing and Speech Professionals	351.1	321.9	321.9	321.9
SLI Nursing Care Institution Incentive Grants	0.0	38.0	38.0	38.0
SLI Tuberculosis Provider Care and Control	821.2	591.7	591.7	591.7
SLI Direct Grants	345.2	0.0	0.0	0.0
SLI Vaccines	1,495.6	0.0	0.0	0.0
SLI Reimbursement to Counties	50.0	0.0	0.0	0.0
SLI Loan Repayment Services	173.6	650.0	650.0	650.0
SLI AIDS Reporting & Surveillance	1,114.7	1,000.0	1,000.0	1,000.0
SLI Laboratory Services	4,538.6	4,581.2	4,581.2	4,581.2
SLI Alzheimer's Disease Research	2,125.0	1,125.0	1,125.0	125.0
SLI EMS Operations	2,928.6	2,405.5	2,405.5	2,405.5
SLI Trauma Advisory Board	337.4	405.4	405.4	405.4
SLI University of Arizona Poison Center	956.3	0.0	0.0	0.0
SLI Community Health Centers	9,968.6	1,849.0	1,849.0	1,738.0
SLI Vital Records Maintenance	630.8	433.7	433.7	433.7
SLI Hepatitis C Surveillance	157.2	0.0	0.0	0.0
SLI Arizona Statewide Immunization Information System	373.1	211.8	211.8	211.8
SLI Telemedicine	146.9	0.0	0.0	0.0
SLI Renal/Nonrenal Disease Management	138.7	198.0	198.0	198.0
SLI Diabetes Prevention and Control	63.0	0.0	0.0	0.0

SLI Scorpion Antivenom	120.0	120.0	120.0	120.0
SLI Poison Control Centers	506.3	990.0	990.0	990.0
SLI Children's Rehabilitative Services	2,815.6	3,587.0	3,587.0	3,587.0
SLI AHCCCS - CRS	22,736.8	17,578.7	24,515.2	30,059.3
SLI Adult Cystic Fibrosis	105.2	105.2	105.2	0.0
SLI Adult Sickle Cell Anemia	25.6	0.0	0.0	0.0
SLI High Risk Perinatal Services	3,694.2	2,141.2	2,141.2	2,141.2
SLI County Prenatal Services Grant	783.6	0.0	0.0	0.0
SLI Child Fatality Review Team	216.0	246.3	246.3	246.3
SLI Newborn Screening Program	5,384.1	6,334.1	6,334.1	6,334.1
SLI Medicaid Special Exemption Payments	615.3	390.7	508.8	668.1
SLI Breast and Cervical Cancer Screening	791.1	1,011.9	1,011.9	1,011.9
SLI Title XIX Administration	0.0	0.0	0.0	373.3
SLI Folic Acid	333.7	400.0	400.0	350.7
SLI Senior Food Programs	41.3	0.0	0.0	0.0
SLI Children's Behavioral Health	8,313.8	8,320.7	8,320.7	0.0
SLI Children's Behavioral Health - State Match (TXIX)	106,015.2	93,152.0	116,642.0	140,978.3
SLI Seriously Mentally Ill (TXIX)	59,304.0	52,569.4	55,130.0	143,255.2
SLI Seriously Mentally Ill (non-TXIX)	51,287.4	56,949.7	74,249.7	37,428.4
SLI Court Monitoring	197.5	197.5	197.5	0.0
SLI Mental Health (Non-TXIX)	1,947.2	1,947.3	1,947.3	138.8
SLI Substance Abuse (Non-TXIX)	12,010.0	4,451.7	4,451.7	0.0
SLI Mental Health & Substance Abuse State Match (TXIX)	31,426.2	25,729.9	31,185.9	35,407.5
SLI Arnold v. Sarn	25,700.2	24,569.5	24,569.5	0.0
SLI Medicaid Special Exemption Payments	7,354.1	5,436.1	6,628.9	5,707.7
SLI Prop 204 Administration	2,130.2	1,464.1	1,464.1	1,537.9
SLI Prop 204 Seriously Mentally Ill	66,305.2	53,154.8	74,087.7	6,325.5
SLI Prop 204 General Mental Health and Substance Abuse	35,127.1	24,621.4	41,634.5	25,641.2
SLI Prop 204 Children's Behavioral Health	1,013.6	947.6	2,389.6	962.5
SLI Medicare Clawback Payments	10,718.1	11,932.8	11,932.8	12,529.4
SLI Dual Eligible Part D Co-pay Subsidy	466.8	0.0	0.0	0.0
SLI Contract Compliance	1,182.7	1,275.7	1,275.7	1,275.7
SLI Crisis Services	0.0	0.0	0.0	16,391.1
SLI Supported Housing	0.0	0.0	0.0	5,324.8
SLI Community Placement Treatment	3,263.2	1,130.7	1,130.7	1,130.7
SLI Community Protection & Treatment Center	9,798.1	9,888.4	9,888.4	9,888.4

SLI Electronic Medical Records	163.5	0.0	0.0	0.0
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Recent Budget Activity/Perspective

The original FY 2007 General Fund budget for the Department of Health Services was \$549.2 million.

In FY 2008, the budget rose to \$583.4 million due to increases in mandatory caseload growth, and the expansion of several programs, including:

- Paying Co-Pays for Dual Eligible Clients
- County Tuberculosis Programs
- Valley Fever Surveillance
- Breast and Cervical Cancer Screening
- Vaccines
- Senior Food Programs
- Child Care Licensing
- First Responder Crisis Intervention Training Grants

The FY 2008 budget was later revised to \$578.0 million. This amount was driven by a \$9.3 million supplemental appropriation for Title XIX Behavioral Health programs, as well as cuts to the IMD waiver, and Public and Family Health reductions. The Department also utilized other funds to backfill lost General Funds when possible.

The original FY 2009 budget rose to \$611.5 million General Fund due to increased caseload growth in mandatory behavioral health populations. Budget reductions were made across the agency, particularly in Public Health and Family Health. Programs impacted by these reductions included:

- Community Health Centers
- Poison Control Centers
- State Laboratory Services
- Contract Compliance
- Youth Meth Prevention Programs
- Vaccines
- Abstinence Funding
- Valley Fever Surveillance (eliminated)
- Women's Services (eliminated)
- The Arizona State Hospital
- County Nutrition Programs
- Crisis Intervention Programs
- Health Start (eliminated)
- Modular Dental Buildings (eliminated)

The FY 2009 budget was later revised in Laws 2009, First Special Session, Chapter One to \$533.0 million. This amount included a \$30.0 million supplemental increase for behavioral health services and the offset of \$80.0 million in expenditures due to the increased FMAP in ARRA. The Family Health and the Public Health budgets were cut further by a lump sum reduction.

Recent Budget Activity/Perspective

FY 2011

The FY 2010 DHS budget of \$458.0 million General Fund was originally line-item vetoed by the Governor, but the original budget proposal was eventually adopted in the Third Special Session. These reductions included annualizing the cuts made in FY 2009 as well as shifting the costs of Restoration to Competency patient care from the State to the counties. The Governor also offset the elimination of state funding for community health centers with federal stimulus dollars. Caseload growth in mandatory populations was anticipated to be nearly \$50 million. This budget also required Child Care and Medical Facilities to increase licensing fees so that the Division of Licensing was no longer subsidized by the general fund. This increased provider fees exponentially in some cases. The DHS budget was also reduced by \$133 million from the General Fund to account for increased federal dollars available through the enhanced FMAP in ARRA. Those funds will eventually have to be restored.

The Fifth Special Session further reduced the DHS budget by \$14 million. These reductions will be accounted for by changes to the capitated payments made to providers serving behavioral health clients. A funding surplus from the equity distribution for at-risk contracts will also be swept to cover this reduction, though it is a one-time solution. The expiration of ARRA now looms ahead in FY 2011 and the state must backfill much of the lost federal dollars that were made available in the stimulus.

Executive Recommendations

FY 2011

Baseline Adjustments

Children's Rehabilitative Services 13,131.3

The Children's Rehabilitative Services (CRS) program is responsible for providing specialty care for Title XIX-eligible children who are medically fragile and/or physically disabled and require complex care. This program is considered a federal entitlement; therefore, caseload and capitation rate increases have historically been funded.

The Executive recommends a \$13.1 million General Fund appropriation in FY 2011 for 5% client caseload growth and 5% capitation rate growth. This amount also includes \$3.9 million to offset lost Title XIX dollars when the enhanced FMAP in ARRA expires in December 2010.

General Fund 13,131.3

Behavioral Health Services 146,630.1

The Title XIX-Behavioral Health Services program provides mental health services for children, seriously mentally ill adults (SMIs), general mental health and substance abuse programs. These services are considered a federal entitlement, thus caseload growth is funded annually. In addition, the capitation rates for these clients must be actuarially sound; therefore, rate increases have historically been funded.

The Executive recommends \$146.6 million in FY 2011 to fund additional caseload growth of 5% and a capitation rate increase of 5%. This amount also includes \$74.9 million to offset lost Title XIX dollars when the enhanced FMAP through ARRA expires in December. The FMAP will decrease from 75.93% to 65.85% halfway through FY 2011.

General Fund 146,630.1

COP Payments 195.6

ADOA has issued several Certificates of Participation (COPs) to finance capital projects. COP 2002B will enter its final year in FY 2011 and impacts over 25 State agencies, including DHS. The majority of the affected agencies reside in the 400 W. Congress building in Tucson. This particular COP will have a significant balloon payment in 2011, in which the payment will more than double the FY 2010 rate.

The FY 2011 payment for DHS will balloon from \$160,200 to \$355,800, an increase of \$195,600. The Executive recommends funding this increased COP payment in FY 2011 so that these significant increases will not have to be absorbed by the Department.

General Fund 195.6

Other Adjustments

Technical Adjustment FTE Newborn Screening 0.0

Prior to 2008, the DHS was required to contract for newborn screening services and was appropriated funds from the newborn screening fund to do so. The contract was essentially awarded to the Arizona State Laboratory each year, and the funds were transferred via an intergovernmental agreement. Because the funding was technically to fulfill a contract, all positions at the lab conducting newborn screening were considered non-appropriated FTEs.

In 2008, H.B. 2802 amended A.R.S. § 36-694 and designated the State Laboratory as the only facility authorized to conduct newborn screening testing in Arizona. The funding from the newborn screening fund was then appropriated directly to the State Lab; however, the impacted FTE positions were not reclassified as being appropriated.

The Executive recommends that 43.65 existing FTE positions be reclassified from "non-appropriated" status to an "appropriated" status. This will better reflect their appropriation structure within the Lab. There is no funding necessary to approve this request.

Newborn Screening Program Fund 0.0

Health Research Account Reduction (1,000.0)

The Executive recommends a (\$1.0 million) reduction from the Tobacco Tax and Health Care Fund - Health Research Account. In FY 2010 the Arizona Legislature appropriated \$1.0 million from

FY 2011

the Fund to the Department and reduced the Department's General Fund appropriation by a like amount.

The Arizona Biomedical Research Commission has informed the Department that it will not transfer this funding, believing that this appropriation violates Proposition 105. The Commission has asked the Department to take part in the grant process for these funds, but there is no guarantee that the Department will be granted any funds from this source.

Tobacco Tax and Health Care Fund (1,000.0)

Transfer of Behavioral Health to AHCCCS (46,654.3)

The Executive recommends a (\$43.1 million) General Fund reduction and a (\$3.6 million) Tobacco Tax reduction from the Arizona Department of Health Services' (ADHS) Division of Behavioral Health Services budget and a corresponding increase in the AHCCCS budget. This shift in funding reflects the Governor's proposal to begin serving Title XIX-eligible, non-seriously mentally ill adults through AHCCCS rather than in DHS.

In the Court Filing dated October 20, 2009, the Governor called for integration of physical and behavioral health care as a means to reduce the barriers that prevent individuals with behavioral health needs from obtaining quality and comprehensive care. As a result of this shift, ADHS will be better able to focus its efforts to serve the Seriously Mentally Ill and Children populations.

Further, the Governor has called for a task force to outline the scope of a pilot program that would provide integrated care to a voluntary population of Maricopa County residents who have a serious mental illness and who are Title XIX-eligible. The result of that pilot program will dictate future plans for making improvements to the Behavioral Health System in Arizona. Because the funding needs will be identified by the task force, the Executive does not make any adjustments to reflect the funding required for the pilot program.

General Fund (43,054.3)

Tobacco Tax and Health Care Fund (3,600.0)

Technical Adjustment - Tobacco Tax Shortfall (160.3)

Due to the Children's Health Insurance Program Reauthorization Act (CHIPRA) signed into law February 4, 2009, the federal tobacco tax has increased by \$0.62 per pack and driven down the state's tobacco tax revenues. In the first five months of FY 2010, tobacco tax revenues are down 13.24% compared to the five-month period in FY 2009.

The Executive projects a (\$160,300) shortfall in the Medically Needy Account of the Tobacco Tax and Health Care Fund. The Executive recommends that the FY 2011 budget be reduced by these amounts in order to reflect current projections.

Tobacco Tax and Health Care Fund (160.3)

FY 2011

Recategorize Seriously Mentally Ill Clients 0.0

Proposition 204, passed by the voters on November 7, 2000 and implemented in April 2001, increased AHCCCS eligibility to a minimum of 100% of the federal poverty level for all Arizonans. The childless adults, or Title XIX Waiver Group (TWGs) included adults with general mental health, substance abuse, or seriously mentally ill afflictions. Since that time, AHCCCS has received a waiver to categorize the SMI population as SSI, which means they would receive Title XIX services, regardless of Prop. 204.

However, these individuals were never moved to the "base" Title XIX SMI special-line item in accordance with their new status.

The Executive recommends reducing the Prop. 204 SMI special-line item by (\$69.7 million) general fund and increasing the Title XIX SMI special-line item by a corresponding amount to reflect this shift in the population.

General Fund 0.0

Solutions to Budget

Licensing Fee Annualization 0.0

In FY 2010 the Legislature authorized the Department to increase health care and child care licensing fees in order to make the Licensing Division self-funded. The new fees take effect January 1, 2010.

The Executive recommends a (\$3.1 million) decrease from the General Fund and a \$3.1 million increase from the Licensing Fund to reflect a full year's implementation of this new fee structure.

General Fund (3,089.0)

Service Fees Increase Fund 3,089.0

County Contributions to Sexually Violent Persons at ASH 0.0

The Executive recommends a (\$7.7 million) General Fund reduction and a corresponding increase from the ASH Fund to reflect the shift of costs to the counties for sexually violent persons at the Arizona State Hospital.

General Fund (7,738.9)

The Arizona State Hospital Fund 7,738.9

Prop 204 Rollback (24,010.7)

The Executive recommends a (\$24.0 million) General Fund decrease from the Behavioral Health Budget to reflect the reduction of services for childless adults who qualify for Title XIX services under Proposition 204.

Under this proposal, approximately 3,000 adults with Serious Mental Illness will lose their services. The remainder of the SMIs receiving Title XIX services will be shifted into the base population (Title XIX SMI) within a separate issue, essentially eliminating the Prop. 204 SMI special-line item.

Please see the AHCCCS budget issue for more details on this

FY 2011

budget reduction.

General Fund (24,010.7)

Adult Cystic Fibrosis Surplus (105.2)

The Executive recommends a (\$105,200) reduction from the General Fund to eliminate unused funding in this program, which operates under A.R.S. § 36-143 and provides for partial reimbursement for medical care provided through the CRS program. Approximately 20 adults are enrolled in the program. The State has yet to find a contractor to provide these services, so these funds are not scheduled to be expended in FY 2011.

General Fund (105.2)

Consolidate Non-TXIX Behavioral Health Programs into a Single Crisis System (37,153.3)

The Executive recommends a (\$36.0 million) General Fund reduction and an (\$1.2 million) Tobacco Tax reduction to reflect the annualized savings due to the elimination of most funding for non-Title XIX Behavioral Health programs in DHS.

The Arnold v. Sarn settlement requires the State to provide services, including housing and residential services, to all seriously mentally ill (SMI) persons, regardless of whether they qualify for Title XIX funding. The Executive recommends statutory changes necessary to exit the mandatory services associated with the Arnold v. Sarn settlement.

Funding for 14,600 adults who are seriously mentally ill would be eliminated. Elimination of these services (inpatient, residential, medication and outpatient) would likely result in increased utilization of crisis services, emergency room visits, and uncompensated care at hospitals. The funding for the Court Monitor would be eliminated as well.

The Executive recommendation does continue to fully fund the costs of prescription medications for all Non-Title XIX SMIs.

The second piece of the proposal would eliminate all Non-Title XIX funding that currently provides benefits to approximately 4,200 children, 6,600 adult substance abusers, and 11,100 adults with general mental health-related illnesses.

After making the adjustments above, the remaining funding for non-Title XIX Behavioral Health Services would be consolidated into a single "crisis system" program. This system would be the final safety net for individuals who may regress due to the nature of the reductions outlined above.

General Fund (35,995.5)

Tobacco Tax and Health Care Fund (1,157.8)

Substance Abuse Services Fund 0.0

Capitation Rate Adjustments (21,913.7)

The Executive recommends an additional (\$21.9 million) General

FY 2011

Fund reduction to annualize the adjustments to the Behavioral Health Services capitation rates that will be made as a result of Laws 2009, 5th Special Session, Chapter 1. The capitation rates will be adjusted to account for updated penetration rate estimates.

The "penetration rate" is the proportion for eligible clients who actually receive services. The current fiscal year capitation rates will be adjusted downward to reflect the fact that actual client enrollment in Behavioral Health programs has been lagging behind client eligibility. Clients who apply for and receive food stamps are automatically enrolled in AHCCCS. These clients may or may not seek to enroll in Behavioral Health programs, but a monthly capitated payment is still paid to providers on their behalf. The Department may seek CMS approval to decrease capitation rates to capture these surplus funds.

Changes would be expected to be implemented in time for April 1, 2010 payment.

General Fund (21,913.7)

Equity Distribution for at Risk Contracts 9,013.6

The Executive recommended that the IGA/ISA fund be used to offset (\$9.0 million) in General Fund costs within the Title XIX Behavioral Health programs in FY 2010. This maneuver was necessary as a result of Laws 2009, Fifth Special Session, Chapter 1. Unfortunately, this adjustment is not sustainable on an ongoing basis and must be backfilled in FY 2010. Please see the "Additional Equity Distribution Savings" issue for more details regarding the cuts that can be allocated in FY 2011.

General Fund 9,013.6

Additional Equity Distribution Savings (6,229.2)

The Department operates the BHS and CRS TXIX programs under an at-risk contract with AHCCCS. In this at-risk model, if DHS is able to manage the programs below capitated funding, DHS would benefit from the difference. DHS expects to have \$6.2 million available from the previous year's contracts for an equity distribution in its IGA/ISA Fund. The Executive recommends a General Fund reduction of (\$6.2 million), which will be backfilled by IGA/ISA Fund dollars.

General Fund (6,229.2)

FY 2010 Supplemental Recommendations

	<u>FY 2010</u>
Children's Rehabilitative Services	5,384.5

FY 2010

The Children’s Rehabilitative Services (CRS) program is responsible for providing specialty care for Title XIX eligible children who are medically fragile/physically disabled and require complex care. This program is considered a federal entitlement; therefore, caseload and capitation rate increases have historically been funded.

The Executive recommends a supplemental appropriation to the FY 2010 Budget for \$5.4 million General Fund.

General Fund	5,384.5
Behavioral Health Services	25,397.0

The Executive recommends \$25.4 million from the General Fund for a FY 2010 supplemental appropriation in Behavioral Health Services. Caseload growth in FY 2010 has grown at record pace and the Executive anticipates that the growth rate will exceed 18.2% over the course of the fiscal year. The "enhanced" FMAP of 75.93% was enacted in ARRA for this fiscal year.

General Fund	25,397.0
Technical Adjustment - Tobacco Tax Shortfall	(165.8)

Due to the Children’s Health Insurance Program Reauthorization Act (CHIPRA) signed into law February 4, 2009, the federal tobacco tax has increased by \$0.62 per pack and driven down the state’s tobacco tax revenues. In the first five months of FY 2010, tobacco tax revenues are down 13.24% compared to the five-month period in FY 2009.

The Executive projects a (\$6.0 million) shortfall in the DHS portion of the Medically Needy Account of the Tobacco Tax and Health Care Fund. Of this amount, \$5.9 million must be backfilled with General Fund because these funds support Behavioral Health Programs.

General Fund	5,904.5
Tobacco Tax and Health Care Fund	(6,070.3)

FY 2010

County Contributions to Sexually Violent Persons at ASH 0.0

The Executive recommends a (\$7.7 million) General Fund reduction and an increase of an equivalent amount from the ASH Fund to reflect the shift of costs for Sexually Violent Persons at the Arizona State Hospital onto the Counties.

The Arizona Community Protection and Treatment Center (ACPTC) is a program for the treatment, care and control of sexually violent persons. It is a Secure Residential Level I facility located on the campus of the Arizona State Hospital. Prior to FY 2010, ACPTC was funded entirely by an appropriation from the General Fund. The Forty-ninth Legislature, Third Special Session, 2009, Chapter 10, Section 32, authorizes the recovery of 25% of the State’s cost of operating ACPTC from the counties and cities that are responsible for the residents of the facility.

The Executive recommends increasing this percentage to 100% of the cost of care, retroactive to July 1, 2009.

General Fund	(7,738.9)
The Arizona State Hospital Fund	7,738.9

Adult Cystic Fibrosis Surplus (105.2)

The Executive recommends a (\$105,200) reduction from the general fund to eliminate the unused funding in this program.

This program provides for partial reimbursement for medical care provided through the CRS program. Currently there are approximately 20 adults enrolled in the program. This program operates under ARS § 36-143.

The State has yet to find a contractor to provide these services, so these funds are not currently scheduled to be expended in FY 2010.

General Fund	(105.2)
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FY 2010

Consolidate Non-TXIX Behavioral Health Programs into a Single Crisis System (14,892.0)

The Executive recommends a (\$14.9 million) General Fund reduction to reflect the elimination of most funding for Non-Title XIX Behavioral Health programs in DHS.

The Arnold v. Sarn settlement requires the State to provide services, including housing and residential services, to all seriously mentally ill (SMI) persons, regardless of whether they qualify for Title XIX funding. The Executive recommends statutory changes necessary to exit the mandatory services associated with the Arnold v. Sarn settlement.

Funding for 14,600 adults who are seriously mentally ill would be eliminated. Elimination of these services (inpatient, residential, medication and outpatient) would likely result in increased utilization of crisis services, emergency room visits, and uncompensated care at hospitals. The funding for the Court Monitor would be eliminated as well.

The Executive recommendation does continue to fully fund the costs of prescription medications for all Non-Title XIX SMIs.

The second piece of the proposal would eliminate all Non-Title XIX funding that currently provides benefits to approximately 4,200 children, 6,600 adult substance abusers, and 11,100 adults with general mental health-related illnesses.

After making the adjustments above, the remaining funding for non-Title XIX Behavioral Health Services would be consolidated into a single "crisis system" program. This system would be the final safety net for individuals who may regress due to the nature of the reductions outlined above.

General Fund	(14,892.0)
Tobacco Tax and Health Care Fund	0.0
Substance Abuse Services Fund	0.0

Additional Equity Distribution Savings (986.4)

The Executive recommends a general fund reduction of (\$986,400) and a corresponding increase from the IGA/ISA fund.

The Department operates the BHS and CRS TXIX programs under an at-risk contract with AHCCCS. In this at-risk model, if DHS is able to manage the programs below capitated funding, the agency would benefit from the difference. The Department expects to have \$10 million available from previous year's contracts in their IGA/ISA Fund for an equity distribution to the state by June 30, 2010. These funds can be used to offset the reductions made in Laws 2009, Fifth Special Session, Chapter 1.

General Fund	(986.4)
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Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Percent of staff turnover during the first 12 months of employment	6.3	3.5	7	5
Percent of child care license renewals granted within licensing timeframes	99	99	99	99
Number of public health and emergency response professionals on Health Alert Network	1,592	3,876	5,600	6,000
Percent of high school youth who smoked in the last month	0	15.3	16.5	14
Immunization rate among 2-year old children	78	78	84	82
Percent of child care complaint investigations initiated within investigative guidelines	99	100	90	90
Percent of health care licensure renewals granted within licensing timeframes	77	90	95	99
Percent of health care complaint investigations initiated within investigative guidelines	71	74	70	75
Percent of agency staff turnover	22.4	14.7	17.5	14.7
Percent of eligible Title XIX population enrolled in behavioral health treatment programs	11.4	15.7	11.5	12

Administrative Costs

	FY 2011
Administrative Costs	26,156.2
Agency Request	2,383,078.0
Administrative Cost Percentage	1.10%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a modified lump-sum appropriation by program with special line items.

Arizona Historical Society

Mission:

To collect, preserve, interpret, and disseminate the history of Arizona, the West, and northern Mexico, as it pertains to Arizona.

Description:

The Arizona Historical Society (AHS) is a membership supported, nonprofit, state trust agency. It is governed by a policy-making board, comprised of 31 individual members, elected from the membership and representing each county in the state. The board-designated organizational structure consists of seven divisions, four of which have museums that directly support the mission of the Society by collecting, preserving, interpreting, and disseminating historical materials. These museums are located in Flagstaff, Tempe, Tucson, and Yuma. The Society museums maintain extensive library and archival collections used by a diverse general audience. The Publications Division supports the mission by producing the Journal of Arizona History, various historical books, and by maintaining the general editorial standards of written materials for the Society. The AHS Board develops the biennial budget and authorizes and approves all expenditures. The Administrative Division provides finance, budget, personnel, and management support to each of the divisions. The Community Outreach Program certifies and supports 63 local historical societies in preserving and disseminating Arizona history. The Society also supports other board-approved community activities that relate to its mission.

Agency Summary

Program/Cost Center	FY 2009	FY 2010	FY 2011	FY 2011
	Actual	Approp.	Agency Req.	Exec. Rec.
Arizona Historical Society	4,211.3	4,064.9	5,755.3	5,755.3
Agency Total	4,211.3	4,064.9	5,755.3	5,755.3
<i>Category</i>				
FTE	43.2	53.9	53.9	53.9
Personal Services	1,638.2	1,532.3	1,532.3	1,532.3
ERE Amount	693.1	674.2	674.2	674.2
Prof. And Outside Services	32.4	0.0	0.0	0.0
Travel - In State	0.1	0.0	0.0	0.0
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	39.9	41.7	41.7	41.7
Other Operating Expenses	1,807.6	1,816.7	3,507.1	3,507.1
Equipment	0.0	0.0	0.0	0.0
Agency Total	4,211.3	4,064.9	5,755.3	5,755.3
<i>Fund</i>				
General Fund	4,017.1	3,870.7	3,870.7	5,561.1
Capital Outlay Stabilization	194.2	194.2	1,884.6	194.2
Agency Total	4,211.3	4,064.9	5,755.3	5,755.3

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Field Services and Grants	65.0	65.0	65.0	65.0
SLI Papago Park	2,072.7	1,907.8	3,598.2	3,598.2

Recent Budget Activity/Perspective

Recent Budget Activity/Perspective

In FY 2007 the agency was appropriated \$4.5 million. Statewide adjustments and lump sum reductions changed the appropriation to \$4.6 million in FY 2008. The appropriation shrank to \$4.2 million after additional lump sum reductions (\$324,100) and personnel reductions (\$89,000). An additional lump sum reduction of \$147,100 changed the FY 2010 appropriation to \$4.1 million. This represents a total 10.3% reduction over a 3 year budget period.

Executive Recommendations

FY 2011

Baseline Adjustments

COP Lease Payment Papago Park Museum	1,690.4
The Executive recommends a one-time increase for the Papago Park Museum Certificate of Participation balloon payment.	
General Fund	1,690.4

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Public program attendance	189,242	175,000	175,000	175,000
Number of museum visitors and researchers	96,892	94,687	95,000	95,000
Number of volunteer hours	48,231	47,240	50,000	55,000

Administrative Costs

FY 2011

Administrative Costs	1,206.9
Agency Request	30,882.0
Administrative Cost Percentage	3.91%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Prescott Historical Society of Arizona

Mission:

To: serve as an educational and cultural center, which fosters public and community understanding and appreciation of historical, social, and natural aspects of Arizona, with emphasis on the Central Highlands, and which promotes involvement in and support for research, collections, conservation, exhibits, and related programs.

Description:

The Prescott Historical Society operates the Sharlot Hall Museum, which was founded in 1928 and is located on the grounds of the first territorial governor's residence and offices. The nearly 4 acre landscaped campus includes seven restored historic structures, featuring the territorial Governor's Mansion (1864) and the Victorian-era Bashford House (1877). A modern Museum Center (1977) hosts changing exhibits, historic theater, artifacts storage of extensive historic and prehistoric objects,. A large Archive-Library, in an adjacent state of the art structure built in 1993 houses approximately 100,000 images and documents. A branch museum at the VA Center interprets the history of Ft. Whipple. Public programs include the Folk Arts Fair, Prescott Indian Art Market, Folk Music Festival, Day of the Dead (Dia De Los Muertos), Territorial Christmas, Blue Rose Theater historical productions, historical reenactments in both indoor and outdoor settings, heritage gardens, lecture series, and education tour as well as outreach opportunities for children and adults. All these activities contribute significantly to cultural tourism enhancing the quality of life for the local community and contributing to the economic well being of the local area and the state.

Agency Summary

Program/Cost Center	FY 2009	FY 2010	FY 2011	FY 2011
	Actual	Approp.	Agency Req.	Exec. Rec.
Sharlot Hall Museum	657.9	692.0	692.0	692.0
Agency Total	657.9	692.0	692.0	692.0
<i>Category</i>				
FTE	11.0	11.0	11.0	11.0
Personal Services	393.2	429.8	429.8	429.8
ERE Amount	212.0	222.8	222.8	222.8
Prof. And Outside Services	2.3	2.5	2.5	2.5
Travel - In State	0.0	0.0	0.0	0.0
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	17.9	36.9	36.9	36.9
Equipment	0.0	0.0	0.0	0.0
Capital Outlay	32.5	0.0	0.0	0.0
Agency Total	657.9	692.0	692.0	692.0
<i>Fund</i>				
General Fund	657.9	692.0	692.0	692.0
Agency Total	657.9	692.0	692.0	692.0

Recent Budget Activity/Perspective

In FY 2007 the agency was appropriated \$750,400. Statewide adjustments and lump sum reductions changed the appropriation

Recent Budget Activity/Perspective

to \$762,600 in FY 2008. The appropriation was reduced to \$663,100 after additional lump sum reductions (\$76,300) and personnel reductions (\$23,400). An additional lump sum reduction of \$38,200, personnel reduction of \$32,900, and operating budget restoration of \$100,000 changed the FY 2010 appropriation to \$692,000. This represents a total 7.8% reduction over a 3 year budget period.

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Number of people served (includes museum, festival, and theatre attendees; and researchers)	29,925	34,903	31,000	33,000
Percent of museum clients pleased with service	97.5	99.8	98	98
Number of volunteer hours	37,538	24,448	39,000	39,500
Capital campaign dollars raised to build new square footage (in thousands)	110.0	825.0	100.0	2,000.0

Administrative Costs

	FY 2011
Administrative Costs	166.7
Agency Request	1,833.0
Administrative Cost Percentage	9.09%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Board of Homeopathic Medical Examiners

Mission:

To protect the public health, safety, and welfare by regulating Allopathic and Osteopathic physicians who apply for a homeopathic medical license and registering homeopathic medical assistants that work under the supervision of licensed homeopathic physicians that practice within the State of Arizona.

Description:

The Board of Homeopathic Medical Examiners regulates the practice of homeopathic medicine in Arizona. Homeopathy is a form of alternative medicine in which the fundamental premise for treatment is the belief that diseases are cured by medicines, given in tiny doses, that create symptoms similar to those the patient is experiencing, triggering the body's natural immune reactions. The Board reviews and examines the education, experience, and background of applicants to determine if they possess the qualifications required by law to practice homeopathic medicine and any of the subspecialties within the scope of practice. Licensees renew their licenses and dispensing permits annually and provide updated information about the nature of their practices. Upon receipt of complaints against licensed homeopathic physicians, the Board conducts investigations and holds hearings, taking disciplinary action as necessary to protect the public safety. The Board also registers homeopathic medical assistants that work under the supervision of licensed homeopathic physicians within Arizona. Homeopathic medical assistants renew their registrations annually every December. Physician licenses are renewed every year on the initial month of licensure.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	117.1	104.9	104.9	117.9
Agency Total	117.1	104.9	104.9	117.9
<i>Category</i>				
FTE	1.0	1.0	1.0	1.0
Personal Services	54.8	53.3	53.3	61.8
ERE Amount	24.8	26.1	26.1	27.9
Prof. And Outside Services	26.8	14.7	14.7	17.4
Travel - In State	1.2	1.2	1.2	1.2
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	8.7	9.3	9.3	9.3
Equipment	0.8	0.3	0.3	0.3
Agency Total	117.1	104.9	104.9	117.9
<i>Fund</i>				
Homeopathic Medical Examiners	117.1	104.9	104.9	117.9
Agency Total	117.1	104.9	104.9	117.9

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Annual Leave Payout	0.0	0.0	0.0	10.3
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Recent Budget Activity/Perspective

The Board of Homeopathic Medical Examiners received an appropriation of \$87,800 for FY 2007, which increased to \$97,500 for FY 2008. There were various increases in the appropriation for FY 2009, the largest of which was \$22,400 in order to give the Board means necessary to comply with recommendations from a performance audit from the Auditor General. The appropriation for FY 2009 was \$117,300. The Board's appropriation decreased by \$12,400 in FY 2010 to \$104,900. The primary reason for this decrease was excluding one-time equipment costs from the previous year's appropriation. All appropriations come from the Homeopathic Medical Examiners Fund.

Executive Recommendations

FY 2011

Other Adjustments

Retirement Payout	10.3
The Executive recommends a one-time special line item appropriation of \$10,300 from the Homeopathic Medical Examiners Fund for the annual leave payout for the Executive Director. Any funds not expended for the annual leave payout will revert to the Homeopathic Medical Examiners Fund.	
Homeopathic Medical Examiners Fund	10.3
Rulewriter	1.5
The Executive recommends a one-time increase of \$1,500 from the Homeopathic Medical Examiners Fund to update Article 2 rules, should the moratorium on rewriting rules be lifted.	
Homeopathic Medical Examiners Fund	1.5
Increased SBO charges	1.2
The Executive recommends an increase of \$1,200 from the Homeopathic Medical Examiners Fund for an increase in State Boards Office charges.	
Homeopathic Medical Examiners Fund	1.2

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of complaints or inquiries received	20	17	22	23
Percent of complaints resolved within 180 days.	47	70	75	80
➤ 16 out of 23 complaints closed in less than 180 days				
Number of licenses renewed	206	220	218	218
➤ Total includes number of physicians, dispensing permits, assistants, and chelation permits renewed.				

Administrative Costs

FY 2011

Administrative Costs	5.6
Agency Request	129.0
Administrative Cost Percentage	4.34%

The agency request represents all funds, not just appropriated funds.
These administrative costs are estimated for the express purpose of
satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona Department of Housing

Mission:

To provide housing and community revitalization to benefit the people of Arizona.

Description:

The Agency provides housing and community revitalization to benefit the people of Arizona by addressing the unique and changing housing needs in this state. As Arizona grows and the economic and special needs of its population change, the Agency is in a position to recognize those unique and changing needs and to respond throughout the state. Creative solutions are developed to be responsive to rural and urban areas as well as to special populations. The Agency is working toward sustaining current initiatives and simultaneously maintaining the flexibility to respond to new demands for affordable housing and smart growth efforts. The department provides both state and federal funding to promote housing and community development activities as well as expertise and technical assistance to address these issues. The agency works closely with local governments, nonprofit and for-profit housing developers, social service agencies, tribal entities, public housing authorities and others to achieve its mission.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Department of Housing	911.3	949.6	949.6	949.6
Agency Total	911.3	949.6	949.6	949.6
<i>Category</i>				
FTE	12.0	11.0	11.0	11.0
Personal Services	587.5	592.3	592.3	592.3
ERE Amount	211.8	203.5	203.5	203.5
Prof. And Outside Services	13.6	48.5	48.5	48.5
Travel - In State	12.1	7.2	7.2	7.2
Travel - Out of State	1.7	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	81.2	87.9	87.9	87.9
Equipment	3.4	10.2	10.2	10.2
Agency Total	911.3	949.6	949.6	949.6
<i>Fund</i>				
Housing Trust Fund	911.3	949.6	949.6	949.6
Agency Total	911.3	949.6	949.6	949.6

Recent Budget Activity/Perspective

In FY 2008, the Department's funds were swept for a total of (\$13.4 million). (\$2.7 million) was swept from the Housing Program Fund, (\$10.2 million) was swept from the Housing Trust Fund and (\$364,000) was swept from the Housing Development Fund. As a result of these fund sweeps, the Department of Housing reduced funding for development of new rental units and aid provided to gap financing for Low-Income Housing Tax Credit (LIHTC) developments.

In FY 2009, the Department's funds were swept for a total of (\$32.9

Recent Budget Activity/Perspective

million). (\$3.8 million) was swept from the Housing Program Fund, and (\$29.1 million) was swept from the Housing Trust Fund. The sweeps from the Housing Trust Fund eliminated the following programs: the Governor's Tribal Housing Initiative, Homes for Arizonans, the Land Trust Incentive, development of new housing units, and emergency repair programs. The sweeps from the Housing Trust Fund reduced the following programs: Homelessness prevention, support for the Arizona Housing Finance Authority, support for Emergency Homeless Shelters, and State matching funds for federal homeless and community development programs. Further, the Housing Trust Fund was limited in Fourth Special Session Laws 2009, Chapter 3, Section 12 to \$10.5 million in revenues from the statutory transfer from Unclaimed Property for administrative and programmatic expenditures at the Department of Housing.

In FY 2010, the Department's funds were swept for a total of (\$4.6 million). (\$2.6 million) was swept from the Housing Program fund and (\$2.0 million) was swept from the Housing Trust Fund. Because revenues to the Housing Trust Fund for the current fiscal year are used to fund programming in the following fiscal year, the reductions in FY 2009 to the Housing Trust Fund and the described impacts are continued through into FY 2010.

Additionally, Laws 2009, Fifth Special Session, Chapter 1, Section 2 provided reductions and transfers for (\$2.5 million) from the Housing Trust Fund and (\$1.8 million) from the Housing Program Fund. The Department of Housing will eliminate the Homelessness Prevention Program, support for the Arizona Housing Finance Authority, reduce gap financing for LIHTC projects and reduce various administrative costs in order to distribute these reductions and make the legislated transfers.

Performance Measures

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Total number of affordable rental units assisted/produced	3,266	11,130	11,262	11,110
➤ <i>Number of rental units assisted shows increases due to reporting of federally subsidized units now being reported.</i>				
Total number of individuals assisted with information on available affordable rental units through the agency's website	155,237	169,224	174,301	179,530
Total number of publicly funded rental units monitored for health and safety issues	13,372	14,121	14,545	14,981
Results of customer satisfaction survey (7=excellent; 4=satisfactory; 1=poor)	5.19	5.35	5.40	5.46
Total number of low-income households assisted into homeownership through the homeownership program	645	178	179	242
Total number of households assisted with eviction or foreclosure in order to prevent homelessness	12,348	7,348	3,747	2,063
➤ <i>Due to the foreclosure crisis, in FY2008 the agency allocated additional dollars to this program. However, due to budget cuts funding as been reduced drastically in FY2009 and beyond.</i>				

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	1,499.8
Agency Request	122,818.0
Administrative Cost Percentage	1.22%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona Commission of Indian Affairs

Mission:

To enhance communication and build sustainable relationships between tribal entities and the State of Arizona.

Description:

The Arizona Commission of Indian Affairs has a legislative mandate to assist and support state and federal agencies in assisting Indians and Tribal councils to develop mutual goals; design projects for achieving goals and implement their plans; encourage a spirit of cooperation to guide the continuing government-to-government relationship between the State of Arizona and Tribal Nations and communities located in Arizona; ensure meaningful and timely consultation with Tribal Leaders to facilitate better understanding, informed decision making, and intergovernmental cooperation; establish a spirit of cooperation and collaboration among state agency tribal liaisons in order to share ideas, address needs and effectively implement the mandates outlined in EO 2006-14 and; ensure that state services and resources are available to all eligible citizens residing in Arizona tribal communities to the same extent that such services are available to all other eligible citizens.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Indian Affairs	208.2	117.1	126.6	63.8
Agency Total	208.2	117.1	126.6	63.8
<i>Category</i>				
FTE	3.0	1.0	1.0	1.0
Personal Services	123.3	29.6	29.6	29.6
ERE Amount	30.9	10.1	10.1	10.1
Prof. And Outside Services	2.6	34.6	34.6	8.0
Travel - In State	1.7	3.0	3.0	3.0
Travel - Out of State	1.2	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	48.5	39.8	49.3	13.1
Equipment	0.0	0.0	0.0	0.0
Agency Total	208.2	117.1	126.6	63.8
<i>Fund</i>				
General Fund	208.2	117.1	126.6	63.8
Agency Total	208.2	117.1	126.6	63.8

Recent Budget Activity/Perspective

The Commission on Indian Affairs received its first budgetary reduction in FY 2008 in the March 2008 mid-year reductions. This reduction was for (\$3,400) and the effect on services was minimal.

In FY 2009, Indian Affairs was appropriated \$234,400 from the General Fund and then received a \$(23,400) reduction in Laws 2009, 1st Special Session, Sections 3 & 6. This reduction forced the agency to restructure itself by relocating into shared space at the Governor's Office of Equal Opportunity and holding positions vacant.

Recent Budget Activity/Perspective

In FY 2010, the agency's General Fund appropriation was reduced by \$(84,400), resulting in an appropriation for the Commission on Indian Affairs of \$126,600. This reduction had no effect on the agency's operations due to actions taken as a result of management of FY 2009's mid-year reduction. Overall, the agency's General Fund appropriation for operations has decreased by 47% since FY 2008.

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In FY 2009, Indian Affairs was appropriated \$234,400 from the General Fund and then received a (\$23,400) reduction in Laws 2009, 1st Special Session, Chapter 1, Sections 3 & 6. This reduction forced the agency to restructure itself by relocating into shared space at the Governor's Office of Equal Opportunity and holding positions vacant after employees had left.

In FY 2010, the agency's General Fund appropriation was reduced by (\$84,400), resulting in an appropriation for the Commission on Indian Affairs of \$126,600. This reduction had no effect on the agency's operations due to actions taken as a result of management of FY 2009's mid-year reduction. Overall, the agency's General Fund appropriation for operations has decreased 47% since FY 2008.

Executive Recommendations

FY 2011

Solutions to Budget

Excess Appropriation (43.8)

The Executive recommends reducing the Indian Affairs appropriation in FY 2011 by (\$43,800) due to reduced expenditures within the agency. In FY 2009 the Commission on Indian Affairs underwent a significant restructuring due to appropriation reductions. The Commission's reorganization garnered additional savings that will be recognized in FY 2011.

General Fund (43.8)

Special Session Appropriation Reduction (9.5)

The Executive recommends annualizing the appropriation reduction enacted by Laws 2009, Fifth Special Session, Chapter 1. Due to the Commission of Indian Affairs proactively reducing expenditures at the beginning of FY 2010, this reduction will have no effect on services.

General Fund (9.5)

Performance Measures

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Percent of customer surveys rating overall satisfaction as good, better or excellent	73	40	30	30
➤ <i>The strategic plan has been changed. Former PMD is no longer in alignment.</i>				
Holding at least two post Town Hall meeting/Legislative workshops	1	6	6	6

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	6.7
Agency Request	307.0
Administrative Cost Percentage	2.18%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Industrial Commission of Arizona

Mission:

To efficiently administer and effectively enforce all applicable laws, rules, and regulations not specifically delegated to others relative to the protection of life, health, safety, and welfare of employees within the State.

Description:

The Industrial Commission is a regulatory agency that was created in 1925 to oversee the state workers' compensation system. While the Commission is still responsible for its original charge, its role over the years has expanded to cover other labor-related issues, including minimum wage laws; occupational safety and health; youth employment laws; resolution of wage related disputes; licensing of employment counseling and talent agencies; vocational rehabilitation; and provision of workers' compensation benefits for claimants of uninsured employers, insolvent carriers, and bankrupt self-insured employers.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Administration	3,888.8	4,098.1	4,098.1	4,098.1
Claims	3,260.0	4,001.9	4,001.9	4,001.9
Administrative Law Judge	4,840.2	5,752.7	5,752.7	5,752.7
Labor	739.7	966.6	966.6	966.6
ADOSH	2,667.4	2,413.7	2,413.7	2,413.7
Special Fund	781.9	1,049.6	1,049.6	1,049.6
Legal Counsel	1,413.2	1,700.5	1,700.5	1,700.5
Agency Total	17,591.2	19,983.1	19,983.1	19,983.1
<i>Category</i>				
FTE	294.0	279.0	279.0	279.0
Personal Services	8,694.8	10,113.9	10,113.9	10,113.9
ERE Amount	3,385.0	3,739.8	3,739.8	3,739.8
Prof. And Outside Services	1,263.3	1,844.6	1,844.6	1,844.6
Travel - In State	177.1	202.0	202.0	202.0
Travel - Out of State	0.5	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	2,582.1	2,927.8	2,927.8	2,927.8
Equipment	33.4	0.0	0.0	0.0
Transfers Out	1,455.0	1,155.0	1,155.0	1,155.0
Agency Total	17,591.2	19,983.1	19,983.1	19,983.1
<i>Fund</i>				
Industrial Commission	17,591.2	19,983.1	19,983.1	19,983.1
Administration Fund				
Agency Total	17,591.2	19,983.1	19,983.1	19,983.1

Recent Budget Activity/Perspective

The Industrial Commission has absorbed fund transfers of (\$22.5 million) from FY 2008 to the enacted FY 2010 budget.

A mid-year budget adjustment in FY 2008 cost the agency (\$3.5 million) in fund transfers.

In FY 2009, the agency lost an additional (\$15.3 million) to fund sweeps. Among these, a transfer of (\$4 million) from the

Recent Budget Activity/Perspective

Commission's Special Fund has been the subject of litigation.

Tithe Department has experienced another set of sweeps for (\$3.7 million) in FY 2010.

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Number of wage determinations issued	19,123	15,120	16,000	16,000
Number of claims for workers' compensation processed	122,101	102,870	150,000	150,000
Number of petitions for hearing received: workers compensation	6,783	6,924	6,750	6,800
Number of hearings conducted by the administrative law judge division	5,157	5,128	5,150	5,200
Number of injury reports reviewed	1,128	624	900	900
Number of claims filed	3,295	2,858	3,000	3,000
Number of health compliance inspections	392	474	500	500
Number of safety compliance inspections	1,020	1,023	1,000	1,000
Number of compliance referrals	2,037	2,110	2,000	2,000
Number of claimants contacted	2,665	2,306	5,000	5,000

Administrative Costs

	FY 2011
Administrative Costs	2,333.0
Agency Request	24,824.0
Administrative Cost Percentage	9.40%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Department of Insurance

Mission:

To faithfully execute the state insurance laws in a manner that protects insurance consumers and encourages economic development.

Description:

The Department of Insurance licenses and authorizes the transaction of insurance business by insurers, producers, and other insurance-related entities regulated under ARS § 20; monitors and promotes the financial safety and soundness of insurers transacting business in Arizona; oversees the rehabilitation, liquidation and performance of claims obligations of insolvent insurers; develops and makes insurance-related information publicly available; protects insurance consumers against unfair and illegal market practices; assists consumers with insurance-related questions and problems; investigates cases involving fraudulent insurance claims; oversees the development of the captive insurance industry; and annually collects over \$400 million in insurance premium taxes and other revenues that benefit the General Fund.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Policy and Administration	1,199.3	991.5	1,447.7	549.8
Solvency Regulation	420.7	330.6	330.6	330.6
Consumer Support	3,234.3	2,641.2	2,641.2	2,641.2
Fraud Investigation and Deterrence	1,164.8	791.3	791.3	791.3
Licensing	635.8	652.0	652.0	652.0
Premium Tax Collections and Analysis	211.8	219.2	219.2	219.2
Agency Total	6,866.7	5,625.8	6,082.0	5,184.1
<i>Category</i>				
FTE	106.5	95.5	95.5	95.5
Personal Services	3,956.0	3,144.4	3,524.4	2,764.4
ERE Amount	1,606.0	1,324.3	1,399.7	1,248.9
Prof. And Outside Services	285.4	189.3	189.3	189.3
Travel - In State	33.4	17.1	17.1	17.1
Travel - Out of State	1.1	6.9	6.9	6.9
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	958.6	918.8	919.6	932.5
Equipment	26.2	25.0	25.0	25.0
Agency Total	6,866.7	5,625.8	6,082.0	5,184.1
<i>Fund</i>				
General Fund	6,866.7	5,625.8	6,082.0	5,184.1
Agency Total	6,866.7	5,625.8	6,082.0	5,184.1

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Managed Care Oversight	463.4	0.0	0.0	0.0
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Recent Budget Activity/Perspective

For FY 2008, the Department's appropriation was increased by \$365,100 for statewide adjustments (covering increased costs of

Recent Budget Activity/Perspective

rent, insurance, payroll, etc.) and \$294,000 to contract with the Attorney General for three fraud investigators. However, before the year ended the Department's budget was reduced (\$463,900).

During FY 2009, the Department's \$1,700 statewide adjustment was offset by a General Fund reduction of (\$952,900) and fund transfers of \$1.2 million. As a result, the Department was forced to close its Tucson office and to let go 23 of 87.25 General Fund FTE positions. Remaining staff were furloughed one day a week for 18 weeks.

The FY 2010 budget, as revised by the December Special Session, reduced the Department's budget by another (\$791,000), eliminating all vacancy savings from FY 2009's extensive staff reductions. An additional \$1.2 million in fund transfers is also part of the budget and again requires extra charges on insurers undergoing financial, market conduct, and managed care examinations.

By statute, the Department must revise its fees and Fraud Unit assessments each year as necessary, so that expected revenues equal 95% to 110% of the Department's current General Fund appropriation. However, this statute has been suspended since FY 2004. The gap between revenues and expenditures has continued to increase, such that the fees and Fraud Unit assessments collected in FY 2009 equal 182% of the Department's current appropriation.

Executive Recommendations

FY 2011

Baseline Adjustments

COP Rent Increase	13.3
The Executive recommends a General Fund increase of \$13,300 to fund a portion of the scheduled increase in COP rent for FY 2011.	
General Fund	13.3
Lease-Purchase Rent Increase	1.2
The Executive recommendation provides for the agency's share of the increased lease-purchase debt service payment in FY 2011.	
General Fund	1.2

Solutions to Budget

Vacancy Savings	(456.2)
The Executive recommends a General Fund decrease of (\$456,200). This would eliminate all vacancy savings from the extensive staff reductions which took place in FY 2009.	
General Fund	(456.2)

Performance Measures

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Percent of survey respondents indicating satisfied or better	97.5	97.6	95.0	92.5
Percent of survey respondents indicating satisfied or better with assistance rendered	71.6	72.5	60.0	60.0
Average calendar days to complete an investigation for investigations completed during the year	191.5	206.8	350.0	350.0
➤ <i>Estimates for FY 2010 and FY 2011 are based on the assumption that the Department will not be able to rehire any special agents reduced in force because of FY 2009 budget reductions.</i>				
Average Licensing Time Frames days required to render a decision on a producer license application from the date it was received	1.5	3.3	5.0	5.0
➤ <i>Licensing Time Frame Days are the overall time frame days, as defined in A.R.S. § 41-1072(2), minus the days that the overall time frame is suspended in accordance with A.R.S. § 41-1074(B).</i>				
Percentage of agency staff turnover	9.7	28.3	5.0	5.0
Number of new domestic receiverships	0	1	N/A	N/A
➤ <i>No one can predict the number or timing of insurance company receiverships.</i>				
Average calendar days to complete an investigation after receipt of complaint warranting an investigation	72.6	42.5	75.0	125.0
➤ <i>The measurement only includes complaints that were investigated and closed and excludes complaints that warrant investigation but cannot be investigated due to resource limitations.</i>				
Average calendar days to complete substantive review of Property and Casualty form filings	6.3	4.2	20.0	20.0
Average calendar days to complete substantive review of file-and-use rate filings.	12.4	12.0	15.0	15.0

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	1,536.2
Agency Request	21,386.0
Administrative Cost Percentage	7.18%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Judiciary

Mission:

To provide Arizona citizens with an independent, accessible, and integrated judicial system that maintains a high degree of public trust and confidence; serves as an asset by dispensing justice, resolving human disputes, and conducting its administrative functions in a fair, equitable, and just manner; and operates efficiently and expeditiously.

Description:

The Arizona Judicial Branch is an integrated, but decentralized, judicial system implementing its constitutional and statutory responsibilities throughout all levels of government - state, county, and city. The Judicial Branch consists of the Supreme Court, Court of Appeals, Superior Court, and limited jurisdiction (municipal and justice of peace) courts. The Arizona Constitution provides for the administrative supervision over all courts to rest with the Chief Justice of the Supreme Court. The Administrative Office of the Courts is charged with assisting the Chief Justice in discharging his/her administrative duties. The Arizona Judicial Council, created in 1990, assists the Supreme Court and the Chief Justice in developing and implementing policies and procedures designed to accomplish the integration of the court system pursuant to the Court's constitutional mandate.

Special Note:

The Executive does not make a recommendation for the Judiciary. As required under A.R.S. § 35-116(C), the Judiciary's request for appropriations is hereby transmitted to the Legislature in the FY 2011 Agency Request table in the Appendix of this document. The FY 2011 Executive Recommendation is shown for computational purposes only.

Agency Summary

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Justices and Support - Supreme	4,169.8	3,599.8	4,599.8	2,599.8
Administrative Supervision - Supreme	7,539.9	7,893.4	12,644.5	12,644.5
Regulatory Activities - Supreme	898.3	1,194.4	1,194.4	1,194.4
Court Assistance - Supreme	3,023.3	3,032.3	3,032.3	3,032.3
Family Services - Supreme	6,139.5	6,671.5	6,671.5	6,671.5
Judicial Nominations & Performance Review	282.3	333.8	333.8	333.8
Commission on Judicial Conduct	394.4	434.8	434.8	434.8
State Aid	8,166.6	10,039.5	10,039.5	10,039.5
County Reimbursement	187.9	187.9	187.9	187.9
Automation	13,442.0	18,898.9	16,398.9	16,398.9
Court of Appeals - Division I	9,588.8	9,813.0	9,813.0	9,813.0
Court of Appeals - Division II	4,273.5	4,350.5	5,009.3	5,009.3
Judicial Compensation - Superior	17,556.8	16,523.6	16,628.9	16,523.6
Adult Probation Services - Superior	28,462.0	27,409.6	27,409.6	27,409.6

Juvenile Probation Services - Superior	50,505.8	51,523.9	51,523.9	51,523.9
Special Master - Superior	20.0	20.0	20.0	20.0
Adult and Juvenile Drug Court	996.3	1,013.6	1,013.6	1,013.6
JCEF Probation	2,667.5	5,032.1	6,318.7	6,318.7
Agency Total	158,314.7	167,972.6	173,274.4	171,169.1

Category

FTE	575.8	548.3	550.3	548.3
Personal Services	33,775.6	35,014.8	35,089.8	35,014.8
ERE Amount	9,381.6	11,107.1	11,137.4	11,107.1
Prof. And Outside Services	720.6	257.9	257.9	257.9
Travel - In State	305.6	354.5	354.5	354.5
Travel - Out of State	28.2	45.1	45.1	45.1
Aid to Others	72,983.0	82,849.8	81,636.4	81,636.4
Other Operating Expenses	9,796.5	8,317.1	13,727.0	13,727.0
Equipment	191.9	75.0	75.0	75.0
Cost Allocation	0.0	(1,000.0)	0.0	(2,000.0)
Transfers Out	31,131.7	30,951.3	30,951.3	30,951.3
Agency Total	158,314.7	167,972.6	173,274.4	171,169.1

Fund

General Fund	121,453.4	119,520.4	126,035.6	123,930.3
Supreme Court CJEF Disbursements	8,585.7	10,639.1	10,639.1	10,639.1
Judicial Collection - Enhancement	14,488.0	21,541.4	20,328.0	20,328.0
Defensive Driving Fund	5,041.6	5,331.0	5,331.0	5,331.0
Court Appointed Special Advocate Fund	2,713.7	2,949.9	2,949.9	2,949.9
Confidential Intermediary Fund	320.0	488.7	488.7	488.7
Drug Treatment and Education Fund	494.9	500.0	500.0	500.0
Photo Enforcement	2,369.9	4,056.6	4,056.6	4,056.6
State Aid to Courts Fund	2,847.5	2,945.5	2,945.5	2,945.5
Agency Total	158,314.7	167,972.6	173,274.4	171,169.1

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Adult Standard Probation	14,402.1	13,621.3	13,621.3	13,621.3
SLI Adult Intensive Probation	11,025.8	10,817.0	10,817.0	10,817.0
SLI Community Punishment	1,993.5	2,320.4	2,320.4	2,320.4
SLI Interstate Compact - Adult Probation	635.5	650.9	650.9	650.9
SLI Juvenile Standard Probation	5,037.2	4,614.3	4,614.3	4,614.3
SLI Juvenile Intensive Probation	8,985.5	9,389.9	9,389.9	9,389.9
SLI Juvenile Treatment Services	22,338.2	22,358.9	22,358.9	22,358.9
SLI Family Counseling	640.0	660.4	660.4	660.4
SLI Progressively Increasing Consequences (PIC-Act)	9,367.0	9,344.9	9,344.9	9,344.9
SLI Juvenile Crime Reduction Fund	4,137.9	5,155.5	5,155.5	5,155.5

Recent Budget Activity/Perspective

The Judiciary appropriation was set at \$162.2 million in FY 2007.

Recent Budget Activity/Perspective

In FY 2008 statewide adjustments; state aid increases for processing felony cases; Judicial salary increases and new judgeships raised the appropriation to \$166.1 million. Fund transfers of \$5.6 million were made to the General Fund. Statewide adjustments; lump sum and salary reductions; and new photo radar enforcement monies adjusted the FY 2009 appropriation to \$163.4 million with \$7.6 million in fund transfers. The FY 2010 appropriation after special session reductions; continued lump sum and personnel reductions; \$5.1 million toward case and cash management system upgrades; and judicial salary increases is \$168.0 million with an additional \$6.8 million in fund transfers. This represents a 3.6% increase in appropriation over the three year period.

Performance Measures

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Internal and external users connected to the Arizona Judicial Information Network	7,477	7,461	7,500	7,500
Percent of all of the courts that have automated case and cash management systems	100	100	100	100
Average days drug case processing	130.5	147	160	160

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	9,858.9
Agency Request	206,005.0
Administrative Cost Percentage	4.79%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

Department of Juvenile Corrections

Mission:

To enhance public protection by changing the delinquent thinking and behavior of juvenile offenders committed to the Department.

Description:

The Arizona Department of Juvenile Corrections (ADJC) is the state agency responsible for juveniles adjudicated delinquent and committed to its jurisdiction by the county juvenile courts. The ADJC is accountable to the citizens of Arizona for the promotion of public safety through the management of the state's secure juvenile facilities and the development and provision of a continuum of services to juvenile offenders, including rehabilitation, treatment, and education.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Rehabilitation	36,335.2	29,631.0	35,859.8	0.0
Housing	35,244.2	29,779.4	30,623.5	0.0
Administration	9,448.9	8,041.4	7,952.4	0.0
Agency Total	81,028.3	67,451.8	74,435.7	0.0
<i>Category</i>				
FTE	1,163.7	1,050.7	1,069.7	0.0
Personal Services	48,875.7	39,676.4	44,715.0	0.0
ERE Amount	17,355.7	16,428.2	17,596.7	0.0
Prof. And Outside Services	2,745.1	2,371.7	2,419.8	0.0
Travel - In State	737.0	806.7	809.2	0.0
Travel - Out of State	8.1	14.8	14.8	0.0
Food	1,056.0	200.0	240.3	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	9,551.6	7,574.1	8,260.0	0.0
Equipment	413.7	59.9	59.9	0.0
Capital Outlay	32.3	0.0	0.0	0.0
Transfers Out	253.1	320.0	320.0	0.0
Agency Total	81,028.3	67,451.8	74,435.7	0.0
<i>Fund</i>				
General Fund	71,832.2	63,331.2	70,270.0	0.0
Juvenile Corrections CJEF Distribution	614.9	556.0	601.1	0.0
Juvenile Education Fund	2,424.0	2,466.0	2,466.0	0.0
Endowments/Land Earnings	6,157.2	1,098.6	1,098.6	0.0
Agency Total	81,028.3	67,451.8	74,435.7	0.0

Recent Budget Activity/Perspective

For FY 2007, the Department was appropriated \$84.6 million and had an average daily secure-care population of 593 juveniles.

For FY 2008, the average daily population was 603 juveniles. The appropriation was increased by \$2.5 million while being reduced by \$1.2 million for one-time expenses in FY 2007 that would not recur. There was also a lump-sum reduction of \$1.1 million, and \$800,000 was transferred from agency funds to the General Fund.

For FY 2009, the average daily population was 595, and the

Recent Budget Activity/Perspective

appropriation was reduced by a (\$3.7 million) lump-sum reduction, with \$365,000 transferred from agency funds to the General Fund.

For FY 2010, the Department received operating increases of \$1.7 million and reductions of \$14.2 million, with \$555,600 transferred from agency funds to the General Fund. Average daily population is 494 juveniles.

Executive Recommendations

FY 2011

Solutions to Budget

Consolidation of Juvenile Justice at Counties (67,451.8)
The Executive recommends the closure of the Department and all of its secure-care facilities. The Department has a General Fund budget of \$63.3 million and, as of December 21, 2009, housed only 473 juveniles. As shown by the table below, the Courts over the last decade have been sending less and less juveniles to the Department.

Nationally, a growing number of states are moving toward a model of regionalization. Keeping kids in their own communities, closer to their families and support systems, offers better opportunities and more successful rehabilitation.

Arizona counties and the Courts will comprise the entire Juvenile Justice System in the state. Counties already provide a bulk of the treatment and rehabilitative services before a juvenile gets adjudicated to one of the secure care facilities. Removing the State's secure-care option does not eliminate the counties' ability to house kids in secure detention. Twelve counties have detention centers and the other two without detention centers have contracts with counties that do.

General Fund	(63,331.2)
Juvenile Corrections CJEF Dist Fund	(556.0)
State Education Fund for Committed Youth Fund	(2,466.0)
Endowments/Land Earnings Fund	(1,098.6)

Arizona Department of Juvenile Corrections

<u>Fiscal Year</u>	<u>Avg. Daily Population</u>
1999	957
2000	945
2001	941
2002	887
2003	818
2004	747
2005	618
2006	617
2007	593
2008	603
2009	595
2010	496

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 <u>Expected</u>
Percent of juveniles incarcerated within 12 months of release	33	38	37	33
Number of escapes	0	0	0	0
Average yearly cost per bed in secure care.	125,174	114,455	116,832	116,832
Annual staff turnover rate	27.0	28	28	28
Percent of staff indicating satisfaction with their jobs	75	72	70	70
Percent of youth passing the GED test.	56	50	51	52
Percent of youth showing progress in their primary treatment problem area	61	59	65	65

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	6,107.9
Agency Request	87,874.0
Administrative Cost Percentage	6.95%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

State Land Department

Mission:

To manage State Trust lands and resources to enhance value and optimize economic return for the Trust beneficiaries, consistent with sound stewardship, conservation, and business management principles supporting socio-economic goals for citizens here today and generations yet to come. To manage and provide support for resource conservation programs for the well-being of the public and the state's natural environment.

Description:

The State Land Department was established in 1915 to manage the State Trust lands on behalf of the thirteen beneficiaries of that Trust, as established by the State Enabling Act and State Constitution. Each of the approximately 9.3 million acres of land is assigned to one of the beneficiaries, the largest of which is the state's common schools. The Department works to sustain the long-term value for the Trust's beneficiaries by administering, selling, and leasing the State's Trust lands and natural products. The Department also administers the State's Natural Resource Conservation District Program, which involves funding and technical assistance for 32 districts across the State. The Department provides navigability studies to the State's Navigable Streambed Adjudication Commission and staffs the Governor-appointed State Land Board of Appeals. The Commissioner serves as the State Cartographer and the Surveyor-General and the Department provides statewide geological information system services including development and sharing of data layers through the Arizona Land Resources Information System program. The Department also contains the Arizona State Forestry Division managed by the Governor-appointed State Forester, which operates the State's Wildland Fire Prevention and Suppression Programs on state and private lands outside incorporated areas.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Trust Management and Revenue Generation	13,768.6	14,173.5	14,175.1	13,649.0
Outside Assistance and Grants	513.1	817.5	810.8	810.8
Agency Total	14,281.7	14,991.0	14,985.9	14,459.8
<i>Category</i>				
FTE	174.9	147.9	147.9	147.9
Personal Services	7,089.4	6,859.9	6,859.9	6,859.9
ERE Amount	2,383.7	2,062.6	2,588.7	2,062.6
Prof. And Outside Services	1,463.0	2,550.7	2,550.7	2,550.7
Travel - In State	178.2	177.9	177.9	177.9
Travel - Out of State	14.4	1.5	1.5	1.5
Aid to Others	354.6	650.0	650.0	650.0
Other Operating Expenses	2,236.7	2,463.4	1,932.2	1,932.2
Equipment	581.8	225.0	225.0	225.0
Transfers Out	(20.1)	0.0	0.0	0.0
Agency Total	14,281.7	14,991.0	14,985.9	14,459.8

Fund

General Fund	14,021.7	4,020.6	4,182.3	4,294.4
Environmental Special Plate Fund	260.0	260.0	260.0	260.0
AZ Parks Board Heritage Fund	0.0	390.0	390.0	0.0
Due Diligence Fund	0.0	500.0	500.0	500.0
Trust Land Management Fund	0.0	9,820.4	9,653.6	9,405.4
Agency Total	14,281.7	14,991.0	14,985.9	14,459.8

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI CAP User Fees	311.1	481.2	385.0	385.0
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Recent Budget Activity/Perspective

The State Land Department has absorbed appropriation reductions of (\$6.5 million) and (\$6.1 million) in fund transfers since 2007. This has eliminated much of the planning studies to develop state trust land. Sales and leases of state trust land provide revenue to education and other state government programs. In FY 2010, the Legislature adopted a self-funding model to allow it to use a portion of the receipts it collects from the sale of state Trust land to pay for its Trust management operations.

A mid-year budget adjustment in FY 2008 reduced the agency's appropriations (\$1.15 million)

In FY 2009, the agency had its appropriation reduced by (\$5.3 million).

General Fund used for trust management was eliminated in FY 2010, as part of a total reduction in appropriation of (\$10.0 million). This was offset by a new appropriation of \$10.3 million in other funds.

Executive Recommendations

FY 2011

Baseline Adjustments

CAP Water Rights (96.2)

The Executive recommends a decrease to reflect adjustments in capital charges associated with water rights on State Trust Land.

General Fund (96.2)

COP Rent Adjustment (435.0)

The Executive recommends a decrease to match the Department's newly lowered rent obligations.

General Fund (20.0)

Trust Land Management Fund (415.0)

Other Adjustments

NRCD Funding Shift 0.0

The Executive recommendation provides for state support for Natural Conservation Districts. The recommendation is to replace the Department's current appropriation from the State Parks

FY 2011

Heritage Fund. This is because proceeds from the lottery will no longer be distributed to the State Parks Heritage Fund in FY 2011.

General Fund	390.0
AZ Parks Board Heritage Fund	(390.0)

Performance Measures

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
	Actual	Actual	Expected	Expected
Percent of agency staff turnover	11.8	0	8.0	8.0
Total expendable receipts, excluding interest on permanent fund and school leases (millions)	114.2	89.1	60.5	95.3
Total annual revenue to permanent fund (millions)	255.9	143.4	88.3	103.5
Percent increase in commercial leasing revenue	20.0	-25	-1	14
In-house appraisal turnaround time (days from administrator request to receipt by section manager)	40	50	60	60

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	1,283.2
Agency Request	21,651.0
Administrative Cost Percentage	5.93%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Law Enforcement Merit System Council

Mission:

To establish and administer an equitable compensation plan while providing oversight for the selection, retention, and disciplinary proceedings affecting employees of those agencies under the Council's jurisdiction.

Description:

The Law Enforcement Merit System Council (LEMSC) consists of three members appointed by the Governor for six year terms. Members are chosen on the basis of experience in and sympathy with merit principles of public employment. Members shall not have held elective public office within one year before appointment and shall not hold any other political office while serving on the LEMSC. The LEMSC adopts rules it deems necessary for establishing: 1) a classification and compensation plan for all covered positions under the jurisdiction of the LEMSC and establishing standards and qualifications for all classified positions; 2) a plan for fair and impartial selection, appointment, probation, promotion, retention, and separation or removal from service by resignation, retirement, reduction in force or dismissal of all classified employees; 3) a performance appraisal system for evaluating the work performance of Department of Public Safety (DPS) and Arizona Peace Officer Standards and Training Board (AZPOST) employees; 4) procedures for the conduct of hearings of employee grievances brought before the LEMSC relating to classification, compensation, and the employee appraisal system; 5) procedures for the conduct of hearings on appeals from an order of the director of DPS in connection with suspension, demotion, reduction in pay, loss of accrued leave time, or dismissal of a classified employee.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Law Enforcement Merit System Council	76.8	71.9	77.7	71.9
Agency Total	76.8	71.9	77.7	71.9
<i>Category</i>				
FTE	1.0	1.0	1.0	1.0
Personal Services	57.7	52.9	57.7	52.9
ERE Amount	10.8	15.0	16.0	15.0
Prof. And Outside Services	0.0	0.0	0.0	0.0
Travel - In State	0.0	0.4	0.4	0.4
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	8.3	3.6	3.6	3.6
Equipment	0.0	0.0	0.0	0.0
Agency Total	76.8	71.9	77.7	71.9
<i>Fund</i>				
General Fund	76.8	71.9	77.7	71.9
Agency Total	76.8	71.9	77.7	71.9

Recent Budget Activity/Perspective

The FY 2007 General Fund appropriation for the Law Enforcement

Recent Budget Activity/Perspective

Merit System Council was \$76,400.

In FY 2008, the Council reduced its operating expenses due to the budget reduction enacted by Laws 2008, Chapter 53. Due to its small size, the Council did not face reductions in FY 2009 or FY 2010. However, Laws 2009, Fifth Special Session, Chapter 1, did contain a \$5,800 reduction for the Council. Initial conversations with the Department of Public Safety indicate that DPS will absorb this reduction as the Council employs only 1.0 FTE.

Summary:

\$3,700 General Fund Increases

\$7,800 General Fund Budget Reductions

\$400 Hiring Freeze/Personnel Expense Reductions

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of appeals/grievances filed	6	4	5	5
Number of appeal hearings conducted	1	1	5	5
Percent of employees receiving discipline who file an appeal	16	8.6	10	10
Average days from receipt of an appeal/grievance until the Council issues a final order	139	150	120	120
➤ <i>Hearing remainder of FY2008 appeals in FY2009</i>				
Average cost of an appeal/grievance hearing (in dollars)	781	781	781	890
Number of rehearing requests filed	0	0	0	0
Number of classifications reviewed to determine proper job description and market value	58	0	20	20
Number of position audits conducted to determine proper classification	7	0	6	6
Number of job descriptions reviewed to determine suitability to classification	1	2	5	5
Number of test plans reviewed for selection and promotional processes	57	57	50	50
Number of covered employees dismissed	5	1	5	5

The Executive recommends a lump-sum appropriation to the agency.

Auditor General

Mission:

To improve state and local government operations and accountability by independently providing the Legislature, government decision-makers, and the public with timely, accurate, and impartial information; relevant recommendations; and technical assistance.

Description:

The Auditor General is appointed by the Joint Legislative Audit Committee and approved by a concurrent resolution of the Legislature. By law, the Auditor General is required to express an opinion on the financial statements of audited entities, and determine compliance with applicable federal and Arizona laws and conduct comprehensive performance evaluations of state agencies and the programs they administer. In addition, the Auditor General is required to conduct performance audits of school districts and monitor the percentage of dollars spent in the classroom. Beginning in fiscal year 2006-2007, the Legislature appropriated monies for the Auditor General to conduct performance and financial audits of English Language Learner programs.

Special Note:

Pursuant to A.R.S. § 35-116(B), the Executive does not make a recommendation on Legislative agencies. For the purposes of developing the FY 2011 Executive Recommendations, the FY 2010 Appropriations were used for the Legislative branch recommendations.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Auditor General	14,902.4	16,546.7	17,888.3	16,614.9
Agency Total	14,902.4	16,546.7	17,888.3	16,614.9
<i>Category</i>				
FTE	153.0	172.0	172.0	172.0
Personal Services	11,432.5	11,515.7	11,515.7	11,515.7
ERE Amount	2,062.4	3,755.2	3,755.2	3,755.2
Prof. And Outside Services	926.7	499.1	499.1	499.1
Travel - In State	74.2	290.8	290.8	290.8
Travel - Out of State	17.5	4.5	4.5	4.5
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	286.8	0.0	1,255.7	68.2
Equipment	102.3	481.4	567.3	481.4
Agency Total	14,902.4	16,546.7	17,888.3	16,614.9
<i>Fund</i>				
General Fund	14,902.4	16,546.7	17,888.3	16,614.9
Agency Total	14,902.4	16,546.7	17,888.3	16,614.9

Recent Budget Activity/Perspective

For FY 2007, the Auditor General's Office received appropriations totaling \$17.9 million.

For FY 2008, the Office received an increase of \$800,000 for salaries and a procurement study and an operating budget decrease of

Recent Budget Activity/Perspective

(\$600,000).

For FY 2009, there were additional reductions of (\$2.3 million). The Office was also required to revert (\$2.2 million) of money appropriated in previous years, but unexpended.

For FY 2010, the (\$2.2 million) in reductions enacted for FY 2009 was restored as an increase to the Office's budget. A subsequent reduction of (\$1.3 million) was enacted.

Executive Recommendations

FY 2011

Baseline Adjustments

COP Rent Increase	68.2
The Executive recommendation provides for the agency's increased COP payment in FY 2011.	
General Fund	68.2

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Percentage of single audit reports accepted by cognizant agency	100	100	100	100
Percentage of administrative recommendations implemented or adopted within two years for performance audits	99	98	90	90
Percentage of single audit recommendations implemented or adopted within one year for financial audits	50	55	65	65
Percentage of legislative recommendations implemented or adopted within two years	NA	40	60	60
Percentage of staff turnover	18	25	20	20

Administrative Costs

Administrative Costs	1,215.4
Agency Request	19,202.0
Administrative Cost Percentage	6.33%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

House of Representatives

Mission:

To serve the public by enacting laws that protect the public safety and welfare, to provide information to the public and to assist members of the public who contact their legislative representatives with questions, problems, or concerns.

Description:

The House of Representatives consists of 60 members elected by the public. Two members are elected from each of the 30 legislative districts in biennial elections. Members of the Legislature participate in activities related to the review and adoption of a wide range of topics that affect the citizens of Arizona. Members serve on standing committees, participate in interim projects and handle constituent concerns.

Special Note:

Pursuant to A.R.S. § 35-116(B), the Executive does not make a recommendation on Legislative agencies. For the purposes of developing the FY 2011 Executive Recommendations, the FY 2010 Appropriations were used for the Legislative branch recommendations.

Agency Summary				
<i>Program/ Cost Center</i>	<i>FY 2009 Actual</i>	<i>FY 2010 Approp.</i>	<i>FY 2011 Agency Req.</i>	<i>FY 2011 Exec. Rec.</i>
House of Representatives	11,990.1	13,000.9	13,908.3	13,000.9
Agency Total	11,990.1	13,000.9	13,908.3	13,000.9
<i>Fund</i>				
General Fund	11,990.1	13,000.9	13,908.3	13,000.9
Agency Total	11,990.1	13,000.9	13,908.3	13,000.9

Recent Budget Activity/Perspective

For FY 2007, the House was appropriated \$13.4 million.

FY 2008, increases were provided for salaries and benefits, \$400,000, and for additional funding, \$500,000. There was a lump sum decrease of (\$600,000).

For FY 2009, (\$4.0 million) was transferred from the unrevorted balances of prior years' appropriations.

For FY 2010, there were budget reductions of (\$900,000) and transfers of (\$2.0 million) from the unrevorted balances of prior years' appropriations.

Joint Legislative Budget Committee

Mission:

To provide the Arizona Legislature with sound research, analysis, forecasts, and recommendations on state government finances and public policies; to provide the members with high quality work that is factually-based and delivered in a timely and professional manner, so they can make informed public policy decisions that are in the best interests of the citizens of Arizona.

Description:

The Joint Legislative Budget Committee (JLBC) Staff is a statutory agency in the legislative branch of Arizona State Government. The Governing Board is the 16-member Joint Legislative Budget Committee who appoints a Legislative Budget Analyst [Director] who is responsible for hiring other staff as authorized through the appropriations process. The office was established pursuant to A.R.S. § 41-1272 in 1966.

Special Note:

Pursuant to A.R.S. § 35-116(B), the Executive does not make a recommendation on Legislative agencies. For the purposes of developing the FY 2011 Executive Recommendations, the FY 2010 Appropriations were used for the Legislative branch recommendations.

<i>Program/ Cost Center</i>	<i>Agency Summary</i>			
	<i>FY 2009 Actual</i>	<i>FY 2010 Approp.</i>	<i>FY 2011 Agency Req.</i>	<i>FY 2011 Exec. Rec.</i>
Joint Legislative Budget Committee	874.5	2,548.3	2,754.9	2,548.3
Agency Total	874.5	2,548.3	2,754.9	2,548.3
<i>Fund</i>				
General Fund	874.5	2,548.3	2,754.9	2,548.3
Agency Total	874.5	2,548.3	2,754.9	2,548.3

Recent Budget Activity/Perspective

For FY 2007, JLBC was appropriated \$2.9 million.

For FY 2008, increases were provided for salaries and benefits of roughly \$93,000, followed by a reduction of (\$103,000).

For FY 2009, the appropriation was reduced another (\$200,000). There was also a transfer of (\$1.3 million) from the unexpended balances of prior years' appropriations.

For FY 2010, the budget was reduced by (\$207,000).

Legislative Council

Mission:

To provide quality legal, research, computer and administrative services to the Arizona Legislature.

Description:

The Legislative Council staff performs the following core functions: drafting of legislative bills, memorials, resolutions, and amendments; review and possible revision of each legislative enactment for technical corrections prior to publication of the Arizona Revised Statutes; enrolling and engrossing of bills and processing of legislative journals; conducting legal research; and operating the legislative computer system.

Special Note:

Pursuant to A.R.S. § 35-116(B), the Executive does not make a recommendation on Legislative agencies. For the purposes of developing the FY 2011 Executive Recommendations, the FY 2010 Appropriations were used for the Legislative branch recommendations.

<i>Program/ Cost Center</i>	Agency Summary			
	<i>FY 2009 Actual</i>	<i>FY 2010 Approp.</i>	<i>FY 2011 Agency Req.</i>	<i>FY 2011 Exec. Rec.</i>
Legislative Council	4,643.0	4,856.2	4,856.2	4,856.2
Agency Total	4,643.0	4,856.2	4,856.2	4,856.2
<i>Fund</i>				
General Fund	4,643.0	4,856.2	4,856.2	4,856.2
Agency Total	4,643.0	4,856.2	4,856.2	4,856.2

Recent Budget Activity/Perspective

For FY 2007, \$4.8 million was appropriated.

For FY 2008, (\$2.5 million) was removed, because it was a one-time expense in FY 2007, and (\$171,000) as added as a lump sum appropriation.

For FY 2009, there was a lump sum reduction of (\$656,400) and a salary lump sum reduction of (\$148,500).

For FY 2010, there was an increase of \$131,500 for employee benefits.

Senate

Mission:

To serve the Arizona constituency through policy development and enactment of legislation in support of the public health, safety and welfare.

Description:

The Arizona Senate consists of 30 elected members, one from each legislative district. Members are appointed to serve on Senate standing committees, as well as statutory and interim committees. They consider a variety of issues for the purpose of enacting legislation deemed necessary for the public interest.

Special Note:

Pursuant to A.R.S. § 35-116(B), the Executive does not make a recommendation on Legislative agencies. For the purposes of developing the FY 2011 Executive Recommendations, the FY 2010 Appropriations were used for the Legislative branch recommendations.

<i>Program/ Cost Center</i>	Agency Summary			
	<i>FY 2009 Actual</i>	<i>FY 2010 Approp.</i>	<i>FY 2011 Agency Req.</i>	<i>FY 2011 Exec. Rec.</i>
Senate	7,724.5	8,244.8	8,839.9	8,244.8
Agency Total	7,724.5	8,244.8	8,839.9	8,244.8
<i>Fund</i>				
General Fund	7,724.5	8,244.8	8,839.9	8,244.8
Agency Total	7,724.5	8,244.8	8,839.9	8,244.8

Recent Budget Activity/Perspective

For FY 2007, the Senate was appropriated \$8.7 million.

For FY 2008, about \$300,000 was added for salary increases and benefits and another \$500,000 for additional funding. A lump sum reduction of (\$256,000) was enacted.

For FY 2009, the Senate budget was reduced by (\$401,200).

For FY 2010, there is an increase of \$204,900 for employee benefits and a lump sum reduction of (\$595,100).

Department of Liquor Licenses and Control

Mission:

To license the liquor industry and assure compliance of liquor laws in the State of Arizona using education, knowledge, communication, collaboration, adjudication and enforcement that result in better health, safety and welfare of Arizona's citizens and their community.

Description:

The Department of Liquor Licenses and Control regulates all businesses dealing with spirituous liquor. The Department processes complaints, police reports, and civil violations regarding licensees. The Department investigates all allegations against licensees, whether criminal or civil, and in collaboration with the Attorney General's Office prosecutes before civil and criminal courts within the State. Further, the Department interacts with the Governor's Office of Highway Safety and the Driving Under the Influence Abatement Council to educate underage youth and reduce underage drinking. The Department meets on a regular basis with the Arizona Licensed Beverage Association, Arizona Beer and Wine Association, Arizona Grocers Association, Arizona Hotel and Motel Association, and Arizona Restaurant Association and various civic organizations statewide. Finally, the Department is responsive to all Arizona citizens who are served and affected by the licensees.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Administration	1,112.2	916.6	1,001.6	916.6
Investigations	1,322.1	1,184.6	2,108.3	1,221.4
Licensing	595.5	527.8	557.8	527.8
Agency Total	3,029.8	2,629.0	3,667.7	2,665.8
<i>Category</i>				
FTE	35.2	42.0	50.0	42.0
Personal Services	1,655.1	1,501.9	1,970.9	1,501.9
ERE Amount	736.0	672.7	875.4	672.7
Prof. And Outside Services	38.4	31.6	41.6	31.6
Travel - In State	161.4	129.6	239.6	129.6
Travel - Out of State	3.5	3.2	3.2	3.2
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	435.2	288.0	507.0	324.8
Equipment	0.2	2.0	30.0	2.0
Agency Total	3,029.8	2,629.0	3,667.7	2,665.8
<i>Fund</i>				
General Fund	3,029.8	702.7	702.7	0.0
Liquor License Fund	0.0	1,926.3	2,965.0	2,665.8
Agency Total	3,029.8	2,629.0	3,667.7	2,665.8

Recent Budget Activity/Perspective

The FY 2007 General Fund appropriation to the Department of Liquor Licenses and Control was \$4.8 million.

Laws 2005, Chapter 284 had appropriated \$1.3 million from expected liquor license lottery revenues in FY 2007 to fund the

Recent Budget Activity/Perspective

improvement of the Department's data processing systems. In FY 2008, the Department had this one-time funding eliminated.

To achieve the budget reductions enacted between FY 2008-FY 2010, the Department has utilized vacancy savings, reduced travel, returned vehicles to the ADOA fleet due to the elimination of positions, and eliminated investigators and other positions. The Department currently has twenty fewer staff members than it did in FY 2007. There are currently only twelve licensing staff and ten investigators to license and regulate over 11,000 licensees each year. The Department is a revenue generating agency for the State and any reduction in staff also means a loss of revenue for Arizona.

In FY 2010, the decision was made to move the Department from General Fund funding to a new, legislatively appropriated Liquor License Fund. Fund revenues come from license application and annual renewal fees and liquor license lottery proceeds. In FY 2010, the Department did receive \$702,700 from the General Fund to help with cash flow as the new fund collected revenues. By FY 2011, the Department will no longer receive any General Fund support.

Summary:

-\$263,800 General Fund Increases
 -\$1.8 million General Fund Budget Reductions (excludes fund shift)
 \$2.1 million Shift from General Fund funding to Liquor License Fund
 -\$274,700 Fund Reduction and Transfers
 -\$1.3 million Fund Cash Balance Transfers
 -\$237,500 Hiring Freeze/Personnel Expense Reductions

Executive Recommendations

FY 2011

Baseline Adjustments

Eliminate General Fund Funding for Department 0.0
 Laws 2009, Third Special Session, Chapter 7, established the Legislatively appropriated Liquor License Fund. The Fund, which is to be used for Department operations, receives revenues from liquor license application and renewal fees and proceeds from the liquor license lottery. The Department was appropriated \$702,700 from the General Fund in FY 2010 to assist with cash flow as the new fund received revenues from license fees.

The Executive recommends a (\$702,700) General Fund reduction in FY 2011 to eliminate all General Fund funding for the Department. The Executive recommendation includes a corresponding increase of \$702,700 from the Liquor License Fund in FY 2011 to keep funding for the Department at the same level as it was in FY 2010.

General Fund (702.7)

FY 2011

Liquor License Fund 702.7

Tucson Office COP Rent Increase 36.8

The Executive recommends \$36,800 from the Liquor License Fund in FY 2011 for a COP rent increase for the Department's Tucson office. Due to previous budget reductions, the Department has closed the Tucson office but must continue to pay rent until ADOA can find a new tenant for the space.

Liquor License Fund 36.8

Performance Measures

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
	<u>Actual</u>	<u>Actual</u>	<u>Expected</u>	<u>Expected</u>
Percentage of liquor law compliance cases processed in less than 90 calendar days	85	85	95	95
Average number of calendar days to complete an investigative complaint	24	29	35	35
Number of new licenses, transferred licenses, and renewals issued	13,260	12,620	12,500	12,500
Percent of surveyed licensees reporting very good or excellent service	85.00	91	85	85
Number of investigations completed resulting in compliance actions	334	580	600	600
Number of random liquor inspections completed	4660	3,538	3,500	3,500

Administrative Costs

FY 2011

Administrative Costs 433.3

Agency Request 4,443.0

Administrative Cost Percentage 9.75%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona State Lottery Commission

FY 2011

Mission:

To support Arizona programs for the public benefit by maximizing revenue in a responsible manner.

Description:

The Arizona Lottery was established to maximize revenue dedicated to various beneficiaries through statutory formulas pursuant to A.R.S. § 5-501. With an advisory commission and an Executive Director appointed by the Governor overseeing operations, the Lottery works with a retailer network to provide players with innovative, entertaining, and rewarding games.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Lottery	74,334.0	74,374.2	74,374.2	74,624.2
Agency Total	74,334.0	74,374.2	74,374.2	74,624.2
<i>Category</i>				
FTE	110.0	104.0	104.0	104.0
Personal Services	4,419.3	4,824.5	4,824.5	5,074.5
ERE Amount	1,690.9	1,721.2	1,721.2	1,721.2
Prof. And Outside Services	10,463.3	10,898.9	10,898.9	10,898.9
Travel - In State	231.7	269.8	269.8	269.8
Travel - Out of State	7.0	16.7	16.7	16.7
Aid to Others	128.4	50.0	50.0	50.0
Other Operating Expenses	56,705.3	56,578.1	56,578.1	56,578.1
Equipment	133.9	15.0	15.0	15.0
Transfers Out	554.2	0.0	0.0	0.0
Agency Total	74,334.0	74,374.2	74,374.2	74,624.2
<i>Fund</i>				
Lottery Fund	74,334.0	74,374.2	74,374.2	74,624.2
Agency Total	74,334.0	74,374.2	74,374.2	74,624.2

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Tickets	10,038.9	9,209.8	9,209.8	9,209.8
SLI Advertising	15,669.8	16,000.0	16,000.0	16,000.0
SLI On-Line Vendor Fees	7,698.4	8,329.6	8,329.6	8,329.6
SLI Retailer Commissions	32,455.5	32,310.1	32,310.1	32,310.1
SLI Telecommunications	393.0	629.4	629.4	629.4
SLI Sales Incentive Program	76.2	50.0	50.0	50.0

Executive Recommendations

FY 2011

Other Adjustments

Agency-wide Performance Pay 250.0

A package of lottery reforms in FY 2009 that included elimination of advertising caps, lifting payout restrictions, and creating an agency-wide performance pay structure allowed the Arizona Lottery to increase sales while peer lotteries faced double-digit declines.

To build on this success and increase sales, the Executive recommends \$250,000 from the Lottery Fund for agency performance pay. Lottery revenues have a critical role to play for the state as a source of monies for the General Fund and a potential source for one-time cash through securitization.

Lottery Fund 250.0

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Percent of retailers expressing overall satisfaction with Lottery services	94	94	92	92
➤ <i>A slight decrease in satisfaction may occur if some ticket vending machines must be removed to place them in more profitable retail locations.</i>				
Percent of agency staff turnover	13.6	8.0	7.0	7.0
Dollar amount of instant ticket sales (in millions)	252.4	278.9	290.0	290.0
Dollar amount of on-line sales (in millions)	220.5	205.6	220.0	220.0
Average dollar amount of sales per ticket vending machine.	125,900	126,900	133,200	139,900
Percent of lottery ticket sales distributed to state beneficiaries	30.6	26.6	26.5	26.5
Percent of active retailer accounts in good standing	99.6	99.9	99.2	99.3

Administrative Costs

	FY 2011
Administrative Costs	5,489.8
Agency Request	741,181.0
Administrative Cost Percentage	0.74%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Arizona Medical Board

Mission:

To protect public safety through the judicious licensing, regulation, and education of physicians and physician assistants.

Description:

The Agency staff supports two Boards – the Arizona Medical Board which licenses and regulates allopathic physicians, and the Arizona Regulatory Board of Physician Assistants which licenses and regulates physician assistants. The Agency processes applications for licenses, handles public complaints against licensees, and disseminates information pertaining to licensees and the regulatory process. The two Boards determine and administer disciplinary action in the event of proven violations of their respective practice acts. Together, the two Boards regulate over 20,000 licensees.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing, Regulation, & Rehabilitation	5,552.0	5,853.4	5,853.4	5,853.4
Agency Total	5,552.0	5,853.4	5,853.4	5,853.4
<i>Category</i>				
FTE	58.5	58.5	58.5	58.5
Personal Services	2,623.0	2,866.4	2,866.4	2,866.4
ERE Amount	924.3	1,020.9	1,020.9	1,020.9
Prof. And Outside Services	891.7	995.4	995.4	995.4
Travel - In State	25.5	23.0	23.0	23.0
Travel - Out of State	9.5	14.0	14.0	14.0
Food	3.1	5.0	5.0	5.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	936.1	821.2	821.2	821.2
Equipment	114.4	64.2	64.2	64.2
Transfers Out	24.4	43.3	43.3	43.3
Agency Total	5,552.0	5,853.4	5,853.4	5,853.4
<i>Fund</i>				
Medical Examiners Board	5,552.0	5,853.4	5,853.4	5,853.4
Agency Total	5,552.0	5,853.4	5,853.4	5,853.4

Recent Budget Activity/Perspective

In FY 2008, the Arizona Medical Board Fund was swept for (\$1.4 million). As a result, the Arizona Medical Association joined 12 other boards who received similar sweeps from their operating funds as a result of Laws 2008, 2nd Regular Session, Chapter 53, Section 2, and have filed suit against the Executive and Treasurer Martin, claiming that the fund sweeps were unconstitutional.

Executive Recommendations

FY 2011

Other Adjustments

Reimburse Risk Management Costs	0.0
Medical Examiners Board Fund	0.0

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Average number of days to process an initial medical doctor license upon receipt of completed application	2	2	2	2
Average number of days to process a medical doctor renewal upon receipt of completed application	2	2	2	2
Average number of days to complete an medical doctor investigation	115	154	140	140
➤ <i>This measurement was impacted by the installation of the new database. This is a one-time event</i>				
Average number of days to complete an physician assistant investigation	101	129	130	130
Medical doctor cases referred to formal hearing	69	27	35	35
➤ <i>Efficient regulation requires that the Office of Administrative Hearings be utilized only when statutorily mandated or when all other options have been exhausted. The Board can maintain its level of disciplinary actions through consent agreements without referring cases to formal hearing.</i>				
Average number of days to resolve a medical doctor case	164	235	180	180
➤ <i>During this fiscal year, the Board resolved a backlog of unresolved cases that had been referred for formal hearing but not scheduled. Because many of these cases had been two or more years old, it significantly impacted this measure.</i>				
Average number of days to resolve a physician assistant case	144	234	180	180
Average score of agency-wide customer service satisfaction surveys (scale of 1-8)	7.9	7.6	7.5	7.5
➤ <i>Methodology for calculating survey results changed starting FY08</i>				

Administrative Costs

	FY 2011
Administrative Costs	675.4
Agency Request	6,006.0
Administrative Cost Percentage	11.25%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Board of Medical Student Loans

Mission:

Recruit physicians to provide service to rural and other medically underserved areas, medically underserved populations, and Indian reservations in Arizona and to increase the number of physicians practicing in these areas by providing educational loans to students at colleges of medicine in Arizona.

Description:

The Board of Medical Student Loans provides financial assistance to medical students in Arizona, including tuition and a living allowance, through the Arizona Medical Student Loan Program. Participating schools include Midwestern University's AZ College of Osteopathic Medicine (AZCOM), the University of Arizona (UA) College of Medicine, and A. T. Still University's School of Osteopathic Medicine in Arizona (SOMA). The Board consists of eight members who review student applications and make decisions necessary for the operation of the program. Students must be Arizona residents. The Medical Student Loan Program gives preference to medical students who have financial need and who demonstrate a commitment to practice medicine in Arizona in an eligible service area. Students sign contracts to provide primary care in eligible service areas; the Board may approve service in other specialties of recognized need in Arizona. Primary care includes Family Practice, general Pediatrics, Obstetrics and Gynecology; general Internal Medicine, and combined Medicine and Pediatrics. For each year of funding received, recipients must provide one year of service in a designated area, with a minimum two-year service commitment. There is a maximum of 5 years of funding. For 30 years, UA has provided staff at no charge to the Board to arrange Board meetings, prepare Board reports, collect repayments, coordinate service placement with the Arizona Department of Health Services (ADHS) and the Board, and prepare state budget requests. Since the program was opened to private colleges of medicine in 1999, Midwestern and now A. T. Still University have joined the UA College of Medicine and provide services at no cost to publicize and coordinate the student application and interview process, coordinate the funding process, and track the participants. Vital to the success of the program is the cooperation and assistance provided by ADHS, which assists the Board in the selection of loan recipients and the coordination of service sites, as well as by providing one employee to serve on the Medical Student Loans Board.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Medical Student Loan Program	1,457.2	848.9	913.9	431.9
Agency Total	1,457.2	848.9	913.9	431.9
<i>Category</i>				
FTE	0.0	0.0	0.0	0.0
Personal Services	0.0	0.0	0.0	0.0
ERE Amount	0.0	0.0	0.0	0.0
Prof. And Outside Services	0.0	0.0	0.0	0.0
Travel - In State	0.0	0.0	0.0	0.0

Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	1,457.2	848.9	913.9	431.9
Other Operating Expenses	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0
Agency Total	1,457.2	848.9	913.9	431.9
<i>Fund</i>				
General Fund	1,001.0	801.9	866.9	402.9
Medical Student Loan Fund	456.2	47.0	47.0	29.0
Agency Total	1,457.2	848.9	913.9	431.9

Recent Budget Activity/Perspective

In FY 2008, the agency had a General Fund appropriation of \$1.5 million. This appropriation was reduced by (\$379,000) to \$1.1 million in FY 2009, which limited the program to those students currently supported by the agency and not funding new students.

In FY 2010, the agency's General Fund appropriation was reduced by (\$254,100) to \$866,900. This reduction limited the program to those students currently supported by the agency. The FY 2010 General Fund appropriation reductions imposed by the Laws 2009, 5th Special Session, Chapter 1, Section 1 further reduced the Medical Student Loans Board's appropriation by (\$65,000), thereby reducing the FY 2010 appropriation to \$801,900. This reduction had no effect on the students currently supported by the agency due to the availability of other funds to the agency.

Executive Recommendations

FY 2011

Baseline Adjustments

Student Loans Fund Appropriation Reduction (18.0)

The Executive recommends reducing the appropriation from the Medical Student Loans Fund due to reduced loan repayment revenues to the Fund. The remaining \$29,000 is recommended to be used to fund continuing students from the Medical Student Loans Fund in FY 2011.

Med Student Loan Fund (18.0)

Solutions to Budget

Continuing Funding for Medical Students (334.0)

The Executive recommends a (\$110,000) General Fund reduction in FY 2011 to annualize the operating budget reduction enacted by Laws 2009, Fifth Special Session, Chapter 1. This annualization will not affect any students currently under contract agreements with the State.

General Fund (334.0)

Special Session Appropriation Reduction (65.0)

The Executive recommends annualizing the FY 2010 appropriation reduction from Laws 2009, Fifth Special Session, Chapter 1 in FY 2011 at (\$65,000). This annualization will not affect any students currently under contract agreements with the State.

General Fund (65.0)

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 <u>Expected</u>
Loan provided to each public medical school student (in thousands of dollars)	36.9	38.5	42.4	44.6
<p>➤ <i>Tuition varies with graduating class at UA College of Medicine but most students funded received \$37,562 in FY 2009 with maximum \$38,508 for a first year student.</i></p>				
Loan as a percent of average annual cost of public medical education	100	94	94	94
Administration as a per cent of total cost	0.0	0.0	0.0	0.0
<p>➤ <i>All appropriated funds are used to assist medical students; no funds are used for the administration of the program. The UA College of Medicine, Midwestern University, and A.T. Still University provide support services at no cost to the Board. Vital to the success of the program is the cooperation and assistance provided by the Arizona Department of Health Services. Board members serve with no compensation.</i></p>				
Students funded per year	40	29	18	16
<p>➤ <i>Medical students sign contracts with the State of Arizona to serve as physicians in eligible service areas. The decrease in available funding will lead to fewer students in the program. The number of students funded will depend upon State appropriations and the number of public and private medical school students included. Due to the tuition differential, the loan amounts at private schools will fund fewer students.</i></p>				
Physicians in service	13	11	16	14
Physicians practicing in eligible service areas after service requirement is met	33	33	33	33
Percent of physicians who have provided service in eligible sites	90	91	92	93

The Executive recommends a lump-sum appropriation to the agency.

State Mine Inspector

Mission:

To administer and enforce the Mining Code of the State of Arizona for the protection of the life, health and safety of mine employees and the public in Arizona's active, inactive and abandoned mines.

Description:

The State Mine Inspector is a statewide elected constitutional officer and the director of the Office of the State Mine Inspector. This agency enforces statutes, rules and regulations applicable to mine safety, health, explosives and land reclamation. The Office inspects the health and safety conditions and practices at active mining operations; investigates mine accidents, employee and public complaints; and conducts federally-certified miner and instructor safety training. In 2007 the Office administered \$14.5 million in reclamation financial assurance and enforces the Mined Land Reclamation laws, rules and regulations for the restoration of disturbed lands to a safe and stable environmental condition. The Office promotes public safety regarding abandoned mines by "Stay Out Stay Alive" promotions, presentations and publications; complaint investigations; mine owner compliance notifications; and identification, hazard assessment, prioritization, posting and securing of safety hazards. The agency issues permits, licenses and certificates for elevators and electrical connections, and monitors the manufacturing, storing, selling, transferring and disposal of all explosives or blasting agents.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Mining Safety Enforcement	1,341.5	1,161.7	1,752.0	1,072.6
Mined Land Reclamation	57.1	155.8	269.8	114.0
Agency Total	1,398.6	1,317.5	2,021.8	1,186.6
<i>Category</i>				
FTE	17.0	15.0	17.0	15.0
Personal Services	668.1	659.7	786.9	589.7
ERE Amount	241.8	187.5	232.0	173.1
Prof. And Outside Services	126.7	135.6	440.6	125.6
Travel - In State	157.7	132.0	180.9	131.5
Travel - Out of State	8.4	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	184.9	197.0	268.2	164.0
Equipment	11.0	5.7	11.2	2.7
Capital Outlay	0.0	0.0	102.0	0.0
Agency Total	1,398.6	1,317.5	2,021.8	1,186.6
<i>Fund</i>				
General Fund	1,341.5	1,161.7	1,752.0	1,072.6
Aggregate Mining Reclamation Fund	57.1	155.8	269.8	114.0
Agency Total	1,398.6	1,317.5	2,021.8	1,186.6

Recent Budget Activity/Perspective

The FY 2007 General Fund appropriation for the State Mine Inspector's Office was \$1.2 million.

Recent Budget Activity/Perspective

In FY 2008, the Office received General Fund increases to fill five vacant positions, upgrade the agency's telephone system, and a one-time deposit was made to the Abandoned Mine Safety Fund. This fund pays contractors to fill, fence, or plug abandoned mine shafts. The Office also received a \$1,700 supplemental to rectify an unpaid equipment bill from FY 2005.

Between FY 2009 and FY 2010, the Office has seen decreases to its General Fund appropriation to eliminate one-time equipment and supplemental costs and as part of the lump sum reductions enacted by the Legislature to address the state's budget shortfalls. To achieve these reductions, the Office has utilized vacancy savings, reduced travel, eliminated training, and cut other operating expenses. All reductions that have been implemented have been so with careful mind not endanger public safety.

Summary:

-\$668,200 General Fund Increases
 -\$640,600 General Fund Budget Reductions
 -\$92,600 Hiring Freeze/Personnel Expense Reductions

Executive Recommendations

FY 2011

Baseline Adjustments

Aggregate Mine Land Reclamation (41.8)
 Laws 2005, Chapter 322, established the Legislatively appropriated Aggregate Mining Reclamation Fund. Aggregate mining operations must submit reclamation plans at a fee of \$3,800 per plan. The Executive recommends a decrease of (\$41,800) from the Aggregate Mining Reclamation Fund, which will set the FY 2011 funding level at the amount requested by the State Mine Inspector.

Aggregate Mining Reclamation Fund (41.8)

Solutions to Budget

Operating Budget Reduction (89.1)

The Executive recommendation annualizes the operating budget reduction enacted by Laws 2009, Fifth Special Session, Chapter 1.

General Fund (89.1)

Performance Measures

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Percent mandated inspections completed	72.6	90	80	80
Number of reportable (lost time) mine accidents	174	258	160	160
➤ <i>The number of reportable (lost time) mine accident reflects "only" what is reported to the Arizona State Mine Inspector.</i>				
Number of safety inspections completed	656	815	600	610
Customer satisfaction rating for Mines (scale 1-8)	6	5.47	6	6
Number of abandoned mine openings secured	70	68	70	70
➤ <i>Secured on State Lands</i>				
Number of Arizona miners and contractors trained	6098	6019	7000	7000
Number of annual mined land reclamation compliance reviews	40	152	230	250

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	294.0
Agency Request	2,514.0
Administrative Cost Percentage	11.69%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Department of Mines and Mineral Resources

Agency Total 882.0 858.7 888.9 828.5

Mission:

To promote and advocate the responsible development of mineral resources, in accordance with accepted principles of sustainable development, and provide pertinent data and support to those seeking to explore and develop mineral resources in the State of Arizona. In addition, the Department of Mines and Mineral Resources of the State of Arizona (DMMR) maintains a world-class mining and mineral museum that portrays the economic and aesthetic value of minerals and educates the public with regard to the critical role of minerals and mineral resources in our society.

Description:

The Department of Mines and Mineral Resources (DMMR) of the State of Arizona is a non-regulatory agency. The primary duties of the Department are to promote and advocate for the development of the mineral resources and industry in the state. This is accomplished by participating in conferences, seminars, news media, and other appropriate mechanisms. DMMR conducts studies of properties and claims to assist in the exploration and development of minerals and maintains a repository of mining and mineral information in various formats, so that it is protected from destruction. The Department provides evaluation and assistance to government agencies and the public and performs surveys of potential economic mineral resources. It monitors current mining and exploration activities and serves as a source of information for mineral information, which it publishes and disseminates. DMMR cooperates with the Arizona Corporation Commission and other agencies in the administration of state laws, and assists various agencies in the identification of mineral resources and educating them relating thereto. The Department maintains a mineral museum which serves to educate the children and the public of the importance of minerals in our society and their aesthetic value. It holds classes in lapidary, silversmithing, and related activities.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Mineral Development and Promotion	882.0	858.7	888.9	828.5
Agency Total	882.0	858.7	888.9	828.5
<i>Category</i>				
FTE	7.0	7.0	7.0	7.0
Personal Services	344.2	325.2	350.3	300.1
ERE Amount	95.4	91.3	96.4	86.2
Prof. And Outside Services	2.2	2.2	2.2	2.2
Travel - In State	1.8	1.9	1.9	1.9
Travel - Out of State	1.9	1.8	1.8	1.8
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	435.6	435.3	435.3	435.3
Equipment	0.9	1.0	1.0	1.0
Agency Total	882.0	858.7	888.9	828.5
<i>Fund</i>				
General Fund	882.0	858.7	888.9	828.5

Recent Budget Activity/Perspective

The Department of Mines and Minerals has absorbed appropriation reductions of (\$104,000) and (\$57,400) in fund transfers from FY 2008 to the enacted FY 2010 budget. These adjustments have undercut the Department's ability to provide the public with information about Arizona's mineral resources, either through publications provided by the agency or through exhibits at Mines and Minerals' museum.

In FY 2009, the agency had its appropriation reduced by (\$79,700) while losing \$6,800 in fund transfers. Subsequent to this, the Department has experienced additional reductions of (\$24,300) in FY 2010 and another transfer of \$50,600.

Executive Recommendations

FY 2011

Solutions to Budget

Annualization of 5th Special Session Reductions	(30.2)
The Executive recommends annualizing the reduction enacted by Laws 2009, Fifth Special Session, Chapter 1.	
General Fund	(30.2)

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Number of student museum visitors (in thousands)	25	24.9	15	15
Number of museum visitors, including students (in thousands)	48	48.1	40	40
Number of customers provided with mining and mineral information	360	502	250	250
Department customer satisfaction survey rating (on a scale of 1 to 5 with five being the highest)	4.9	4.9	4.9	4.9

Administrative Costs

FY 2011

Administrative Costs	107.0
Agency Request	1,455.0
Administrative Cost Percentage	7.35%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Naturopathic Physicians Board of Medical Examiners

Mission:

To protect the health, safety and welfare of the public by regulating the practice of naturopathic medicine and massage therapy.

Description:

The Agency regulates both naturopathic physicians and massage therapists, each of which is governed by a Governor-appointed board. The Naturopathic Physicians Medical Board is responsible for ensuring public safety and well-being through the regulation of the naturopathic field of medicine, which uses various methods to treat patients including nutritional supplements, herbal medicine, homeopathy, pharmaceuticals and lifestyle counseling. The Board regulates physicians who engage in the practice of naturopathic medicine, including certification of those in specialty practice. Further, the Board certifies graduates and medical students to engage in internship, preceptorship, and postdoctoral training programs and certifies medical assistants and approves clinical training programs for medical students. Finally, the Naturopathic Board certifies naturopathic physicians to dispense natural substances, drugs, and devices from their offices and conducts investigations and hearings into allegations of medical incompetence and unprofessional conduct.

The Board of Massage Therapy regulates and licenses massage therapists by recognizing a national examination, establishing rules, and conducting investigations and hearings into allegations of incompetence and unprofessional conduct.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Naturopathic Licensing and Regulation	584.3	604.8	604.8	604.8
Agency Total	584.3	604.8	604.8	604.8
<i>Category</i>				
FTE	6.0	7.0	7.0	7.0
Personal Services	324.8	318.0	318.0	318.0
ERE Amount	102.1	100.5	100.5	100.5
Prof. And Outside Services	72.1	89.2	89.2	89.2
Travel - In State	2.0	2.0	2.0	2.0
Travel - Out of State	0.0	2.0	2.0	2.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	72.6	86.0	86.0	86.0
Equipment	10.7	7.1	7.1	7.1
Agency Total	584.3	604.8	604.8	604.8
<i>Fund</i>				
Naturopathic Board	584.3	604.8	604.8	604.8
Agency Total	584.3	604.8	604.8	604.8

Recent Budget Activity/Perspective

The agency transferred \$1.0 million from the Naturopathic Physicians Medical Board Fund to the General Fund in FY 2008,

Recent Budget Activity/Perspective

and \$618,000 in FY 2009. Revenues for the Fund are 90% of the fees, fines and other monies received by the Board, and are used to support the operation of the agency. The fund transfer left a balance of just \$44,200 to carry forward to FY 2010.

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Massage therapy applications received for initial licensure and biennial renewal.	4,005	4,497	4,500	4,500
➤ <i>Licensing began in FY05</i>				
Average number of days to resolve a massage therapy complaint	218	220	210	210
➤ <i>Hiring freeze has resulted in understaffing investigations which has lengthened adjudication time frames.</i>				
Active physician licenses	562	593	600	650
Complaints received against licensed or certified persons	30	27	30	30
Complaints resolved in same fiscal year	24	19	25	25

Administrative Costs

	FY 2011
Administrative Costs	65.0
Agency Request	687.0
Administrative Cost Percentage	9.46%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona Navigable Stream Adjudication Commission

Mission:

To determine which of Arizona's 39,039 rivers and streams were and were not navigable at the time of statehood, February 14, 1912 and to determine the public trust values of those rivers and streams that were navigable. In addition, the Commission must defend appeals and other legal actions that are filed in State Court, and complete Commission reports to be recorded in each appropriate county following appeals processes.

Description:

The Navigable Stream Adjudication Commission (ANSAC) is a five-member commission appointed by the Governor and confirmed by the Senate. Title to the beds of Arizona rivers and streams that were navigable as of statehood are subject to state ownership, and title to the beds of Arizona rivers and streams that were not navigable as of statehood are subject to private ownership. Arizona did determine ownership of any of the 39,039 rivers and streams at the time of statehood and as a result, as many as 100,000 property titles will continue to remain clouded until ANSAC completes its work. The Commission is charged with gathering evidence, holding hearings, and making final determinations regarding navigability of the 39,039 streams and rivers in Arizona as of February 14, 1912. The Colorado River is excluded from the Commission process based on established ownership by the federal government. Barring court mandates for further action, the Commission's work is presently scheduled to be completed by June 30, 2012.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Stream Adjudication	124.9	136.3	147.4	136.3
Agency Total	124.9	136.3	147.4	136.3
<i>Category</i>				
FTE	1.0	1.0	1.0	1.0
Personal Services	52.3	52.1	52.1	52.1
ERE Amount	26.4	26.2	26.2	26.2
Prof. And Outside Services	26.0	34.8	45.9	34.8
Travel - In State	0.0	0.0	0.0	0.0
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	16.7	23.2	23.2	23.2
Equipment	3.5	0.0	0.0	0.0
Agency Total	124.9	136.3	147.4	136.3
<i>Fund</i>				
General Fund	124.9	136.3	147.4	136.3
Agency Total	124.9	136.3	147.4	136.3

Recent Budget Activity/Perspective

The Arizona Navigable Stream Commission has experienced appropriation reductions of (\$131,500) from FY 2007 to the enacted FY 2010 budget. These reductions have hindered the ability of the Commission's to pay legal fees associated with ongoing appeals

Recent Budget Activity/Perspective

regarding the navigability of the state's major rivers.

In FY 2007, the agency had it's appropriation reduced by (\$87,800) upon the completion of several major navigability studies. However, in light of the potential for budget cuts in FY 2008, the Commission received a one time supplemental appropriation of \$200,800.

In FY 2009, the agency retained \$800 in appropriation authority from the FY 2008 supplemental. Subsequent to this, the Commission has absorbed additional reductions of (\$20,700) in FY 2009 and (\$23,800) in FY 2010.

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of Arizona rivers and streams adjudicated	5	0	7	1
Number of hearings under 2001/current statutes	0	0	0	0
Cost per hearing to study watercourses (in thousands of dollars)	0	0	0	0
Customer satisfaction rating for hearing attendees (scale 1-8)	7.5	0	7.5	7.5
Number of final reports approved by Commission	5	4	11	12

Administrative Costs

	FY 2011
Administrative Costs	16.0
Agency Request	181.0
Administrative Cost Percentage	8.84%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

State Board of Nursing

Mission:

To protect the public health, safety, and welfare through the safe and competent practice of nurses and nursing assistants.

Description:

The State Board of Nursing protects the public by assuring that standards of practice are defined and that persons engaged in the practice of nursing are competent. It approves individuals for licensure, registration, and certification; approves educational programs for nurses and nursing assistants; investigates complaints concerning licensee and certificate holder compliance with the law; and determines and administers disciplinary actions in the event of proven violations of the Nurse Practice Act.

Agency Summary

<i>Program/Cost Center</i>	<i>FY 2009 Actual</i>	<i>FY 2010 Approp.</i>	<i>FY 2011 Agency Req.</i>	<i>FY 2011 Exec. Rec.</i>
Nursing Assistant	97.5	0.0	0.0	0.0
Licensing and Regulation - RN/LPN	3,943.2	4,153.9	4,153.9	4,153.9
Agency Total	4,040.7	4,153.9	4,153.9	4,153.9
<i>Category</i>				
FTE	43.5	42.3	42.3	42.3
Personal Services	2,187.8	2,076.2	2,076.2	2,076.2
ERE Amount	732.9	909.0	909.0	909.0
Prof. And Outside Services	468.5	460.3	460.3	460.3
Travel - In State	9.0	10.0	10.0	10.0
Travel - Out of State	7.2	8.0	8.0	8.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	485.0	566.4	566.4	566.4
Equipment	132.3	100.0	100.0	100.0
Transfers Out	18.0	24.0	24.0	24.0
Agency Total	4,040.7	4,153.9	4,153.9	4,153.9
<i>Fund</i>				
General Fund	97.5	0.0	0.0	0.0
Nursing Board	3,943.2	4,153.9	4,153.9	4,153.9
Agency Total	4,040.7	4,153.9	4,153.9	4,153.9

Recent Budget Activity/Perspective

In FY 2008, the Board of Nursing received one-time appropriations from the Nursing Board Fund to improve their IT capabilities and equipment. Included were \$161,000 for an electronic document imaging system, \$40,000 and 1.0 FTE programmer position, \$16,000 for laptop replacement, and other miscellaneous improvements.

In FY 2009, \$1.0 million of the Nursing Board Fund was transferred to the General Fund. Additionally, the General Fund appropriation for Certified Nursing Assistant (CNA) fingerprinting was reduced from \$167,300 to \$97,600. This reduction forced the agency to absorb the costs for CNA fingerprinting because the state still requires that CNAs be fingerprinted before receiving licensure.

Recent Budget Activity/Perspective

In FY 2010, the Board received a \$300,000 appropriation from the General Fund to alleviate cash flow problems due to the FY 2009 fund transfer. As a result of this fund transfer, the Board of Nursing is one of the plaintiffs in the as yet unresolved lawsuit AZ Chiropractic Physicians et. al. v Brewer, claiming fund transfers in Laws 2008, Chapter 6, Section 2, are unconstitutional.

Performance Measures

	<u>FY 2008 Actual</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Expected</u>	<u>FY 2011 Expected</u>
Total licensees Registered Nurses and Licensed Practical Nurses	78,948	80,552	81,500	82,500
Total complaints received	875	920	950	975
Total individuals certified as nursing assistants	21,903	24,280	24,500	24,500
Average calendar days from receipt of complaint to resolution	206	236	230	230

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	519.6
Agency Request	4,717.0
Administrative Cost Percentage	11.02%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Nursing Care Ins. Admin. Examiners

Mission:

To protect the health, welfare, and safety of Arizona citizens who seek and use the services of nursing care institution administrators and assisted living facility managers.

Description:

The Board evaluates applications from individuals seeking nursing home administrator licenses and assisted living facility manager certificates. The Board investigates the credentials and backgrounds of applicants, conducts examinations, and processes the applications. The Board also evaluates and processes applications for renewal of administrator licenses and manager certificates. Both administrators and managers are required by law to meet continuing education requirements. The Board approves continuing education programs and ensures that the requirements are met. The Board investigates complaints against administrators and managers received from citizens or the Department of Health Services. The Board imposes appropriate disciplinary action and enforces compliance with such discipline. The Board provides information to the public concerning applicants, licensees and certificate holders, and regulatory actions taken. All of these Board functions are accomplished through a fee-financed program of examination, licensure, and regulation.

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of complaint and application investigations conducted	144	148	155	160
Number of new and existing licenses	3,045	3203	3330	3440
Average calendar days to renew a license	2	3	4	4
Customer satisfaction (scale of 1-8)	7.8	7.7	7.0	7.0
➤ <i>In FY 2006, a survey of customer satisfaction was not conducted.</i>				
Administration as percent of total cost	4.3	4.3	4.2	4.2

Administrative Costs

	FY 2011
Administrative Costs	16.0
Agency Request	378.0
Administrative Cost Percentage	4.23%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Agency Summary

Program/Cost Center	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	275.3	379.6	379.6	379.6
Agency Total	275.3	379.6	379.6	379.6
<i>Category</i>				
FTE	5.0	5.0	5.0	5.0
Personal Services	168.1	218.7	218.7	218.7
ERE Amount	65.7	67.7	67.7	67.7
Prof. And Outside Services	14.4	24.4	24.4	24.4
Travel - In State	6.2	6.3	6.3	6.3
Travel - Out of State	1.6	3.0	3.0	3.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	19.3	58.5	58.5	58.5
Equipment	0.1	1.0	1.0	1.0
Transfers Out	(0.1)	0.0	0.0	0.0
Agency Total	275.3	379.6	379.6	379.6
<i>Fund</i>				
Nursing Care Institution Administrators/ACHMC	275.3	379.6	379.6	379.6
Agency Total	275.3	379.6	379.6	379.6

Recent Budget Activity/Perspective

In FY 2008, the agency received a \$27,400 increase to its NCIA/ALFM fund, and another \$20,100 increase for FY 2009. The only other activity above the baseline for this agency was the statewide health insurance adjustment in FY 2010, which was \$1,900 for the Nursing Care Institution Administrators Board.

Board of Occupational Therapy Examiners

FY 2011

Mission:

To protect the health, safety, and welfare of the public by licensing and regulating individuals who provide occupational therapy services or athletic training.

Description:

The Board of Occupational Therapy Examiners is a regulatory board, which issues and renews approximately 2,347 licenses for the occupational therapy profession. The Board of Athletic Training is a regulatory board, which issues and renews approximately 565 licenses for the athletic training profession. By law, the Boards require that each applicant meet minimum standards of education, experience, and competency. The Board also receives and investigates complaints, takes appropriate disciplinary action, and responds to inquires from consumers as to the license status of individual occupational therapy professionals and athletic trainers.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	146.1	140.6	150.8	150.8
Athletic Trainers Licensing and Regulation	63.0	105.9	116.1	116.1
Agency Total	209.1	246.5	266.9	266.9
Category				
FTE	3.0	3.0	3.0	3.0
Personal Services	107.7	159.9	159.9	159.9
ERE Amount	37.2	43.8	43.8	43.8
Prof. And Outside Services	11.9	9.4	9.4	9.4
Travel - In State	1.7	2.2	2.2	2.2
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	37.5	31.2	51.6	51.6
Equipment	13.1	0.0	0.0	0.0
Agency Total	209.1	246.5	266.9	266.9
Fund				
Occupational Therapy Fund	209.1	246.5	266.9	266.9
Agency Total	209.1	246.5	266.9	266.9

Recent Budget Activity/Perspective

The agency transferred \$241,700 from the Occupational Therapy Fund to the General Fund in FY 2009. Revenues for the Fund are 90% of the fees, fines and other monies received by the Board, and are used to support the operation of the agency. The fund transfer left a balance of \$278,500 to carry forward to FY 2010.

The Arizona Occupational Therapy Association is a Plaintiff in the case Arizona Assoc. of Chiropractic Phys. v. Brewer, which was filed as a result of this and other fund transfers in FY 2009.

Executive Recommendations

FY 2011

Baseline Adjustments

Rent	20.4
The Executive recommends an increase of \$20,400 to fund rent of safe and adequate space for the Board of Occupational Therapy Examiners and the Board of Athletic Training for FY 2011.	
Occupational Therapy Fund	20.4

FY 2010 Supplemental Recommendations

	FY 2010
Rent	9.7
The Occupational Therapy Board and the Board of Athletic Training request a supplemental appropriation of \$9,700 to cover moving expenses and increased rent for the remainder of FY 2010.	
Occupational Therapy Fund	9.7
Furniture	7.3
The Occupational Therapy Board and the Board of Athletic Training request a supplemental appropriation of \$7,300 to cover the cost of furnishing a shared board room.	
Occupational Therapy Fund	7.3

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of occupational therapy complaints received	13	13	17	17
Number of individuals licensed as occupational therapists	2,247	2,347	2,416	2,515
Number of athletic training licenses issued	67	123	130	140
Number of athletic training complaints received	3	9	7	6

Administrative Costs

	FY 2011
Administrative Costs	4.0
Agency Request	245.0
Administrative Cost Percentage	1.63%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

State Board of Dispensing Opticians

FY 2011

Mission:

To protect the visual health of the citizens of Arizona by regulating and maintaining standards of practice in the field of opticianry.

Description:

The Board of Dispensing Opticians examines and licenses professionals to practice in the field of opticianry and licenses optical establishments. This Board is distinguished from the Board of Optometry, which regulates optometrists, whereas dispensing opticians fill orders for and fit persons with corrective eyewear. The Board of Dispensing Opticians accepts complaints against licensees, investigates allegations, and administratively adjudicates complaints. The Board serves 725 opticians and 321 optical establishments licensed to practice in the state, as well as all Arizona citizens who receive these professional services.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	128.7	125.2	125.2	129.4
Agency Total	128.7	125.2	125.2	129.4
<i>Category</i>				
FTE	1.0	1.0	1.0	1.0
Personal Services	59.4	60.2	60.2	60.2
ERE Amount	22.4	23.4	23.4	23.4
Prof. And Outside Services	29.6	23.3	23.3	24.5
Travel - In State	9.6	5.7	5.7	8.7
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	5.6	12.6	12.6	12.6
Equipment	2.1	0.0	0.0	0.0
Agency Total	128.7	125.2	125.2	129.4
<i>Fund</i>				
Dispensing Opticians Board	128.7	125.2	125.2	129.4
Agency Total	128.7	125.2	125.2	129.4

Recent Budget Activity/Perspective

The appropriation for the Board of Dispensing Opticians in FY 2007 was \$110,100. It increased to \$127,400 in FY 2008. Its appropriation decreased to \$124,300 in FY 2009. In FY 2010, the Board's appropriation was \$125,200. All appropriations for this agency come from the Dispensing Opticians Board Fund.

Executive Recommendations

FY 2011

Other Adjustments

Establishment Inspections 3.0

Up until 2005, the Board of Dispensing Opticians saw a net average increase of 5 licenses annually. Since 2005, the Board has seen a net average increase of approximately 30 licenses annually. The Board has also seen a large number of applications of licensure for establishments.

The Executive recommendation provides \$3,000 for an increased number of inspections.

Dispensing Opticians Board Fund 3.0

Joint Office Costs increase 1.2

The Executive recommends \$1,200 from the Dispensing Opticians Board Fund for increased office costs charged by the State Boards Office.

Dispensing Opticians Board Fund 1.2

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Optician licenses issued	70	69	70	70
Establishment renewal applications processed	207	338	365	365
➤ establishments are renewed June 30 so total carries over to next fiscal year				
Complaints about licensees received and investigated	13	17	10	10
Number of days from receipt of complaint until completion	69	40	80	80
➤ number of days is average of all complaints				

Administrative Costs

	FY 2011
Administrative Costs	6.5
Agency Request	130.0
Administrative Cost Percentage	5.00%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

State Board of Optometry

Mission:

To protect the health, safety, and welfare of Arizona citizens by regulating and achieving the highest standards in the optometry profession.

Description:

The Arizona State Board of Optometry examines, licenses, and regulates the profession of Optometric Doctors (O.D.). In addition, the Board registers out-of-state replacement contact lens dispensers. The Board investigates complaints alleging violations of the Optometric Practice Act and takes administrative regulatory action when required. Currently there are approximately 988 professionals licensed to practice in the State.

Agency Summary				
Program/ Cost Center	FY 2009 <i>Actual</i>	FY 2010 <i>Approp.</i>	FY 2011 <i>Agency Req.</i>	FY 2011 <i>Exec. Rec.</i>
Licensing and Regulation	183.2	203.4	203.4	203.4
Agency Total	183.2	203.4	203.4	203.4
<i>Category</i>				
FTE	2.0	2.0	2.0	2.0
Personal Services	106.3	104.0	104.0	104.0
ERE Amount	36.7	37.0	37.0	37.0
Prof. And Outside Services	22.7	32.0	32.0	32.0
Travel - In State	0.1	1.0	1.0	1.0
Travel - Out of State	2.1	5.0	5.0	5.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	15.3	24.4	24.4	24.4
Equipment	0.0	0.0	0.0	0.0
Agency Total	183.2	203.4	203.4	203.4
<i>Fund</i>				
Board of Optometry Fund	183.2	203.4	203.4	203.4
Agency Total	183.2	203.4	203.4	203.4

Recent Budget Activity/Perspective

The Board of Optometry received \$193,900 as an appropriation for FY 2007. This appropriation increased slightly to \$203,500 in FY 2008, as a result of standard adjustment increases. This was followed by a decrease in appropriation of (\$1,300) for FY 2009, leaving the agency with an appropriation of \$202,200 in FY 2009. The appropriation was increased for FY 2010 by \$900, for a total of \$203,400.

Performance Measures

	FY 2008 <i>Actual</i>	FY 2009 <i>Actual</i>	FY 2010 <i>Expected</i>	FY 2011 <i>Expected</i>
Active licensees	988	998	1020	1050
Total number of complaints received	57	29	45	45
Total number of disciplinary actions	0	0	3	3

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	8.0
Agency Request	202.0
Administrative Cost Percentage	3.96%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona Board of Osteopathic Examiners

Mission:

To protect the public health and safety of people in the State of Arizona through the regulation of physicians licensed to practice osteopathic medicine and surgery in the State.

Description:

The Board of Osteopathic Examiners licenses and regulates osteopathic physicians in the State of Arizona, which is distinguished from allopathic medicine in that it focuses on preventive care with a special emphasis on the musculo-skeletal system. The system of hands-on techniques helps alleviate pain, restores motion, supports the body's natural functions and influences the body's structure to help it function more efficiently. There are approximately 2,200 licensed osteopathic doctors in Arizona. The Board is comprised of five doctors and two members of the public, which are all appointed by the Governor to five-year terms. The Board is responsible for the licensure and regulation of members of the Osteopathic medical community, the enforcement of standards of practice, and the review and adjudication of complaints.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	591.2	702.0	702.0	715.5
Agency Total	591.2	702.0	702.0	715.5
<i>Category</i>				
FTE	6.7	6.7	6.7	6.7
Personal Services	326.0	352.2	352.2	352.2
ERE Amount	89.0	110.9	110.9	110.9
Prof. And Outside Services	20.1	78.5	78.5	92.0
Travel - In State	0.0	1.0	1.0	1.0
Travel - Out of State	2.3	3.0	3.0	3.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	93.3	119.6	119.6	119.6
Equipment	60.5	36.8	36.8	36.8
Agency Total	591.2	702.0	702.0	715.5
<i>Fund</i>				
Osteopathic Examiners Board	591.2	702.0	702.0	715.5
Agency Total	591.2	702.0	702.0	715.5

Recent Budget Activity/Perspective

The Board of Osteopathic Examiners receives all of its funding from the Osteopathic Examiners Board Fund. It was appropriated \$655,900 in FY 2007. The appropriation for FY 2008 increased to \$692,100 due to increases for compliance personnel, IT improvements, as well as other standard adjustments. The Osteopathic Examiners Board Fund endured a fund transfer of \$250,000 in FY 2008 as well. The appropriation increased slightly in FY 2009 to 698,700. The Board's appropriation in FY 2010 increased by \$3,300, to \$702,000.

Executive Recommendations

FY 2011

Other Adjustments

Administrative Hearing Services 6.0

The Executive recommends \$6,000 from the Osteopathic Examiners Board Fund for hearings at the Office of Administrative Hearings. The request will allow the agency to pay for approximately three days of hearings.

Osteopathic Examiners Board Fund 6.0

Rules writing 7.5

The agency has not completed the rule writing that was set out in the 5 Year Review of its rules that was done in 2004. Another 5 Year Review is due in November 2009 and will point out again where the Board's rules do not align with statute or with national best practices. The Executive recommends a one-time appropriation for the Board to rewrite its rules, should the current moratorium be lifted.

Osteopathic Examiners Board Fund 7.5

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Administration as percent of total cost	0	20	20	20
Customer satisfaction rating (1-8)	7.1	7.0	7.0	7.0
Average days to issue new license	51	42	43	40
Number of new and existing licenses	2,262	2399	2,350	2,432
Complaints investigated	191	172	225	225
Average calendar days to resolve a complaint	360	351	200	180

Administrative Costs

	FY 2011
Administrative Costs	118.0
Agency Request	1,199.0
Administrative Cost Percentage	9.84%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

State Parks Board

Mission:

To manage and conserve Arizona's natural, cultural, and recreational resources for the benefit of the people, both in our parks and through our partners.

Description:

Under the direction of the Arizona State Parks Board, the agency develops and manages thirty State parks and natural areas and provides safe and enjoyable facilities and programs for over two million visitors annually. The Board also, upon recommendation of several advisory committees, provides approximately \$40.0 million in financial incentives annually to government and nongovernment entities through eight different grant programs. Through the State Historic Preservation Office, the Agency preserves Arizona's prehistoric and historic resources. The Agency also coordinates two Recreational Trails programs, one for motorized and one for non-motorized trail activities. The Agency coordinates statewide resource planning, public involvement and educational opportunities through partnerships for public purposes. State Parks is comprised of the Director's Office and three divisions: Parks, Partnerships, and Administration.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Park Development and Operation	10,816.8	8,079.8	8,751.1	8,503.7
Partnerships and Grants	22,125.6	21,092.7	21,092.7	1,092.7
Administration	1,738.9	206.4	206.4	206.4
Agency Total	34,681.3	29,378.9	30,050.2	9,802.8
<i>Category</i>				
FTE	238.3	146.0	146.0	146.0
Personal Services	6,488.6	3,828.3	4,377.3	4,377.3
ERE Amount	3,638.2	1,826.2	1,948.5	1,948.5
Prof. And Outside Services	43.3	149.6	149.6	52.4
Travel - In State	49.9	60.6	60.6	60.6
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	1,863.8	1,092.7	1,092.7	1,092.7
Other Operating Expenses	2,009.4	2,321.5	2,321.5	2,171.3
Equipment	50.1	100.0	100.0	100.0
Transfers Out	20,538.0	20,000.0	20,000.0	0.0
Agency Total	34,681.3	29,378.9	30,050.2	9,802.8
<i>Fund</i>				
General Fund	23,610.0	20,000.0	20,000.0	0.0
Reservation Surcharge Revolving Fund	248.1	455.0	455.0	207.6
Boating Safety Fund	1,863.8	1,092.7	1,092.7	1,092.7
State Parks Enhancement	8,959.4	7,831.2	8,502.5	8,502.5
Agency Total	34,681.3	29,378.9	30,050.2	9,802.8

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Arizona Trail	125.0	0.0	0.0	0.0
SLI Growing Smarter	20,000.0	20,000.0	20,000.0	20,000.0

Recent Budget Activity/Perspective

Recent Budget Activity/Perspective

The State Parks Board has absorbed appropriation reductions of (\$1.1 million) and (\$6.1 million) in fund transfers from FY 2008 to the enacted FY 2010 budget. This includes the entire amount of General Fund the agency receives that is not voter-protected. These adjustments have caused state parks throughout Arizona to close or offer reduced hours of visitation. They have also forced the Board to adopt higher admission fees statewide, and propose new sources of revenue beyond tax dollars.

A mid-year budget adjustment in FY 2008 reduced the agency's appropriations (\$345,000) and \$5.6 million in fund transfers.

In FY 2009, the agency had its appropriation reduced by (\$5.2 million) while losing \$18.8 million in fund transfers. This was partially offset by a new appropriation of \$2.4 million from the agency's other appropriated funds.

All General Fund used for operations was eliminated in FY 2010, as part of a total reduction in appropriation of (\$4.25 million) and \$10.9 million in transfers.

Executive Recommendations

FY 2011

Other Adjustments

5th Special Session Reductions, Restoration	671.3
The Executive recommends restoring in part reductions enacted during Laws 2009, Fifth Special Session, Chapter 1.	
State Parks Enhancement Fund	671.3

Solutions to Budget

Reservation Surcharge Appropriation Adjustment	(247.4)
The Executive recommends a decrease of (\$247,400) in appropriation from the Reservation Surcharge Fund to align with lower revenues.	
Reservation Surcharge Revolving Fund	(247.4)
Growing Smarter Reform	(20,000.0)
The Executive supports reform of the Growing Smarter Act. To advance this goal, the Executive recommends a reduction of (\$20 million) in FY 2011 from the General Fund that would be deposited into the Land Conservation Fund.	
General Fund	(20,000.0)

Performance Measures

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Percentage of employee turnover	17.9	15.8	15	15
Annual park attendance (in thousands)	2,348.3	2,378.6	2,450	2,500
Percent of park visitors that are satisfied	97	97	95	95
Number of new acres of open space and parkland space purchased by State Parks or facilitated through its grant programs	1,815	1,276.9	2,000	2,000
Average cost per state park visitor (in dollars)	0.98	0.73	1.20	1.20

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	3,453.1
Agency Request	110,444.0
Administrative Cost Percentage	3.13%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Personnel Board

Mission:

To provide an efficient and impartial hearing process while carrying out the Board's statutory mandate to hear and review disciplinary appeals and whistleblower complaints filed by state employees, former state employees, and other individuals referenced in statute.

Description:

The Personnel Board is responsible for hearing and reviewing, via an administrative hearing process, appeals filed by state employees who have been dismissed from state service, suspended for more than 40 working hours, or demoted resulting from disciplinary action. The Board also hears and reviews complaints filed under the whistleblower statute. Under the direction of the presiding hearing officer, the proceedings are conducted on an informal basis through the taking of direct testimony, the cross examination of witnesses, and the admission of evidence. A record of the proceedings is taken and made available, upon request, to hearing officers, board members, and parties to the appeal. The hearing officer determines the facts based on the evidence presented and makes a recommendation regarding discipline to the Board. Board members are subsequently provided with case information so they may determine proper discipline.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Appeals/Complaints	328.0	329.1	379.1	377.6
Agency Total	328.0	329.1	379.1	377.6
<i>Category</i>				
FTE	3.0	3.0	3.0	3.0
Personal Services	103.0	103.6	103.6	103.6
ERE Amount	40.9	44.2	44.2	44.2
Prof. And Outside Services	141.1	139.5	189.5	188.0
Travel - In State	0.6	1.0	1.0	1.0
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	42.2	40.8	40.8	40.8
Equipment	0.2	0.0	0.0	0.0
Agency Total	328.0	329.1	379.1	377.6
<i>Fund</i>				
General Fund	328.0	0.0	0.0	0.0
Personnel Division Fund	0.0	329.1	379.1	377.6
Agency Total	328.0	329.1	379.1	377.6

Recent Budget Activity/Perspective

From FY 2007 to the beginning of FY 2009, the Personnel Board's budget increased from \$358,100 to \$372,400 with statewide adjustments being offset only slightly by small Hiring Freeze reductions. Mid-FY 2009, however, the Board's budget was cut by (\$43,300), or (11.6%). To manage the reduction, the Board had to rely on volunteer hearing officers for the last four months of FY 2009.

Recent Budget Activity/Perspective

For FY 2010, the Personnel Board was moved from the General Fund to self-funding—relying on a .03% pro rata charge. However, the Personnel Board was not given access to this funding stream until late November. With no funding for the first five months of FY 2010, the Personnel Board was able to arrange an ISA with the Department of Administration to temporarily cover the most basic expenses. Except for one long-delayed case, the Board has continued to rely on volunteer hearing officers through the first half of FY 2010.

Executive Recommendations

FY 2011

Other Adjustments

Hearing Officer Services	48.5
Due to FY 2009 and FY 2010 budget reductions and funding changes, the Personnel Board has relied on volunteer hearing officers for nearly a year. In order to meet the expected caseload for FY 2011 and avoid additional backlogs, the Executive recommends a \$48,500 increase from the Personnel Board Fund for contract hearing officers as needed.	
Personnel Division Fund	48.5

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of appeals/complaints filed	76	78	85	85
Average days from receipt of an appeal/complaint until the board issues a final order	113	122	115	115
Average cost of an appeal/complaint (dollars)	1,216	1,200	1,500	1,500
Percent of customers rating overall hearing process as good to excellent	90	79	90	90

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	30.3
Agency Request	422.0
Administrative Cost Percentage	7.18%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Office of Pest Management

FY 2011

Mission:

To advocate and promote, through education, training and enforcement, the safe application of pest control technologies, which will result in the maximization of the health and safety of the residents of Arizona, and the protection of their property and the environment.

Description:

The Office of Pest Management (OPM) licenses and regulates pest control companies, qualifying parties, and applicators; provides education and training to applicants and licensees; and provides education and information to the public regarding pest control activities in non-agricultural settings.

Program/ Cost Center	Agency Summary			
	FY 2009 <i>Actual</i>	FY 2010 <i>Approp.</i>	FY 2011 <i>Agency Req.</i>	FY 2011 <i>Exec. Rec.</i>
Licensing and Regulation	2,228.1	2,663.2	2,663.2	2,669.8
Agency Total	2,228.1	2,663.2	2,663.2	2,669.8
<i>Category</i>				
FTE	34.0	33.0	33.0	33.0
Personal Services	1,168.2	1,376.9	1,376.9	1,376.9
ERE Amount	505.2	630.0	630.0	630.0
Prof. And Outside Services	57.2	87.0	87.0	87.1
Travel - In State	101.6	100.0	100.0	99.9
Travel - Out of State	2.2	5.0	5.0	5.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	327.4	390.3	390.3	396.9
Equipment	62.6	70.0	70.0	70.0
Transfers Out	3.7	4.0	4.0	4.0
Agency Total	2,228.1	2,663.2	2,663.2	2,669.8
<i>Fund</i>				
Structural Pest Control	2,228.1	2,663.2	2,663.2	2,669.8
Agency Total	2,228.1	2,663.2	2,663.2	2,669.8

Recent Budget Activity/Perspective

In FY 2007 the agency was appropriated \$2.3 million. The agency received an overhaul in FY 2008 adding a Northern Arizona Office, additional accounting, attorney, IT and consulting funding, as well as equipment upgrades. The FY 2008 appropriation grew to \$2.9 million. Elimination of one-time funding; statewide adjustments; and additional monies for attorney and accounting services changed the FY 2009 baseline to \$2.8 million. The agency began having cash flow problems after a \$554,900 fund transfer. The agencies expenditures fell below their appropriation by 15%. An appropriation adjustment of \$130,300 was made in FY 2010 to account for falling revenues creating an appropriation level of \$2.7 million. The agency is expected to expend 15% below appropriation again in FY 2010.

Executive Recommendations

FY 2011

Baseline Adjustments

COP Rent Increase	6.6
The Executive recommendation provides for the agency's increased COP payment in FY 2011.	
Structural Pest Control Fund	6.6

Other Adjustments

Continue Fee Changes	0.0
The Executive recommends a continuation of the fee changes provided in Laws 2009, Chapter 3, Fourth Special Session.	
Structural Pest Control Fund	0.0

FY 2010 Supplemental Recommendations

Expenditure Adjustment	<u>FY 2010</u> (364.9)
The Executive recommends adjusting expenditures to align with the agencies plan to manage within current revenues.	
Structural Pest Control Fund	(364.9)

Performance Measures

	FY 2008 <i>Actual</i>	FY 2009 <i>Actual</i>	FY 2010 <i>Expected</i>	FY 2011 <i>Expected</i>
Total inspections conducted (use and non-use).	5,485	6,380	3,600	3,800
Average calendar days from receipt of completed application to ruling on application for Applicator testing.	20	1	15	15
Total of all licenses issued.	9,864	9,616	9,500	9,500
Total consumer and agency generated complaints.	33	51	50	50
Average calendar days from receipt of complaint to resolution	216	124	220	220

Administrative Costs

Administrative Costs	<u>FY 2011</u> 172.2
Agency Request	2,751.0
Administrative Cost Percentage	6.26%
The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.	

The Executive recommends a lump-sum appropriation to the agency.

Arizona State Board of Pharmacy

Mission:

To protect the health, safety and welfare of the citizens of Arizona by regulating the practice of pharmacy and the distribution, sale and storage of prescription medications and devices and non-prescription medications.

Description:

The Board of Pharmacy has four primary functions. The first is to issue licenses to pharmacists, pharmacy interns and pharmacy technicians. Additionally, it is responsible for issuing permits to pharmacies, manufacturers, wholesalers and distributors. The Board also conducts compliance inspections of permitted facilities, and investigates complaints and adjudicates violations of applicable state and federal laws and rules. Lastly, the agency promulgates and reviews state rules and regulations in regard to the industry.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	1,617.0	1,931.4	2,131.4	1,931.4
Agency Total	1,617.0	1,931.4	2,131.4	1,931.4
<i>Category</i>				
FTE	13.0	14.0	14.0	14.0
Personal Services	964.9	976.5	976.5	976.5
ERE Amount	295.5	296.0	296.0	296.0
Prof. And Outside Services	110.3	204.7	204.7	204.7
Travel - In State	38.4	25.0	25.0	25.0
Travel - Out of State	0.5	1.0	1.0	1.0
Aid to Others	69.5	93.6	93.6	93.6
Other Operating Expenses	137.0	334.6	534.6	334.6
Equipment	0.9	0.0	0.0	0.0
Agency Total	1,617.0	1,931.4	2,131.4	1,931.4
<i>Fund</i>				
Pharmacy Board	1,617.0	1,931.4	2,131.4	1,931.4
Agency Total	1,617.0	1,931.4	2,131.4	1,931.4

Recent Budget Activity/Perspective

The appropriation for the Board of Pharmacy was \$1.6 million in FY 2007. The Board's appropriation increased to \$2.5 million in FY 2008 due to increases for a Compliance Officer Position, salary increases, substance abuse program, University of Arizona's School of Pharmacy, and for an Intergovernmental Agreement with the Attorney General's Office. The Board's appropriation decreased in FY 2009, albeit slightly. During FY 2008, the Board also had \$2.5 million transferred from the Pharmacy Board Fund. In FY 2009, the Board's appropriation decreased to \$1.9 million. In FY 2010, the Board's appropriation is \$1.9 million.

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Total number of complaints received	163	93	100	100
Total number of inspections conducted	2,866	2,197	2,662	2,700
Total number licenses/renewals issued	17,122	17,946	19,000	20,000
➤ Total number licenses/renewals issued in FY				

Administrative Costs

	FY 2011
Administrative Costs	100.0
Agency Request	2,099.0
Administrative Cost Percentage	4.76%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a modified lump-sum appropriation to the agency.

Board of Physical Therapy Examiners

Mission:

To process applications for licensure as a physical therapist and certification as a physical therapist assistant, and to enforce the statutory provisions of the Arizona Physical Therapy Practice Act for purposes of protecting the health, safety and welfare of the public from the incompetent, unethical and/or illegal practice of physical therapy.

Description:

The State Board of Physical Therapy licenses qualified physical therapists and certifies qualified physical therapist assistants, investigates and adjudicates complaints, assesses continuing competence, and enforces the standards of practice for the physical therapy profession. The Board regulates approximately 4,000 professionals licensed and certified to practice in the State. The Board serves all citizens of and visitors to the state who receive physical therapy care by an Arizona licensed physical therapist or a certified physical therapist assistant.

Agency Summary

Program/ Cost Center	FY 2009	FY 2010	FY 2011	FY 2011
	Actual	Approp.	Agency Req.	Exec. Rec.
Licensing and Regulation	334.5	362.0	362.0	362.0
Agency Total	334.5	362.0	362.0	362.0

Category

FTE	3.6	3.6	3.6	3.6
Personal Services	188.5	162.7	162.7	162.7
ERE Amount	50.9	74.3	74.3	74.3
Prof. And Outside Services	40.9	53.0	53.0	53.0
Travel - In State	7.1	6.9	6.9	6.9
Travel - Out of State	0.0	0.9	0.9	0.9
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	45.4	57.1	57.1	57.1
Equipment	0.3	4.1	4.1	4.1
Transfers Out	1.4	3.0	3.0	3.0
Agency Total	334.5	362.0	362.0	362.0

Fund

Physical Therapy Fund	334.5	362.0	362.0	362.0
Agency Total	334.5	362.0	362.0	362.0

Recent Budget Activity/Perspective

The agency transferred \$100,000 from the Board of Physical Therapy Fund to the General Fund in FY 2008.

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Number of licenses/certificates renewed	11	3447	25	3700
➤ <i>FY 20010 estimate reflects renewals processed during a non-renewal year Renewals will begin in late June early August of 2010.</i>				
Total number of complaints received	47	50	65	70
➤ <i>Total number of complaints received.</i>				
Number of new licenses or certificates issued	303	423	310	310
➤ <i>Number of new licenses and certificates issued</i>				

Administrative Costs

	FY 2011
Administrative Costs	29.8
Agency Request	360.0
Administrative Cost Percentage	8.28%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona Pioneers' Home

Mission:

To provide a home for Arizona pioneers and disabled miners that delivers the optimal physical, emotional, and spiritual care in a homelike and compassionate environment. Quality of care is provided in a professional manner, protecting dignity and honoring the personal directives of each resident in life as well as death while considering the uniqueness of each individual.

Description:

The Arizona Pioneers' Home was established in 1909 by the Territorial government of Arizona as a home for the aged and infirm to repay the faithful and longtime Arizona residents who helped pioneer and build the state. It opened its doors in 1911. In 1929, the scope of the home was broadened to also be Arizona's hospital for disabled miners. The Arizona Pioneers' Home is a continuing care retirement home presently serving 120 Arizona pioneers and disabled miners. The Pioneers' Home employees provide direct nursing care, food service, activities, social services, housekeeping, laundry, maintenance, business and administrative services and support to the residents, and strive to meet state and federal nursing facility standards through modeling best practices. The Home is surveyed each year by the Arizona Department of Health Service's Office of Long Term Care.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Arizona Pioneers' Home	6,067.3	6,723.3	6,723.3	6,723.3
Agency Total	6,067.3	6,723.3	6,723.3	6,723.3
<i>Category</i>				
FTE	115.8	115.8	115.8	115.8
Personal Services	3,398.7	3,600.0	3,600.0	3,600.0
ERE Amount	1,651.7	1,874.3	1,874.3	1,874.3
Prof. And Outside Services	90.2	140.5	140.5	140.5
Travel - In State	21.9	25.0	25.0	25.0
Travel - Out of State	0.0	0.0	0.0	0.0
Food	190.5	212.0	212.0	212.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	677.2	846.5	846.5	846.5
Equipment	25.1	25.0	25.0	25.0
Transfers Out	12.0	0.0	0.0	0.0
Agency Total	6,067.3	6,723.3	6,723.3	6,723.3
<i>Fund</i>				
General Fund	0.0	0.0	0.0	2,195.3
Pioneers' Home State Charitable Earnings	3,423.7	3,725.0	3,725.0	2,160.0
Pioneers' Home Miners' Hospital	2,643.6	2,998.3	2,998.3	2,368.0
Agency Total	6,067.3	6,723.3	6,723.3	6,723.3

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI	FY 2009	FY 2010	FY 2011	FY 2011
SLI Prescription Drugs	168.5	240.0	240.0	240.0

Recent Budget Activity/Perspective

In FY 2008, the Pioneers' Home had an appropriation for \$1.3

Recent Budget Activity/Perspective

million for use in operations. In FY 2009, the Pioneers' Home began the fiscal year with a General Fund appropriation of \$1.3 million, decreased by (\$20,900) from FY 2008. During the mid-year budget reductions in FY 2009, the agency's General Fund appropriation was reduced by (\$63,000).

In FY 2009, the Pioneers' Home's General Fund appropriation was reduced by (\$1.2 million) to \$24,000. These expenditures were shifted to the Miners' Hospital Fund in the form of an increased appropriation for the same amount. During the budgetary reductions in January 2009, the Pioneers' Home General Fund appropriation was reduced by (\$24,000) and thereby eliminated completely.

Executive Recommendations

FY 2011

Baseline Adjustments

Backfill Land Trust Funds Shortfall 0.0

The Executive recommends a \$2.2 million General Fund appropriation to the Arizona Pioneers' Home. This appropriation is necessary due to the fact that neither the Charitable Land Earnings Fund nor the Miners Hospital Land Endowment Fund received interest distributions from the Treasurer in FY 2010 with none projected to be received in FY 2011. The Pioneers' Home appropriation from the State Charitable Trust Fund must be reduced by (\$1.6 million), and the Pioneers' Home appropriation from the Miners' Hospital Fund must be reduced by (\$630,300).

General Fund	2,195.3
Pioneers' Home State Charitable Earnings Fund	(1,565.0)
Pioneers' Home Miners' Hospital Fund	(630.3)

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Residents rating of good or excellent (percent)	97	95	97	97
Average census	123	116	120	125
Number of citations from inspections	2	12	5	5
Monthly cost per resident (in dollars)	4,196	4,290	4,636	4,453

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	365.6
Agency Request	6,764.0
Administrative Cost Percentage	5.41%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a modified lump-sum appropriation to the agency with special line items.

State Board of Podiatry Examiners

Mission:

To protect the health, safety, and welfare of the public by regulating and maintaining standards of practice in the field of podiatric medicine.

Description:

The Board licenses and regulates doctors of podiatric medicine, who specialize in the diagnosis and treatment of the foot, ankle, and lower leg. The Board evaluates the professional competency of podiatrists seeking to be licensed in the State of Arizona. Further, the Board promotes continued competency and fitness by investigating complaints made against practitioners, holding hearings, monitoring the activities of its licensees, and enforcing the standards of practice for the podiatric profession as set forth by law.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	133.6	144.5	144.5	144.5
Agency Total	133.6	144.5	144.5	144.5
<i>Category</i>				
FTE	1.0	1.0	1.0	1.0
Personal Services	68.2	68.2	68.2	68.2
ERE Amount	15.4	15.4	15.4	15.4
Prof. And Outside Services	34.4	35.9	35.9	35.9
Travel - In State	0.5	0.6	0.6	0.6
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	10.8	24.4	24.4	24.4
Equipment	1.7	0.0	0.0	0.0
Transfers Out	2.6	0.0	0.0	0.0
Agency Total	133.6	144.5	144.5	144.5
<i>Fund</i>				
Podiatry Examiners Board	133.6	144.5	144.5	144.5
Agency Total	133.6	144.5	144.5	144.5

Recent Budget Activity/Perspective

In FY 2007, the State Board of Podiatry Examiners received an appropriation of \$104,200 from the Podiatry Examiners Board Fund. In FY 2008, this was increased to \$144,300; however, the Board took a lump-sum reduction of (\$800.) In FY 2009, the Board received \$143,600, and for FY 2010, this was increased to \$144,500.

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of complaints received	55	56	70	70
Number of investigations concluded	48	45	50	50
Number of licensees	352	376	380	380

Administrative Costs

	FY 2011
Administrative Costs	6.6
Agency Request	144.0
Administrative Cost Percentage	4.58%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Commission for Postsecondary Education

Mission:

To expand access and increase success in postsecondary education for Arizona citizens.

Description:

The Arizona Commission for Postsecondary Education (ACPE), is comprised of 16 Commissioners representing all sectors of postsecondary education including public universities, private colleges, proprietary degree-granting institutions, independent colleges, career schools, and public community colleges. The Commission provides a forum for all sectors of higher education to dialogue, partner, and problem solve issues of mutual interest. ACPE administers the Arizona Family College Savings Program, and provides information to students and families to plan for, transition into, and succeed in postsecondary education through a variety of educational programs and publications.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Postsecondary Commission	7,474.4	7,896.8	11,274.5	5,075.6
Agency Total	7,474.4	7,896.8	11,274.5	5,075.6
<i>Category</i>				
FTE	11.0	11.0	11.0	5.0
Personal Services	352.5	510.8	510.8	331.6
ERE Amount	112.0	162.8	162.8	99.3
Prof. And Outside Services	466.6	570.1	595.1	230.7
Travel - In State	1.6	4.0	4.0	3.0
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	6,445.8	6,441.8	9,794.5	4,234.5
Other Operating Expenses	95.9	201.3	201.3	170.5
Equipment	0.0	6.0	6.0	6.0
Agency Total	7,474.4	7,896.8	11,274.5	5,075.6
<i>Fund</i>				
General Fund	4,302.3	4,042.0	7,419.7	1,220.8
Postsecondary Education Fund	3,172.1	3,854.8	3,854.8	3,854.8
Agency Total	7,474.4	7,896.8	11,274.5	5,075.6

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Family College Savings Program	118.3	153.0	153.0	153.0
SLI Minority Education Policy Analysis Center	32.1	100.4	100.4	100.4
SLI College and Career Guide	12.7	21.2	21.2	21.2
SLI College Goal Sunday (Twelve Plus Partnership)	118.1	130.9	130.9	130.9
SLI PPE Financial Assistance Program (PFAP)	331.6	323.9	798.9	0.0
SLI Leveraging Educational Assistance Partnership (LEAP)	3,933.8	4,264.5	4,264.5	4,264.5
SLI Postsecondary Education Grant Program	2,749.9	2,422.3	5,300.0	0.0
SLI Case Managers	0.0	75.0	100.0	0.0

Recent Budget Activity/Perspective

In FY 2009, the Postsecondary Education Grant (PEG) program was reduced (\$2.7 million) from its original FY 2008 appropriation. This reduction was continued in FY 2010, and an additional reduction of (\$227,700) was enacted in the 5th Special Session. With full funding, the Commission provided grants to 2,400 students in FY 2008. The number of grants provided declined to 1,400 in FY 2009, and the PEG program will serve only 683 students in FY 2010, while 1,700 eligible students remain on the waiting list.

In FY 2009, the Private Postsecondary Education Student Financial Assistance Program (PFAP) was reduced (\$400,000) from its original FY 2008 appropriation. This reduction was continued in FY 2010, and an additional reduction of (\$75,000) was enacted in the 5th Special Session. With full funding the PFAP could provide tuition vouchers for up to 360 students. In FY 2009, the Commission distributed 169 grants averaging \$1,692. In FY 2010 the PFAP will serve only 125 students.

The agency transferred \$3.0 million from the Early Graduation Scholarship Fund to the General Fund in FY 2009, and \$2.9 million in FY 2010 after funding for this program was suspended. The Early Graduation Scholarship Grant (EGSG) program served 266 students in FY 2009; however, remaining funds will provide grants for less than 500 of the more than 5,000 students currently eligible for the program.

The agency also transferred \$322,900 from the Postsecondary Education Voucher Fund to the General Fund in FY 2010. The balance of this fund, \$657,100, is also proposed for transfer to the General Fund.

Executive Recommendations

FY 2011

Solutions to Budget

Case Managers	(75.0)
The Executive recommends suspension of the Case Managers program for FY 2011.	
General Fund	(75.0)
Postsecondary Education Grant Program	(2,422.3)
The Executive recommends suspension of the Postsecondary Education Grant (PEG) Program for FY 2011.	
General Fund	(2,422.3)
Postsecondary Education Financial Assistance Program	(323.9)
The Executive recommends suspension of the Postsecondary Education Financial Assistance Program (PFAP) for FY 2011.	
General Fund	(323.9)

Performance Measures

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Number of LEAP student awardees	4,823	3,393	3,300	3,300
Percent of good or excellent service via evaluation surveys	91	90	90	90
Number of Arizona Education Loan Program student borrowers	196,944	218,226	255,674	301,360
Number of Postsecondary Education Financial Assistance Program student awards	50	169	120	120
Number of Arizona Family College Savings Program accounts	46,999	51,042	53,000	56,000
Number of Arizona College & Career Guides distributed	0	15,000	13,000	13,000
Attendees at College Goal Sunday	3,421	4,074	3,000	3,000

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	489.8
Agency Request	14,608.0
Administrative Cost Percentage	3.35%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation by program with special line items.

State Board for Private Postsecondary Education

Mission:

To protect the health, safety, and welfare of the public by regulating private postsecondary educational institutions and providing services to their students.

Description:

The Board licenses and regulates approximately 232 private postsecondary educational institutions, serving approximately 467,893 students annually. The Board acts on license applications, determines compliance, investigates complaints and violations, and takes disciplinary action. The Board also administers the Student Tuition Recovery Fund, which provides financial restitution to students injured by private postsecondary institutional closures and provides students access to their educational records.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	357.1	337.1	337.1	337.1
Agency Total	357.1	337.1	337.1	337.1
<i>Category</i>				
FTE	3.5	3.5	3.5	3.5
Personal Services	192.8	189.6	189.6	189.6
ERE Amount	79.8	69.7	69.7	69.7
Prof. And Outside Services	17.6	27.2	27.2	27.2
Travel - In State	1.2	2.0	2.0	2.0
Travel - Out of State	0.8	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	57.2	46.3	46.3	46.3
Equipment	7.7	5.8	5.8	5.8
Transfers Out	0.0	(3.5)	(3.5)	(3.5)
Agency Total	357.1	337.1	337.1	337.1
<i>Fund</i>				
Private Postsecondary Education	357.1	337.1	337.1	337.1
Agency Total	357.1	337.1	337.1	337.1

Recent Budget Activity/Perspective

The agency transferred \$145,900 from the Private Postsecondary Education Fund to the General Fund in FY 2009. Revenues for the Fund are 90% of the fees, fines and other monies received by the Board, and are used to support the operation of the agency. The fund transfer left a balance of \$284,600 to carry forward to FY 2010.

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Average number of calendar days to pay claims	28	35	60	60
Customer Satisfaction Survey (scale of 1-8)	7.9	8.	7.9	7.9
Number of non-student complaints investigated	10	4	20	20
Total number of institutions licensed	192	232	235	235
Total number of renewal licenses approved	306	219	230	230
Number of annual inspections conducted	44	28	35	35
Number of students enrolled	343,779	467,893	500,000	500,000
Number of annual student complaints investigated	24	25	20	20

Administrative Costs

	FY 2011
Administrative Costs	20.3
Agency Request	680.0
Administrative Cost Percentage	2.99%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

State Board of Psychologist Examiners

FY 2011

Mission:

To protect the health, safety, and welfare of Arizona citizens by regulating the psychology profession.

Description:

The State Board of Psychologist Examiners licenses and regulates professionals to practice in the field of psychology. The Board accepts complaints against licensees, investigates allegations, and administratively adjudicates complaints. The Board serves psychologists licensed to practice in the State, as well as all Arizona citizens who receive these professional services.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	325.0	401.8	437.8	365.8
Behavior Analyst	0.0	0.0	0.0	36.0
Agency Total	325.0	401.8	437.8	401.8
<i>Category</i>				
FTE	4.0	4.0	4.0	4.0
Personal Services	165.0	184.3	194.3	184.3
ERE Amount	61.2	61.3	65.3	61.3
Prof. And Outside Services	38.7	41.0	56.0	41.0
Travel - In State	7.7	12.0	12.0	12.0
Travel - Out of State	5.0	12.0	12.0	12.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	46.0	61.2	68.2	61.2
Equipment	1.4	30.0	30.0	30.0
Agency Total	325.0	401.8	437.8	401.8
<i>Fund</i>				
Psychologist Examiners Board	325.0	401.8	437.8	401.8
Agency Total	325.0	401.8	437.8	401.8

Recent Budget Activity/Perspective

In FY 2007 the agency was appropriated \$381,300 from the Psychologist Examiners Fund. The FY 2008-2009 appropriations were for one-time equipment expenses, board member reimbursements, and computers. The FY 2010 appropriation decreased to eliminate one-time computer funding. The Psychologist Examiners Fund was subject to a fund transfer of \$263,000 in FY 2009 which has caused the Board to decrease expenditures to avoid cash flow issues in future years.

Executive Recommendations

FY 2011

Other Adjustments

Behavior Analysts 0.0

The Executive recommends a shared appropriation of \$401,800 between Psychologist Examiners and Behavior Analysts. An appropriation for Behavior Analysts of \$36,000 is created from the Psychologist Examiners Fund.

A.R.S. § 32-2091 established Behavior Analysts as a licensed and regulated profession under this agency. Laws 2009, Chapter 161 required the agency to raise \$36,000 for startup costs by June 30, 2010 to be used by the Behavior Analysts to begin licensing and regulation by January 1, 2011. However, Laws 2009, Chapter 161 provided no appropriation for the monies. It also mandated that funds revenues and expenses be kept separate between the two boards.

Psychologist Examiners Board Fund 0.0

Cash Flow 0.0

The Executive recommends a General Fund loan of \$109,000 for the Psychologist Examiners Fund to be repaid by the agency by June 30, 2011. A significant revenue stream will not be seen until March 2011, as the agency renews licenses on a biennial basis. The agency will need the loan by the beginning of the second quarter of FY 2011. The agency will be supporting Behavior Analysts in FY 2011 with the same resources as FY 2010 and can't assume further reductions.

General Fund 0.0

Psychologist Examiners Board Fund 0.0

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Number of licensees (active/inactive)	1,831	1835	1897	1867
➤ Assuming a 5% attrition rate each year				
Number of investigations	49	36	40	40
Customer satisfaction rating (scale 1-8)	7.64	7.27	7.0	7.0

Administrative Costs

	FY 2011
Administrative Costs	37.1
Agency Request	484.0
Administrative Cost Percentage	7.67%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Department of Public Safety

Mission:

To protect human life and property by enforcing state laws, deterring criminal activity, assuring highway and public safety, and providing vital scientific, technical, and operational support to other criminal justice agencies.

Description:

The Arizona Department of Public Safety enforces state law with primary responsibility in the areas of traffic safety, criminal interdiction, narcotics, organized crime, auto theft, and specific regulatory functions. Services include homeland security, criminal intelligence, scientific analysis, aviation support, emergency first care, criminal information systems, training, and statewide communications. Operational and technical assistance is provided to local and state agencies and other components of the criminal justice community. The department also promotes and enhances the quality of public safety through cooperative enforcement and community awareness programs.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Agency Support	29,902.3	27,206.4	27,444.2	25,968.6
Highway Patrol	108,293.2	117,607.5	117,974.6	100,309.6
Criminal Investigations	43,667.8	45,417.4	47,062.3	46,036.0
Criminal Justice Support	45,259.1	41,833.6	48,458.8	44,613.6
Agency Total	227,122.4	232,064.9	240,939.9	216,927.8
<i>Category</i>				
FTE	2,114.8	2,099.8	2,099.8	2,099.8
Personal Services	118,327.6	115,252.0	118,941.1	117,150.7
ERE Amount	59,446.1	61,476.4	62,300.0	61,853.0
Prof. And Outside Services	5,604.1	21,340.4	21,355.2	4,042.5
Travel - In State	435.5	655.0	655.0	655.0
Travel - Out of State	192.4	217.6	217.6	217.6
Aid to Others	1,885.1	3,983.0	4,158.0	4,742.0
Other Operating Expenses	27,105.8	25,123.4	26,809.9	24,249.9
Equipment	9,916.4	3,498.1	3,524.1	3,498.1
Capital Outlay	0.0	0.0	2,460.0	0.0
Transfers Out	4,209.4	519.0	519.0	519.0
Agency Total	227,122.4	232,064.9	240,939.9	216,927.8
<i>Fund</i>				
General Fund	54,152.2	43,589.2	47,267.5	46,053.9
State Highway Fund	41,050.5	41,256.0	41,256.0	41,256.0
Arizona Highway Patrol Fund	19,290.3	18,554.9	20,059.4	18,554.9
Safety Enforcement and Transportation Infrastructure	1,615.6	1,504.6	1,626.6	1,504.6
Crime Laboratory Assessment	5,101.9	5,115.6	5,530.4	3,597.2
Auto Fingerprint Identification	3,262.5	3,021.3	3,266.3	2,179.3
DNA Identification System Fund	3,760.9	4,022.4	6,808.5	3,526.5
Photo Enforcement Fund	6,738.0	22,534.3	22,534.3	5,236.4
Motorcycle Safety Fund	76.6	205.0	205.0	205.0

Parity Compensation Fund	3,539.5	3,023.3	3,268.4	3,023.3
Highway User Revenue Fund	84,949.5	78,626.2	78,626.2	78,626.2
DPS Criminal Justice Enhancement Fund	3,292.1	2,695.9	3,095.2	2,468.3
Risk Management Fund	292.8	296.2	296.2	296.2
Crime Laboratory Operations Fund	0.0	7,620.0	7,099.9	10,400.0
Agency Total	227,122.4	232,064.9	240,939.9	216,927.8

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI GITEM	18,207.8	21,397.4	21,397.4	22,156.4
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Recent Budget Activity/Perspective

The FY 2007 appropriation for the Department of Public Safety was \$166.2 million General Fund and \$60.8 million Other Appropriated Funds.

In FY 2008, the Department received increased General Fund funding to fund 26.0 new FTE positions to help with increased demand on areas such as criminal justice information services (criminal history records, fingerprinting, and background investigations), motorist assistance, and sex offender compliance. Additionally the Department received funding in both FY 2008 and FY 2009 for sworn salary adjustments to help bring DPS officers to parity with other law enforcement agencies.

Between FY 2008 and FY 2009, \$106.0 million of the Department's General Fund budget has been shifted to the State Highway Fund and HURF. With the fund shift, the Department relies heavily on its other appropriated funds, especially the State Highway and HURF, to fund its operations. The shift to the State Highway Fund and HURF has put a strain on the two funds, especially in light of declining revenues. The shift in funding at DPS has also had a dramatic effect on the Department's General Fund budget. While previously GITEM was a small piece of the Department's General Fund budget, it now comprises approximately half of the General Fund appropriation to DPS.

In FY 2009, the Department's General Fund budget was reduced by (\$7.8 million) and crime lab fees for local law enforcement agencies were instituted. Prior to this reduction, the Department had provided crime lab services free of charge to the local agencies. However, due to negative reaction and lack of payment on the local agencies part, alternative methods of funding the crime lab were sought. In FY 2009, DPS used \$5.2 million of GITEM monies to fund crime lab operations. In FY 2010, Laws 2009, Third Special Session, Chapter 6, established the Crime Lab Operations Fund and appropriated the first \$10.4 million collected from a defensive driving surcharge to fund crime lab operations.

The budget reductions enacted since FY 2008 have been addressed with:

- @A Department-instituted hiring freeze
- @Vacancy savings and attrition

Recent Budget Activity/Perspective

FY 2011

- GIITEM reductions – includes elimination of the County Gang Prosecution Program, elimination of the Arizona Fraudulent ID Task Force, and the reduction of grants to local law enforcement agencies for immigration enforcement
- Cost and program shifts – ACTIC to federal grant funding; public safety equipment to the Public Safety Equipment Fund; the Public Safety Communications Commission to GITA
- Elimination of replacement budgets for crime lab equipment and Highway Patrol vehicles

As of this publication, DPS has not had to layoff any personnel as a result of budget reductions.

Summary:

- \$106.0 million Shift from General Fund funding to HURF and State Highway
- \$15.1 million General Fund Increases
- \$31.6 million General Fund Budget Reductions (excludes the above fund shifts)
- \$7.6 million Fund Reductions and Transfers
- \$19.2 million Fund Cash Balance Transfers
- \$8.2 million Hiring Freeze/Personnel Expense Reductions

Executive Recommendations

FY 2011

Baseline Adjustments

Continue GIITEM at FY 2010 Funding Level 759.0

The Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) local immigration enforcement grant program had a \$10.0 million base budget in FY 2009. Due to budget reductions in FY 2009 and FY 2010, the current base budget for the program is \$2.6 million. Local immigration grant monies are non-lapsing for one year.

The Department has ongoing local immigration grants costs of \$4.9 million and estimates carrying over \$1.5 million of FY 2010 non-lapsing monies to FY 2011. The Executive recommends \$759,000 General Fund in FY 2011 to continue the local immigration grants at their FY 2010 funding levels.

General Fund 759.0

Backfill CJEF Shortfall 0.0

As of November 2009, revenues to the Criminal Justice Enhancement Fund (CJEF) were lower than the prior year. The Executive estimates that CJEF revenues will end FY 2010 down 16% and will remain flat in FY 2011. The Department of Public Safety has four appropriated funds that receive CJEF revenues: Crime Lab Assessment Fund, Automated Fingerprint Identification Fund, DNA Identification System Fund, and the DPS Criminal Justice Enhancement Fund. A sixteen percent CJEF revenue decline will leave the four funds with a total shortfall of \$3.1 million at the end of FY 2010.

The Executive recommends \$3.1 million from the General Fund in FY 2011 to backfill the shortfall in the Crime Lab Assessment Fund (\$1.5 million), Automated Fingerprint Identification Fund (\$842,000), DNA Identification System Fund (\$495,900), and DPS CJEF (\$227,600).

General Fund	3,083.9
Crime Laboratory Assessment Fund	(1,518.4)
Auto Fingerprint Identification Fund	(842.0)
DNA Identification System Fund	(495.9)
DPS Criminal Justice Enhancement Fund	(227.6)

Other Adjustments

Offset General Fund with CJEF 2,780.0

Laws 2009, Chapter 12 reduced the DPS General Fund budget by \$2.6 million to remove the last remaining General Fund monies for Crime Lab operations. However, when the reduction was made, no General Fund monies were being used to fund Crime Lab operations, so this reduction became an unintentional second lump sum reduction to the Department.

With the creation of the legislatively appropriated Crime Laboratory Operations Fund in FY 2010, the Crime Lab is now overfunded by \$3.3 million. The overfunding of the Crime Lab is due to the redirection of the nine percent of CJEF revenues, previously deposited in the General Fund, to DPS for Crime Lab operations.

The Executive recommends that the (\$2.8 million) appropriation reduction for the Crime Laboratory Operations Fund enacted by Laws 2009, Fifth Special Session, Chapter 1, be restored in FY 2011 to return the Fund's appropriation to \$10.4 million. Additionally, the Executive recommends that the nine percent of CJEF revenues be directed to DPS for general law enforcement purposes. The crime lab will remain fully funded, and DPS can fund other law enforcement activities that were reduced due to the Laws 2009, Chapter 12 reductions.

General Fund	0.0
Crime Laboratory Operations	2,780.0

Photo Enforcement Program Vendor Payments (17,297.9)

Laws 2008, Chapter 286, established the statewide photo enforcement program, as well as the legislatively appropriated Photo Enforcement Fund. In FY 2009 and again in FY 2010, DPS was appropriated \$22.6 million from the Photo Enforcement Fund: \$20.4 million for vendor payments and \$2.2 million for DPS administrative costs. The vendor is paid \$29.70 per paid citation.

The program began in September 2008. By the end of FY 2009, 78 cameras - 42 mobile units and 36 fixed cameras - were operational. In the fourth quarter of FY 2009, the 78 cameras recorded approximately 458,129 activations (flashes of the camera), of

FY 2011

which 194,357 were issued either a notice of violation (NOV) or civil citation. As of October 2009, 52,062 of the NOV's and citations issued in the fourth quarter of FY 2009 were paid.

Using the data from the fourth quarter of FY 2009, the Executive estimates that in FY 2011 there will be 916,344 camera activations, 384,864 NOV's or civil citations issued, and 103,144 paid NOV's and citations. This is estimated activity through January 1, 2011, as the Executive proposes referring the continuation of photo enforcement to the voters in November 2010.

Based on the above estimates, the Executive estimates that DPS will need only \$3.1 million for vendor payments in FY 2011. The Executive recommends a reduction of (\$17.3 million) from the Photo Enforcement Fund in FY 2011 for vendor payments.

Photo Enforcement Fund (17,297.9)

Solutions to Budget

Operating Budget Reduction (1,378.2)

The Executive recommends an operating budget reduction of (\$1.4 million) from the General Fund in FY 2011 to be allocated by the Department. The Executive opposes any restrictions on how the reduction can be managed by the Department.

General Fund (1,378.2)

Local Public Safety Grants 0.0

Local public safety agencies have been negatively impacted by local operating budget reductions, coupled with State reductions to programs and grants that benefit local agencies. The Executive recommends \$20.0 million in FY 2011 for local public safety grants. This will be funded with ARRA monies from the Governor's discretionary fund. These grants, to be issued to county and city law enforcement and fire agencies, are estimated to fund approximately 262 officers and firefighters.

General Fund 0.0

Performance Measures

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Percent of Automated Fingerprint Id System (AFIS) reliability	99.6	99.4	98	98
Percent of employees terminating employment (excludes non-Department of Public Safety task force members and retirements)	5.2	1.2	5.0	5.0
Number of clandestine labs dismantled and distribution networks disrupted	27	24	12	12
Percent of crime lab cases over 30 days old	4.7	4.9	4.0	4.0
➤ 7 positions held vacant due to budget shortfalls.				
Fatal highway collisions on Department of Public Safety patrolled roads	289	213	275	275
Percent of total Department of Public Safety investigated highway collisions related to alcohol	3.96	3.67	4.23	4.23

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	46,262.3
Agency Request	348,592.0
Administrative Cost Percentage	13.27%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Arizona Department of Racing

Mission:

To regulate and supervise pari-mutuel racing and wagering conducted in Arizona in order to protect racing participants and the wagering public. To regulate and supervise boxing events conducted in Arizona to protect all participants in these events.

Description:

The Department of Racing regulates the Arizona pari-mutuel horse and greyhound racing industries. The Department oversees and supervises all commercial horse, greyhound and county fair racing meetings, including all live and simulcast racing; issues permits for all approved commercial horse, greyhound and county fair racing meetings; supervises operation of off-track betting sites; conducts background checks and licenses all racing participants; collects state revenues generated by race meetings; promotes and encourages the breeding of horses and greyhounds in the state; promotes and encourages the adoption of retired racehorses and retired greyhounds; and enforces laws and rules related to racing and wagering to protect the industry participants and the public. The Department also regulates and supervises all boxing, kickboxing, tough man, unarmed combat, and mixed martial arts events in Arizona to ensure that all events under Boxing Commission jurisdiction held in the state are sanctioned by the Arizona State Boxing Commission and that all participants are duly licensed.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Commercial Racing	2,243.0	4,488.0	4,738.2	3,885.4
County Fair Racing	434.9	1,092.6	1,302.8	359.0
Boxing Commission	87.6	97.1	97.1	97.1
Agency Total	2,765.5	5,677.7	6,138.1	4,341.5
<i>Category</i>				
FTE	46.5	42.5	42.5	42.5
Personal Services	1,567.7	1,689.7	1,689.7	1,689.7
ERE Amount	535.2	557.0	557.0	557.0
Prof. And Outside Services	144.5	24.8	24.8	3.8
Travel - In State	123.0	92.8	92.8	92.8
Travel - Out of State	3.2	1.0	1.0	1.0
Aid to Others	0.0	1,298.6	1,759.0	0.0
Other Operating Expenses	339.2	234.3	234.3	217.7
Equipment	42.8	0.0	0.0	0.0
Transfers Out	9.9	1,779.5	1,779.5	1,779.5
Agency Total	2,765.5	5,677.7	6,138.1	4,341.5
<i>Fund</i>				
General Fund	2,278.9	5,677.7	6,138.1	4,341.5
Racing Administration Fund	58.9	0.0	0.0	0.0
County Fair Racing	427.7	0.0	0.0	0.0
Agency Total	2,765.5	5,677.7	6,138.1	4,341.5

Recent Budget Activity/Perspective

In FY 2007 the agency was appropriated \$3.1 million.

In FY 2008, the Department received increases for County fair

Recent Budget Activity/Perspective

racing; the racing administration fund; and mid-year lump sum reductions of \$231,800 totaling \$3 million with fund transfers totaling \$575,000.

In FY 2009 additional lump sum reductions brought the appropriation to \$2.8 million with \$743,200 in fund transfers. In FY 2010 the department shifted funds supported historically by unclaimed property proceeds to the Department's General Fund appropriation changing the total appropriation to \$6.1 million. The department will allocate some reductions from the Special Line Item appropriations to keep from diminishing animal drug testing completely.

Executive Recommendations

FY 2011

Baseline Adjustments

Lease-Purchase Rent Increase	3.4
The Executive recommendation provides for the agency's share of the increased lease-purchase debt service payment in FY 2011.	
General Fund	3.4

Solutions to Budget

Reduction in Racing Industry Awards	(1,800.0)
The Executive recommends a reduction for Breeders Award, Stallion Award and County Fair Racing Betterment. This will result in no industry awards being disbursed to breeders or owners and will not provide grants to counties for fair improvement projects.	
General Fund	(1,800.0)
Special Session Adjustment	460.4
The Executive recommends a restoration of \$460,400 General Fund in FY 2011 for reductions enacted by Laws 2009, Fifth Special Session, Chapter 1.	
General Fund	460.4

FY 2010 Supplemental Recommendations

FY 2010

Reduction in Racing Industry Awards	(1,339.6)
The Executive recommends a reduction for Breeders Award, Stallion Award and County Fair Racing Betterment. This will result in no industry awards being disbursed to breeders or owners and will not provide grants to counties for fair improvement projects for the remainder of FY 2010.	
General Fund	(1,339.6)

Performance Measures

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Number of greyhound racing investigations conducted regarding compliance with rules	1,210	162	195	228
Percent of greyhound racing licensees with disciplinary action	0.9	10.3	7.0	5.0
Number of county fair racing investigations resulting in disciplinary action	61	85	65	60
Number of horse racing investigations conducted regarding compliance with rules	2,022	317	365	405
Number of boxing licenses issued	458	664	750	800
Percent of total horse racing licensees with disciplinary action	5.73	5.10	5.00	5.00

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	186.0
Agency Request	5,566.0
Administrative Cost Percentage	3.34%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Radiation Regulatory Agency

Mission:

To protect the health and safety of Arizonans from unnecessary radiation exposure from all natural and man-made sources.

Description:

The Arizona Radiation Regulatory Agency provides protection from unnecessary radiation exposure through inspection of radiation sources and their uses, effective response to radiological incidents, environmental sampling, and the certification of those using nuclear medicine technology and those operating X-ray equipment.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Radioactive Materials/Non-Ionizing Radiation	300.7	207.0	272.4	207.0
X-Ray Compliance	299.6	238.5	238.5	238.5
Emergency Response	756.3	756.3	756.3	756.3
Radiation Measurement Laboratory	248.6	216.1	216.1	216.1
Medical Radiation Technology Board	245.4	269.3	269.3	269.3
Agency Total	1,850.6	1,687.2	1,752.6	1,687.2
<i>Category</i>				
FTE	30.5	34.5	34.5	34.5
Personal Services	755.9	605.8	660.1	605.8
ERE Amount	339.0	327.9	339.0	327.9
Prof. And Outside Services	10.1	10.1	10.1	10.1
Travel - In State	9.3	9.1	9.1	9.1
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	108.3	106.3	106.3	106.3
Equipment	1.7	1.7	1.7	1.7
Cost Allocation	612.5	612.5	612.5	612.5
Transfers Out	13.8	13.8	13.8	13.8
Agency Total	1,850.6	1,687.2	1,752.6	1,687.2
<i>Fund</i>				
General Fund	1,605.2	1,417.9	1,483.3	1,417.9
State Radiologic Technologist Certification	245.4	269.3	269.3	269.3
Agency Total	1,850.6	1,687.2	1,752.6	1,687.2

Recent Budget Activity/Perspective

The FY 2008 budget provided increases for statewide adjustments totaling \$63,200; an additional \$73,200 and 1.0 FTE was included for the Radioactive Materials Compliance program, and another \$73,200 for the X-Ray Compliance program.

In FY 2009 a (\$532,600) lump sum reduction was enacted; however, \$400,000 of this was offset by a proposal that allowed the agency to raise its fees. A separate non-appropriated Service Fees Increases Fund was established to capture funds raised by the fee increases.

Recent Budget Activity/Perspective

In FY 2010 the fee increase cap was raised to \$500,000. Furthermore, 3.0 FTE were eliminated.

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of radioactive materials inspections	155	96	160	161
➤ <i>Estimates assume that budget request for additional staffing is approved.</i>				
Number of environmental sample analyses	6,509	6,325	6,400	6,400
Number of active medical radiologic technologist certificates	8,385	8,445	8,700	9,100
Percent of x-ray tubes overdue for inspection	39.60	26.1	27.0	26.0
➤ <i>Staffing shortages will force the percentage overdue for inspection to remain flat.</i>				

Administrative Costs

	FY 2011
Administrative Costs	408.8
Agency Request	3,087.0
Administrative Cost Percentage	13.24%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona Rangers' Pension

Mission:

To provide compensation for time spent as an Arizona Ranger.

Description:

The Arizona Rangers' Pension provides monthly benefits for the last surviving spouse of a retired Arizona Ranger.

<i>Program/ Cost Center</i>	Agency Summary			
	<i>FY 2009 Actual</i>	<i>FY 2010 Approp.</i>	<i>FY 2011 Agency Req.</i>	<i>FY 2011 Exec. Rec.</i>
Arizona Rangers' Pensions	13.7	14.0	14.2	14.2
Agency Total	13.7	14.0	14.2	14.2
<i>Category</i>				
FTE	0.0	0.0	0.0	0.0
Personal Services	0.0	0.0	0.0	0.0
ERE Amount	0.0	0.0	0.0	0.0
Prof. And Outside Services	13.7	14.0	14.2	14.2
Travel - In State	0.0	0.0	0.0	0.0
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0
Agency Total	13.7	14.0	14.2	14.2
<i>Fund</i>				
General Fund	13.7	14.0	14.2	14.2
Agency Total	13.7	14.0	14.2	14.2

Executive Recommendations

FY 2011

Other Adjustments

Inflation Adjustment 0.2

A.R.S. § 41-951(B) requires that the Rangers' Pension receive an annual inflation adjustment based on the annual change in the gross domestic product (GDP) price deflator. A.R.S. § 41-563 defines the GDP price deflator as the average of the four implicit price deflators for the GDP reported by the U.S. Department of Commerce for the four quarters of the calendar year. The Executive recommends an inflation increase of \$200.00 in FY 2011.

General Fund 0.2

The Executive recommends a lump-sum appropriation to the agency.

Department of Real Estate

Mission:

To serve and protect the public interest through efficient and timely licensure, balanced regulation, and proactive education of the real estate profession in the State of Arizona.

Description:

Pursuant to A.R.S. Title 32, Chapter 20 and the Administrative Code Title 4, Chapter 28, the Department regulates real estate licensees (including residential sales, brokers, companies, property managers, business brokers, and commercial brokers), private cemeteries, and membership camping licensees. The Department also regulates real estate educators and schools, monitoring pre-licensing and continuing education courses to ensure the quality content of courses and the competence of instructors, as well as the quality and timeliness of materials being taught. The Department oversees the administration of licensing examinations as well as the activities of licensees to ensure compliance with the Arizona Revised Statutes and the Commissioner's Rules.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	3,685.4	3,021.4	3,305.6	3,060.6
Agency Total	3,685.4	3,021.4	3,305.6	3,060.6
<i>Category</i>				
FTE	74.4	58.0	58.0	58.0
Personal Services	2,158.5	1,670.5	1,780.4	1,670.5
ERE Amount	931.8	853.4	875.6	853.4
Prof. And Outside Services	88.4	73.8	73.8	73.8
Travel - In State	16.8	10.0	10.0	10.0
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	464.7	406.7	558.8	445.9
Equipment	25.2	7.0	7.0	7.0
Agency Total	3,685.4	3,021.4	3,305.6	3,060.6
<i>Fund</i>				
General Fund	3,685.4	3,021.4	3,305.6	3,060.6
Agency Total	3,685.4	3,021.4	3,305.6	3,060.6

Recent Budget Activity/Perspective

The FY 2008 budget included several General Fund increases for the Department of Real Estate. FTE climbed from 65.4 in FY 2007 to 72.4 in FY 2008. \$115,200 was added to fund more staff to process licenses, \$205,000 was included for complaint processing, and \$49,200 was recommended to augment the investigations effort. Additionally, Laws 2007, Chapter 260 allowed the agency to collect fees in excess of 110% of its appropriation. These additional monies were added to the General Fund.

A lump sum reduction of (\$477,100) and fund transfers from the Condominium Recovery Fund (\$5,000) and from the Real Estate Recovery Fund (\$202,500) were enacted in FY 2009.

Recent Budget Activity/Perspective

The major change in FY 2010 was a FTE reduction from 74.4 to 58.0. Additionally, a lump sum reduction of (\$635,600) was recommended for FY 2010, and a personal services reduction of (\$303,200) was included for FY 2010 as well. The Department notes that these reductions caused a substantial delay in the investigations process.

Executive Recommendations

FY 2011

Other Adjustments

Tucson Office Rent Increase	39.2
Due to a one-time balloon payment, COP rent at the Tucson office will increase by 122% in FY 2011, from \$32,100 to \$71,300. The Executive Recommendation includes a \$39,200 increase from the General Fund to fund this payment.	
General Fund	39.2

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of real estate licensees	96,508	91,903	91,000	90,000
➤ <i>Number reflects actual count of licensees. This includes individuals, brokers, and entities.</i>				
Number of subdivision filings received	1,172	678	750	750
➤ <i>Includes amendments</i>				
Percent of department customer service surveys indicating good to excellent service	99	100	99	99
Average days from receipt of application to issuance of real estate license	1	1	1	1
Total real estate applications received	87,332	35,000	13,500	12,500
➤ <i>New Applicants & Renewals</i>				
Average calendar days from receipt of real estate or subdivision complaint to resolution	224	169	150	140
Average number of calendar days to issue deficiency letter on subdivision applications received	31.8	40	40	35
Total real estate or subdivision complaints investigated	1,391	1,331	1,500	1,500

Administrative Costs

FY 2011

Administrative Costs	607.6
Agency Request	4,758.0
Administrative Cost Percentage	12.77%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Residential Utility Consumer Office

FY 2011

Mission:

To obtain the lowest reasonable utility rates for residential consumers by advocating on their behalf in regulatory proceedings involving public service corporations, except member-owned nonprofit cooperative corporations, before the Corporation Commission.

Description:

The Residential Utility Consumer Office (RUCO) primarily examines rate cases presented to the Corporation Commission and applies accounting, legal and other criteria for determining in which cases to intervene. The technical and legal staff researches and analyzes these cases and, with the targeted use of specialized consultants, determines an appropriate position for residential ratepayers. RUCO then advocates that position before Commission proceedings.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Ratepayer Representation	1,080.5	1,243.4	1,308.7	1,246.1
Agency Total	1,080.5	1,243.4	1,308.7	1,246.1
<i>Category</i>				
FTE	11.0	11.0	11.0	11.0
Personal Services	672.4	745.6	745.6	745.6
ERE Amount	207.6	237.2	237.2	237.2
Prof. And Outside Services	32.0	82.1	147.4	82.1
Travel - In State	6.0	8.6	8.6	8.6
Travel - Out of State	5.0	7.0	7.0	7.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	156.0	162.9	162.9	165.6
Equipment	1.5	0.0	0.0	0.0
Agency Total	1,080.5	1,243.4	1,308.7	1,246.1
<i>Fund</i>				
Residential Utility Consumer Office Revolving	1,080.5	1,243.4	1,308.7	1,246.1
Agency Total	1,080.5	1,243.4	1,308.7	1,246.1

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Professional Witnesses Appropriation	31.2	79.7	145.0	79.7
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Recent Budget Activity/Perspective

RUCO receives \$145,000 annually as a special line item to procure special witnesses who testify on behalf of RUCO in rate hearings brought before the Arizona Corporation Commission.

For FY 2010, 1.0 FTE and (\$159,500) were taken as a lump-sum reduction from the RUCO fund. This reduction hinders the agency from procuring special witnesses to testify in hearings involving RUCO. Any additional cuts will most likely be made to the special line item for professional witnesses, diminishing the ability of RUCO to provide compelling testimony at rate hearings.

Executive Recommendations

Agency Operating Detail

Residential Utility Consumer Office

Baseline Adjustments

Lease-Purchase Rent Increase	2.7
The Executive recommendation provides for the agency's share of the increased lease-purchase debt service payment in FY 2011.	
Residential Utility Consumer Office Revolving Fund	2.7

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Number of cases analyzed	70	50	60	60
RUCO interventions in rate making	6	12	8	8
Customer satisfaction rating for residential utility customers (scale 1-8)	7	7	7	7

Administrative Costs

	FY 2011
Administrative Costs	40.8
Agency Request	1,319.0
Administrative Cost Percentage	3.09%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Independent Redistricting Commission

FY 2011

Mission:

To administer the fair and balanced redistricting of the Congressional and Legislative districts for the State of Arizona.

Description:

The Independent Redistricting Commission was established with the approval of Proposition 106 by the voters in November 2000. The Commission has five members, four of whom are selected by the House and Senate majority and minority leadership. The final member is selected by the other four members and cannot be affiliated with either political party. The five-member Commission is responsible for the redrawing of Arizona's congressional and legislative district boundaries based on the 10-year census.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Independent Redistricting Commission	256.2	0.0	10,203.0	300.0
Agency Total	256.2	0.0	10,203.0	300.0
<i>Category</i>				
FTE	0.0	0.0	0.0	0.0
Personal Services	88.5	0.0	0.0	0.0
ERE Amount	14.4	0.0	0.0	0.0
Prof. And Outside Services	121.8	0.0	0.0	0.0
Travel - In State	0.1	0.0	0.0	0.0
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	31.4	0.0	10,203.0	300.0
Equipment	0.0	0.0	0.0	0.0
Agency Total	256.2	0.0	10,203.0	300.0
<i>Fund</i>				
General Fund	256.2	0.0	10,203.0	300.0
Agency Total	256.2	0.0	10,203.0	300.0

Executive Recommendations

FY 2011

Baseline Adjustments

Re-establish Funding for the Commission 300.0

The Independent Redistricting Commission was established by Proposition 106, which was passed in November 2000. The Commission is comprised of five members - four are appointed by House and Senate majority and minority leadership and the remaining member is chosen by the four appointed members. The Commission redraws the boundaries for Arizona's legislative and congressional districts after the 10-year census. At the end of FY 2009, the original Commission disbanded after completing its work on the 2000 census.

The Executive recommends \$300,000 from the General Fund in FY 2011 for start-up costs to re-establish the Commission in preparation for its work after the 2010 census is completed. This is the approximate amount the Commission spent the first year of the last redistricting cycle.

General Fund 300.0

The Executive recommends a lump-sum appropriation to the agency.

Board of Respiratory Care Examiners

FY 2011

Mission:

To exercise state regulatory authority over respiratory care practitioners by granting licenses; maintaining public records for all practitioners within Arizona; and enforcing rules and statutes to ensure the public health, welfare, and safety.

Description:

Respiratory Care Practitioners work in therapeutic, surgical, and/or clinical settings to monitor respiration and lung health, as well as to diagnose and treat disorders. The Board of Respiratory Care Examiners regulates the practice of respiratory care in Arizona. The Board examines and licenses respiratory care practitioners based on minimum competency standards set by the Legislature. Additionally, the Board enforces state laws, rules, and regulations set forth to ensure public safety and investigates complaints filed against a member of the professional community.

Agency Summary				
Program/Cost Center	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	290.9	263.1	272.6	269.6
Agency Total	290.9	263.1	272.6	269.6
<i>Category</i>				
FTE	3.7	4.0	4.0	4.0
Personal Services	163.2	175.0	175.0	175.0
ERE Amount	51.4	51.4	51.4	51.4
Prof. And Outside Services	7.3	5.1	7.6	7.6
Travel - In State	2.3	2.0	2.0	2.0
Travel - Out of State	0.6	0.6	0.6	0.6
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	51.2	29.0	36.0	33.0
Equipment	1.2	0.0	0.0	0.0
Transfers Out	13.7	0.0	0.0	0.0
Agency Total	290.9	263.1	272.6	269.6
<i>Fund</i>				
Board of Respiratory Care Examiners	290.9	263.1	272.6	269.6
Agency Total	290.9	263.1	272.6	269.6

Recent Budget Activity/Perspective

The Board of Respiratory Care Examiners was appropriated \$239,100 in FY 2007. In FY 2008, the appropriation was increased for \$263,200 as a result of standard increases, new software, additional staff, and additional operating expenses.

Executive Recommendations

FY 2011

Other Adjustments

Contractual Obligation for IT 4.0

The Executive recommends \$4,000 from the Board of Respiratory Care Examiners Fund to help pay for a portion of the cost of the agency's already existing information technology contract with the Arizona Department of Administration.

Board of Respiratory Care Examiners Fund 4.0

Agency Operating Detail

Board of Respiratory Care Examiners

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Contractual Obligation to Central Services Bureau 2.5

The Executive recommendation covers an increased amount that the agency will pay to Central Services Bureau for financial services as a result of the CSB changing from a usage rate to a flat rate.

Board of Respiratory Care Examiners Fund 2.5

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Total number of practitioners investigated	97	89	105	110
Average days from receipt of complaint to resolution	120	150	155	160
Total number of applications for permanent licenses	1,843	1666	1,900	1,900

Administrative Costs

	FY 2011
Administrative Costs	1.0
Agency Request	289.0
Administrative Cost Percentage	0.35%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona State Retirement System

Executive Recommendations

FY 2011

Mission:

To benefit our members, the Arizona State Retirement System (ASRS) will be a leading state benefit plan administrator in the areas of core member services, funded status, investment performance, and operational effectiveness, while keeping program benefits and associated costs relatively aligned and maintaining actuarial and fiscal integrity.

Description:

The Arizona State Retirement System provides pension, survivor, disability, health insurance, and educational services for most public sector employers in Arizona, including state universities and colleges, public school districts, local and county governments, and the State of Arizona. As of June 30, 2009, the ASRS had a market value of approximately \$21 billion dollars and had a total membership of approximately 550,000 members (actively contributing, inactive, retired, and disabled members).

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Member Services	11,491.8	14,745.5	15,094.4	14,420.2
Administration and Support	6,915.5	7,055.6	7,174.7	7,055.6
Investment Management	1,161.5	1,429.0	1,877.2	1,838.3
Information Technology Plan	2,819.0	0.0	0.0	0.0
Agency Total	22,387.8	23,230.1	24,146.3	23,314.1
<i>Category</i>				
FTE	236.0	236.0	245.5	239.0
Personal Services	10,807.1	11,866.9	12,604.4	12,166.9
ERE Amount	4,065.1	4,528.5	4,823.5	4,609.6
Prof. And Outside Services	4,195.8	3,881.8	3,635.0	3,556.5
Travel - In State	57.6	53.6	53.6	53.6
Travel - Out of State	35.4	25.0	25.0	25.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	2,222.4	2,486.8	2,547.3	2,494.0
Equipment	999.7	377.5	447.5	398.5
Transfers Out	4.7	10.0	10.0	10.0
Agency Total	22,387.8	23,230.1	24,146.3	23,314.1
<i>Fund</i>				
Retirement System Appropriated	19,587.8	20,430.1	21,346.3	20,514.1
LTD Trust Fund	2,800.0	2,800.0	2,800.0	2,800.0
Agency Total	22,387.8	23,230.1	24,146.3	23,314.1

Recent Budget Activity/Perspective

The Arizona State Retirement System was appropriated \$21.1million in FY 2007. Its appropriation in FY 2008 was increased for records management, investment management personnel, filling vacant positions, increased salaries, and technology upgrades. An FY 2009 increase was due to the need to divest from any companies affiliated with Iran. ASRS' appropriation for FY 2010 decreased to eliminate one-time funding.

Other Adjustments

PIJ: Technology Enhancements (325.3)
 The Executive recommends a decrease of (\$325,300) from the State Retirement System Appropriated Fund.
 Retirement System Appropriated Fund (325.3)

Investment Management Program 409.3
 The Executive recommends an increase of \$409,300 and 3.0 FTE from the Retirement System Appropriated Fund for the Investment Management Program. Two of the new positions will assist in managing the ASRS Board approved asset allocations, and the third will provide high-level performance accounting support.
 Retirement System Appropriated Fund 409.3

Normal Retirement Date 0.0
 The Executive recommends amending A.R.S. 38-711, which will have the effect of altering the normal retirement date calculation for the Arizona State Retirement System member. Currently, members can retire when the sum of age and years of service totals 80 (Rule of 80). This amendment to the Arizona Revised Statutes will implement a Rule of 85, which will require 2.5 additional years of service.

This proposal will produce no savings in FY 2011, but savings will begin to accrue in approximately 3 years. The total savings for General Fund and other appropriated funds are estimated to be \$(150,000). Peak savings of are estimated to occur in approximately 30 years, in the amount of \$(4.5) million.

Retirement System Appropriated Fund 0.0

Refund of Contributions 0.0

The Executive recommends amending A.R.S. 38-740 and 38-742. This will have the affect of reducing the amount of employer contributions to Arizona State Retirement System members can receive if they choose to leave the system. The current system allows employees to receive up to 100% of employer contributions. The proposed amendments will set a cap of 25% of employer contributions that an ASRS member can receive, based on years of service.

The amendments will have no fiscal impact during FY 2011, because the contribution rates for ASRS are already established for FY 2011. It is estimated by JLBC that savings would begin to accumulate in 8 years to the amount of approximately \$(600,000). At full implementation, which will occur in approximately 16 years, savings are estimated at \$(4.5) million.

Retirement System Appropriated Fund 0.0

Retirement Average Monthly Salary 0.0

The Executive recommends amending A.R.S. 38-711 which will

FY 2011

have the effect of changing the retirement benefit calculation for ASRS members. The benefit calculation will be changed to use a 60-month average salary rather than the current 36-month average salary.

This change would not result in immediate savings. Within 3 years, savings of approximately \$(300,000) will begin to accrue. The savings peak is estimated to occur within 33 years in the amount of approximately \$(5.5) million.

Retirement System Appropriated Fund 0.0

Performance Measures

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
	<u>Actual</u>	<u>Actual</u>	<u>Expected</u>	<u>Expected</u>
Percent of overall member satisfaction with the service purchase process (objective 90%)	87	90	90	90
Percentage of overall member satisfaction with Telephone Service at the Arizona State Retirement System (objective 90%)	95	97	90	90
Percentage of investment returns	-7.6	-18.1	8.0	8.0
Percentage of liability funded	82.8	79.1	n/a	n/a

➤ *Estimate provided by actuary on 8/19/08.*

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	9,087.1
Agency Request	73,398.0
Administrative Cost Percentage	12.38%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Department of Revenue

Mission:

Administer tax laws fairly and efficiently for the people of Arizona.

Description:

Pursuant to Arizona Revised Statutes Title 42, the Department of Revenue administers and enforces the collection of individual and corporate income, transaction privilege, withholding and luxury taxes. The Department oversees the fifteen county assessors in the administration of state property tax laws.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Service	10,785.9	10,525.1	10,525.1	10,525.1
Processing	7,630.5	7,626.6	8,338.9	8,073.7
Education and Compliance	24,168.0	18,443.9	21,730.3	24,321.1
Agency Support	25,343.0	24,747.4	25,635.7	27,368.4
Agency Total	67,927.4	61,343.0	66,230.0	70,288.3
<i>Category</i>				
FTE	1,164.0	863.0	863.0	941.0
Personal Services	37,650.8	32,467.3	34,270.5	38,873.0
ERE Amount	15,215.7	11,519.0	14,602.8	13,207.2
Prof. And Outside Services	3,414.3	4,477.5	4,477.5	4,477.5
Travel - In State	287.1	284.7	284.7	734.7
Travel - Out of State	214.6	222.5	222.5	222.5
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	10,524.7	11,721.8	11,721.8	12,125.5
Equipment	620.2	650.2	650.2	647.9
Agency Total	67,927.4	61,343.0	66,230.0	70,288.3
<i>Fund</i>				
General Fund	64,758.1	37,612.0	40,661.5	45,202.9
Tobacco Tax and Health Care Fund	661.7	667.3	667.3	667.3
DOR Estate & Unclaimed	2,099.9	0.0	0.0	0.0
Department of Revenue Administrative Fund	0.0	22,662.5	24,500.0	24,016.9
DOR Liability Setoff Fund	407.7	401.2	401.2	401.2
Agency Total	67,927.4	61,343.0	66,230.0	70,288.3

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Attorney General Legal Services	116.8	120.1	120.1	120.1
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Recent Budget Activity/Perspective

In FY 2008, the Department of Revenue had a (\$477,500) lump sum reduction from their General Fund appropriation of \$76.9 million. Additionally, the agency sustained fund sweeps of (\$1.1 million) from the Estate and Unclaimed Property Fund and (\$1.0 million) from the Liability Setoff Fund. The impacts of these reductions and transfers were not significant.

In FY 2009, the agency was appropriated \$73.9 million from the General Fund. In Laws 2009, 1st Special Session, Chapter 1, Sections 3 & 6, the agency received an agency-wide General Fund

Recent Budget Activity/Perspective

lump sum appropriation reduction of (\$7.4 million) for FY 2009 and (\$11.1 million) for FY 2010. Additionally, the agency received General Fund personnel expense reductions of (\$2.1 million) in FY 2009 and (\$5.0 million) in FY 2010. The agency was required to transfer (\$983,400) from the Liability Setoff Fund, (\$1.3 million) from the Estate and Unclaimed Property Fund, (\$189,600) from the Escheated Estates Fund and (\$147,500) from the Client County Equipment Capitalization Fund.

As a result of these reductions, the agency was forced to lay off 208 collectors and auditors, directly decreasing the ability of the agency to generate General Fund revenues. Additionally, as a result of this layoff, the SEIU Local 5 AZ (Service Employees International Union) filed suit against the State of AZ, Jan Brewer, William Bell (Dir. Dept. of Admin), and Gale Garriott (Dir. Dept of Revenue), claiming that the Plaintiffs' terminations violated the AZ administrative Code by failing to provide 5 days advance notice of termination, and violated due process rights under the AZ constitution. The parties in this lawsuit have been ordered to participate in a settlement conference but the outcome of the suit is unknown at this point.

In FY 2010, the Department of Revenue began with an appropriation of \$40.7 million from the General Fund and \$24.5 million from the Department of Revenue Administrative Fund. The Department of Revenue Administrative Fund was created to partially shift agency support from the General Fund onto a new fund receiving revenues from the Unclaimed Property proceeds. Additionally, from FY 2009 reductions, the agency was required to transfer (\$1.4 million) from the Estate and Unclaimed Property Fund and (\$323,500) from the Liability Setoff Fund.

Additionally, Laws 2009, 5th Special Session, Chapter 1, Section 1, further reduces General Fund appropriations in FY 2010 by (\$3.0 million) and reduces appropriation and sweeps funds from the Department of Revenue Administrative Fund by (\$1.8 million). While these reductions in FY 2010 will not severely impact the agency due to vacancy savings and an unexpected excess appropriation from layoffs in FY 2009, continuation of this reduction into FY 2011 will decrease General Fund revenues from the Auditing and Collections divisions at the Department of Revenue.

Executive Recommendations

FY 2011

Baseline Adjustments

Continue Funding Temporary Collectors	0.0
The Executive recommends continuing to fund Temporary Collectors in the amount of \$3.0 million. In FY 2011, the Temporary Collectors are projected to collect \$38.7 million in General Fund revenue.	
General Fund	0.0

FY 2011

BRITS Internal Support 2,000.0

In FY 2010, the Department of Revenue was permitted to use \$2.0 million of General Fund revenues to pay internal operational support for the Business Reengineering/Integrated Tax System (BRITS). The Executive recommends discontinuing the Department's direct use of General Fund revenues and recommends appropriating \$2.0 million in General Fund expenditures for the same purpose.

By the end of FY 2010, the Department will have hired 22 IT staff in order to eliminate reliance on Accenture, the private consulting firm that was contracted to implement BRITS. The Department examined the costs associated with keeping Accenture staff on contract and determined that it was more economical to hire its own staff to maintain the system.

General Fund	2,000.0
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COP Rent Decrease	(2.3)
The Executive recommendation provides for the agency's decreased COP payment in FY 2011.	
General Fund	(2.3)

Solutions to Budget

Increase Audit Staff	4,352.2
The Executive recommends restoring funding for 71.0 of the 115.0 Audit Division FTE positions that were eliminated per FY 2009 budget reductions. Staffing these positions will increase examination of Transaction Privilege and Use tax, Corporate Income Tax and Individual Income Tax returns, thereby increasing General Fund revenues by an estimated \$6.1 million in FY 2011.	

General Fund	4,352.2
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Increase Collections Staff	360.0
The Executive recommends allowing the Department's Collections Division to hire seven additional collectors in order to address 21,000 business tax cases with total liabilities exceeding \$10.0 million. The additional collectors are expected to generate \$1.6 million in new General Fund revenues in FY 2011.	
General Fund	360.0

Special Session: Excess Insurance Appropriation	0.0
The Executive recommends continuing the reduction of (\$2.7 million) from an excessive appropriation from health, dental and life insurance into FY 2011. This reduction was implemented in FY 2010 and will not have any effect on service in FY 2011.	
Department of Revenue Administrative Fund	0.0

Special Session: Accrued Vacancy Savings	881.0
The Executive recommends restoring \$880,900 in reductions enacted by Laws 2009, Fifth Special Session, Chapter 1. The reductions in FY 2010 were sustained from one-time vacancy	

FY 2011

savings from delays in hiring the Temporary Collectors. If these cuts are maintained in FY 2011, the Department will be forced to delay microfilm processing which severely impacts productivity and revenue generation for Collectors. Additionally, if maintained, this reduction will force all Collectors and Auditors to be reassigned to the Processing Division during peak seasons. As a result of the delays in the Auditing and Collections divisions, the General Fund revenues will decrease by (\$8.9 million).

General Fund	881.0
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Special Session: Hiring Freeze	1,354.4
The Executive recommends restoring \$1.4 million in reductions from the Department's Administrative Fund enacted by Laws 2009, Fifth Special Session, Chapter 1. These cuts will be sustained in FY 2010 through savings from an agency-wide hiring freeze but are one-time savings, as many positions at the Department will need to be filled. If these cuts are continued into FY 2011, the Department will be forced to lay off 72 Temporary Collectors, which will cause General Fund revenues to decrease by (\$17.9 million).	
Department of Revenue Administrative Fund	1,354.4

Performance Measures

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Average annual turnover rate for employees	18.27	74.30	15.00	15.00
<p>➤ <i>The number reported is a separation rate. The large number of employees impacted by the reduction in force\layoffs in FY2009 resulted in this higher than usual number. Targets are in line with separation rates before FY2009.</i></p>				
Customer satisfaction rating for Taxpayer Information and Assistance section (scale 1-5)	4.75	3.85	3.85	3.85
<p>➤ <i>We anticipate relatively flat satisfaction levels for the next two years due to the recent reduction in force\layoffs, as the decreased number of staff available to assist taxpayers in volume or in a timely manner may have a negative impact on customer satisfaction.</i></p>				
Percent of accounts that collector contacts within 30 calendar days of that account being assigned a delinquent account	100	100	100	100
<p>➤ <i>With BRITS automation, letters are sent to every taxpayer upon being assigned as a delinquent account. The Department considers letters as contacts.</i></p>				
Percentage of delinquent accounts collected	60.14	53.38	55.00	60.00
<p>➤ <i>This measure tracks and reports TPT collections only.</i></p>				
Average calendar days to refund total Individual Income tax checks (paper warrants and electronic deposits)	7.59	6.38	8.00	8.00
Percent of non-audit revenue to total revenue	98.00	98.67	98.50	98.00
<p>➤ <i>The FY2009 result was calculated using a preliminary gross revenue number because the final gross revenue number was not available at the time this report was produced.</i></p>				
Percent of written inquiries answered within 30 calendar days in Taxpayer Information and Assistance section	54	87	50	50
<p>➤ <i>Targets for FY2010 and FY2011 are in line with what was projected for FY2009. The positive result for FY2009 was due in part to shifting call center employees to where work demands dictated. Even though it is anticipated that increased efficiencies of system processing will result in less incoming correspondence, the staff shortages remaining from the reduction in force\layoffs in FY2009 will not allow for employee redeployment in FY2010 and FY2011.</i></p>				

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	4,298.1
Agency Request	179,844.0
Administrative Cost Percentage	2.39%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

School Facilities Board

Mission:

To provide financial and technical assistance to help ensure that school districts maintain buildings and equipment at minimum adequacy standards so that students can achieve academic success.

Description:

The School Facilities Board was created by Laws 1998, 5th Special Session, Chapter 1 through legislation commonly known as Students First. The School Facilities Board consists of nine governor-appointed voting members and the Superintendent of Public Instruction who serves as a non-voting member. The Board is charged with administration of three capital programs: (a) New School Facilities, (b) Building Renewal, and (c) Emergency Deficiencies Corrections.

In order to effectively evaluate the State's school capital needs, the Board maintains a facilities database consisting of information reported by each school district that aids the Board in determining the funding level for building renewal and the construction of new facilities. Through periodic inspections, the Board is mandated to ensure compliance with building adequacy standards and routine preventative maintenance guidelines with respect to the new construction of buildings and maintenance of existing buildings. The Board also administers an Emergency Deficiencies program in the event that a school district has a serious need for materials, services, construction, or expenses in excess of the district's adopted budget that seriously threatens the functioning of the school district, the preservation or protection of property or public health, safety, and welfare.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
School Facilities Board	100,766.5	113,111.8	361,864.0	69,918.2
Agency Total	100,766.5	113,111.8	361,864.0	69,918.2
<i>Category</i>				
FTE	0.0	20.0	20.0	20.0
Personal Services	954.0	791.0	791.0	791.0
ERE Amount	289.7	231.0	231.0	231.0
Prof. And Outside Services	141.9	142.0	142.0	142.0
Travel - In State	26.1	30.0	30.0	30.0
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	4.3	0.0	0.0	0.0
Other Operating Expenses	193.4	193.4	193.4	193.4
Equipment	5.7	5.7	5.7	5.7
Transfers Out	99,151.4	111,718.7	360,470.9	68,525.1
Agency Total	100,766.5	113,111.8	361,864.0	69,918.2
<i>Fund</i>				
General Fund	100,762.2	113,111.8	361,864.0	69,918.2
Agency Total	100,762.2	113,111.8	361,864.0	69,918.2

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Building Renewal	0.0	0.0	227,215.4	5,000.0
SLI New School Facilities	4.3	0.0	21,536.8	0.0

Recent Budget Activity/Perspective

In FY 2008, the Building Renewal program received an appropriation of \$43.1 million from the General Fund. This program received no funding in FY 2009 or FY 2010. This program provides funding for school districts to maintain the adequacy of existing school facilities. The lack of funding for this program will result in deferred maintenance and renovations for schools across the state.

In FY 2008, the New School Facilities program received an appropriation of \$362.0 million from the General Fund. This program received no funding in FY 2009 or FY 2010. This program provides funding for school districts to build new K-12 school facilities. Funds are allocated to school districts based on statutory formula. The lack of funding for this program may result in unmet school facility needs, and possibly legal challenges to the State's school capital finance system.

The agency took a lump sum reduction of (\$451,700) from the General Fund in FY 2009, and an additional reduction of (\$551,700) in FY 2010. As a result, the agency's operating budget has been reduced by 30%, and a number of FTE positions have been left unfilled.

In FY 2009, the Building Renewal Grant program received an appropriation of \$20.0 million from the General Fund. (\$13.0 million) of that amount was reduced in a midyear revision. In FY 2010, the program received an appropriation of \$3.0 million. (\$322,100) of which was reduced in the 5th Special Session. The balance of this appropriation, \$1.2 million, is also proposed for reversion to the General Fund, leaving no State funding available for emergency building renewal projects.

The agency transferred \$2.2 million from the School Facilities Revenue Bond Debt Service Fund and the State School Trust Revenue Bond Debt Service Fund to the General Fund in FY 2009, and \$1.4 million in FY 2010.

Executive Recommendations

FY 2011

Baseline Adjustments

LTO Debt Service Baseline Adjustment 11,806.4
 The School Facilities Board anticipates Lease-to-Own debt service payments totaling \$123.5 million for FY 2011, an increase of \$11.8 million over FY 2010.

General Fund 11,806.4

Building Renewal 5,000.0

The Executive recommends continuing the suspension of Building Renewal formula funding, and provides \$5.0 million for Building Renewal Grants. This recommendation will allow the SFB to distribute monies to school districts for emergency deficiency projects. Projects are prioritized by the SFB, with priority given to

FY 2011

school districts that have provided routine facility maintenance and can provide matching funds.

General Fund 5,000.0

Solutions to Budget

LTO Debt Service Refinance (60,000.0)

Refinancing School Facilities Board LTO debt will result in estimated savings of \$60.0 million for FY 2011. The Executive recommends \$63.5 million from the General Fund for payment of Lease-to-Own debt service.

General Fund (60,000.0)

Performance Measures

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
	<u>Actual</u>	<u>Actual</u>	<u>Expected</u>	<u>Expected</u>
Percent of all school districts rating the Boards' services as satisfactory, good, or excellent in annual survey	98	93	95	98
Percent of all school district schools inspected to ensure minimum adequacy guidelines	9	9	15	20
<i>➤ The staff of the School Facilities Board was unable to meet its performance target due to lack of staff coupled with prioritizing new construction efforts. Thanks to the help of the Governor and the Legislature, the agency received two new liaison positions in the FY 2008 budget, which enabled some resources to be dedicated toward the school inspection process.</i>				
Percent of inspected schools determined to have an adequate preventative maintenance program	58	71	75	80
Number of new school construction projects completed	29	26	6	1

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	269.7
Agency Request	1,136,748.0
Administrative Cost Percentage	0.02%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Department of State - Secretary of State

Mission:

To serve the people of Arizona, our vision at the Office of the Secretary of State is that all Arizonans enjoy a better quality of life through participation in, understanding of, and confidence in their government.

Description:

The Department of State was created by the Arizona Constitution and is headed by a publicly elected Secretary of State, who serves as Acting Governor in the absence of the Governor and succeeds the Governor should a vacancy occur. The Secretary of State is the keeper of the Great Seal of the State of Arizona. The Secretary of State's office receives and records various filings, including Uniform Commercial Code transactions, trademark and trade name registrations, and limited partnership and limited liability partnership filings. The Secretary of State is also the "Chief State Election Officer" who administers election functions, including canvass and certification of statewide elections, and coordinates statewide voter registration as pursuant to the National Voter Registration Act of 1993. The office is also responsible for registration of lobbyists and acceptance of periodic lobbyist filings and campaign finance filings; publishes all official acts of the State of Arizona including laws, the Arizona Administrative Code, and the Arizona Administrative Register; files the notices of the Governor's appointments to the State's boards and commissions; appoints notaries public; and applies apostilles to all international transactions.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Constitution and Administration	852.2	953.0	953.0	953.0
Business Services	1,027.0	1,303.9	1,320.7	1,313.2
Public Services	482.3	445.7	445.7	445.7
Election Services	4,358.0	17,080.7	17,080.7	11,493.0
Agency Total	6,719.5	19,783.3	19,800.1	14,204.9
<i>Category</i>				
FTE	48.3	43.3	43.3	43.3
Personal Services	1,725.8	1,972.7	1,972.7	1,972.7
ERE Amount	590.4	648.4	648.4	648.4
Prof. And Outside Services	576.6	2,275.0	2,275.0	648.1
Travel - In State	10.7	13.6	13.6	13.6
Travel - Out of State	6.6	12.3	12.3	12.3
Aid to Others	17.4	7,503.3	7,503.3	6,862.5
Other Operating Expenses	3,597.2	7,357.7	7,374.5	4,047.0
Equipment	62.4	0.0	0.0	0.0
Transfers Out	132.4	0.3	0.3	0.3
Agency Total	6,719.5	19,783.3	19,800.1	14,204.9
<i>Fund</i>				
General Fund	6,413.5	11,961.6	11,978.4	7,024.0
Election Systems Improvement Fund	306.0	7,722.8	7,722.8	7,082.0
Professional Employer Organization Fund	0.0	98.9	98.9	98.9

Agency Total 6,719.5 19,783.3 19,800.1 14,204.9

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Help America Vote Act (HAVA)	306.0	7,722.8	7,722.8	7,082.0
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Recent Budget Activity/Perspective

From FY 2007 to FY 2008, the Secretary of State's General Fund operating budget increased by \$60,900. This included increases for microfilming and document storage and ongoing support offset by a decrease in one-time funding for a high speed copier. Mid-year reductions in FY 2008 took (\$146,000) from the agency's budget and mid-year reductions in FY 2009 resulted in another (\$150,000).

Those reductions have continued into FY 2010. The Secretary of State must also absorb the costs of developing a Professional Employer Organization registration database, which has not been funded since originally legislated by Laws 2005 and which must be in operation on July 1, 2010.

Other changes to the agency's FY 2010 budget included \$8.3 million to cover the costs of a special election and a decrease of (\$3.4 million) due to FY 2010 being a non-election year. The agency was allowed to keep \$50,000 of its normal election year funding to help prepare for 2010 elections.

Executive Recommendations

FY 2011

Baseline Adjustments

Tucson Rent 9.3

The Executive recommends a General Fund increase of \$9,300 to cover the FY 2011 increase in COP rent.

General Fund 9.3

FY2011 State Election 3,400.0

The Executive recommends an increase of \$3.4 million to finance the statewide 2010 Primary and General Elections that will take place during FY 2011.

General Fund 3,400.0

One-Time Special Election Funding (8,346.9)

The Executive recommends the elimination of the Special Election special line item and the decrease of the associated \$8.3 million appropriation allocated for one-time costs in FY 2010.

General Fund (8,346.9)

Other Adjustments

Election Systems Improvement Fund (640.8)

For FY 2011, the Election Systems Improvement Fund is expected to have \$7.1 million to continue implementing the provisions of the Help America Vote Act of 2002. In order to match the available funding, the Executive recommends an appropriation

FY 2011

decrease of (\$640,800) from the Help America Vote Act special line item.

Election Systems Improvement Fund (640.8)

FY 2010 Supplemental Recommendations

FY 2010

Suspended Professional Employer Organization Registration (98.9)

Laws 2008, Chapter 291 suspended until July 1, 2010, the requirement that the Secretary of State register Professional Employer Organizations (PEO). Accordingly, the Executive recommends the current PEO Fund appropriation of \$98,900 be eliminated for FY 2010.

Professional Employer Organization Fund (98.9)

Performance Measures

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
	<u>Actual</u>	<u>Actual</u>	<u>Expected</u>	<u>Expected</u>
Percent of votes cast on provisional ballots compared to total voter registration	1.23	4.6	0	3.0
Total voter registration	2,734,000	3,103,747	3,105,000	3,110,000
Percent of delinquent campaign finance filings	12.0	7.34	11.0	11.0
Percent of delinquent elected official financial disclosure statement	3.61	1.0	4.0	4.0
Percent of delinquent lobbyist reports	4.6	8.5	6.0	6.0
Percent of staff indicating that they feel they have the necessary resources to effectively perform their job	75	100	85	90
Average number of business days to process charitable organizations registrations	12	5	5	5
Average number of business days to process trade name applications	10	2	2	2
Average number of business days to process trademark applications	10	3	3	3
Average number of business days to process Uniform Commercial Code filings	5	4	3	3
Average number of business days to process athlete agents registrations	5	3	3	3
Average number of business days to process telephone solicitors registrations	10	4	3	3
Average number of business days to process notary commissions	15	4	4	3
Average number of business days to process limited/limited liability partnerships and foreign limited liability partnerships filings	5	4	3	3
Percent of customers indicating they found the public information they were seeking	100	100	100	100
Percent of statutory publications provided	100	100	100	100

Administrative Costs

FY 2011

Administrative Costs	304.8
Agency Request	8,122.0
Administrative Cost Percentage	3.75%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Arizona State Library, Archives & Public Records

Mission:

To serve Arizona's citizens and government agencies by providing access to public information, fostering historical/cultural collaborative research and information projects, and ensuring that Arizona's history is documented and preserved.

Description:

The Arizona State Library, Archives and Public Records, a division of the Secretary of State, provides information services as authorized by law. Research and reference services are provided in the subject areas of law, government, public policy, genealogy, and Arizoniana. Consultant services are offered to public libraries to strengthen county and local library services and to government agencies of the cities, counties, and state to assist them in the management of official records. State and federal grants for public libraries and other authorized services are administered and monitored. Special library and information services are offered for anyone who is unable to read or use standard printed materials as a result of temporary or permanent visual or physical limitations. Public records are identified, preserved, and when appropriate, disposed of through archival retention programs. Exhibits are created to educate the public regarding Arizona history and the legislative process. These services are provided through the divisions of the Agency: History and Archives, Braille and Talking Book Library, Library Development, Museum, Records Management, and Research and Law Library. The Agency also has responsibility for the Arizona Board of Library Examiners; the Arizona County Librarians; Arizona Historical Records Advisory Board; the Arizona State Board on Geographic and Historic Names; and the Arizona Historical Advisory Commission, including the Arizona Centennial planning efforts.

Special Note:

The Department of Library, Archives and Public Records (DLAPR) is now part of the Department of State - Secretary of State (SOS). All appropriations, funds, and responsibilities of DLAPR will be incorporated by the SOS for FY 2011.

Program/ Cost Center	Agency Summary			
	FY 2009 <i>Actual</i>	FY 2010 <i>Approp.</i>	FY 2011 <i>Agency Req.</i>	FY 2011 <i>Exec. Rec.</i>
Library, Archives and Public Records	6,840.2	7,120.5	7,120.5	6,967.1
Agency Total	6,840.2	7,120.5	7,120.5	6,967.1
<i>Category</i>				
FTE	115.8	104.8	104.8	104.8
Personal Services	3,879.4	3,901.8	3,901.8	3,901.8
ERE Amount	1,456.8	1,469.6	1,469.6	1,469.6
Prof. And Outside Services	(55.0)	22.1	22.1	22.1
Travel - In State	1.0	1.9	1.9	1.9
Travel - Out of State	13.8	14.3	14.3	14.3
Aid to Others	629.5	757.5	757.5	757.5
Other Operating Expenses	885.7	924.8	924.8	771.4
Equipment	20.0	28.5	28.5	28.5

Transfers Out	9.0	0.0	0.0	0.0
Agency Total	6,840.2	7,120.5	7,120.5	6,967.1
<i>Fund</i>				
General Fund	6,213.4	6,441.7	6,441.7	6,338.5
Records Services Fund	626.8	678.8	678.8	628.6
Agency Total	6,840.2	7,120.5	7,120.5	6,967.1

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Library, Archives and Public Records	626.8	678.8	678.8	628.6
SLI Grants-in-aid	523.4	651.4	651.4	651.4
SLI Radio Reading for the Blind	97.0	97.0	97.0	97.0

Recent Budget Activity/Perspective

For FY 2008, the State Library, Archives, and Public Records' appropriation was increased by \$251,700 for statewide adjustments (covering increased costs of rent, insurance, utilities, etc.). However, mid-year reductions took (\$258,600) of the Agency's General Fund budget plus (\$6,000) in reduced hiring appropriations from other funds.

During FY 2009, the Department's General Fund appropriation was reduced by another (\$1.1 million). The Agency let go approximately 19% of its staff and reduced hours of operation in six of its seven divisions. The Polly Rosenbaum Building, housing the Archives and History Division, was closed to regular public access within weeks of its January 15th dedication.

FY 2009 fund transfers took an additional \$534,900 from the Agency's other funds. Half of this money had been saved in the Records Services fund to help take over operation of the Polly Rosenbaum building. As part of Laws 2009, the Agency became part of the Secretary of State's Office in FY 2010, but management of the building was not clearly transferred. Discussions are ongoing to determine how best to fund and manage the operations of the Polly Rosenbaum building.

Executive Recommendations

FY 2011

Baseline Adjustments

COP Rent Adjustments	(153.4)
The Executive recommends appropriation decreases of (\$103,200) from the General Fund and (\$50,200) from the Record Services Fund to reflect decreases in Certificate of Participation rent scheduled for FY 2011.	
General Fund	(103.2)
Records Services Fund	(50.2)

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	<u>Actual</u>	<u>Actual</u>	<u>Expected</u>	<u>Expected</u>
Collaboration - Total activities/contacts.	105,054	101,293	94,100	94,100
Leg info services - Total activities/contacts.	21,484	20,544	17,990	17,990
Public access - Total contacts (In thousands).	45,030.2	107,190.3	51,104.4	51,104.4
Customer satisfaction.	7.5	7.5	7.6	7.6
Preservation - Total items/contacts (In thousands).	79,281.1	60,923.0	56,9860.0	56,9860.0

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	447.7
Agency Request	11,704.0
Administrative Cost Percentage	3.83%

The agency request represents all funds, not just appropriated funds.
These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

State Boards Office

Mission:

To provide effective and efficient accounting and office support services to small licensing agencies to enable them to service the public.

Description:

The program provides support services to small licensing agencies in the areas of reception services, budgeting, personnel, accounting, payroll and agency liaison among a variety of state programs. (NOTE: Customer satisfaction measures, unless otherwise noted, are based on an annual survey using a scale of 1-8 with 8 being the best rating).

<i>Program/ Cost Center</i>	Agency Summary			
	<i>FY 2009 Actual</i>	<i>FY 2010 Approp.</i>	<i>FY 2011 Agency Req.</i>	<i>FY 2011 Exec. Rec.</i>
Support Services	284.6	285.2	285.2	285.2
Agency Total	284.6	285.2	285.2	285.2
<i>Category</i>				
FTE	3.0	3.0	3.0	3.0
Personal Services	144.9	143.2	143.2	143.2
ERE Amount	62.5	53.4	53.4	53.4
Prof. And Outside Services	0.4	0.0	0.0	0.0
Travel - In State	0.0	0.0	0.0	0.0
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	76.8	88.6	88.6	88.6
Equipment	0.0	0.0	0.0	0.0
Agency Total	284.6	285.2	285.2	285.2
<i>Fund</i>				
Admin - Special Services	284.6	285.2	285.2	285.2
Agency Total	284.6	285.2	285.2	285.2

Recent Budget Activity/Perspective

The State Boards Office's appropriation for FY 2007 was \$180,800. In FY 2008, it increased due to a joint office costs increase. In FY 2009, the appropriation was \$284,700. The Office has seen little change in its appropriation since FY 2008.

The Executive recommends a lump-sum appropriation to the agency.

State Board of Tax Appeals

Mission:

To provide an independent appeals process for taxpayers with adverse decisions from the Department of Revenue and Office of Administrative Hearings, and to resolve jurisdictional disputes between municipalities regarding the imposition of transaction privilege and use taxes.

Description:

The State Board of Tax Appeals hears and decides appeals filed by taxpayers and Arizona municipalities concerning income, transaction privilege, use, luxury, and estate taxes.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
State Board of Tax Appeals	263.0	258.8	279.8	259.5
Agency Total	263.0	258.8	279.8	259.5
<i>Category</i>				
FTE	3.0	3.0	3.0	3.0
Personal Services	169.2	173.0	190.6	173.0
ERE Amount	43.4	40.5	43.9	40.5
Prof. And Outside Services	0.6	1.1	1.1	1.1
Travel - In State	0.3	0.9	0.9	0.9
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	49.5	43.3	43.3	44.0
Equipment	0.0	0.0	0.0	0.0
Agency Total	263.0	258.8	279.8	259.5
<i>Fund</i>				
General Fund	263.0	258.8	279.8	259.5
Agency Total	263.0	258.8	279.8	259.5

Recent Budget Activity/Perspective

While the agency was granted an increase from the General Fund in FY 2008 of \$10,400 for statewide adjustments, and a \$12,700 increase was continued in FY 2009, a lump sum reduction of (\$26,400) was included in the FY 2009 mid-year revisions, and a reduction of (\$32,300) was made for FY 2010.

These reductions have required the Board to reduce the number of scheduled hearing days and have delayed the appeals process.

Executive Recommendations

FY 2011

Baseline Adjustments

Lease-Purchase Rent Increase 0.7

The Executive recommendation provides for the agency's share of the increased lease-purchase debt service payment in FY 2011.

General Fund 0.7

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Caseload processing (and number of issues)	17(35)	20(35)	60(135)	80(160)
Number of tax appeals resolved	10	10	40	55
Number backlogged requiring written decision	0	9	15	20
Number of months to process appeal	4.5	7.5	7.5	7.5

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	38.5
Agency Request	311.0
Administrative Cost Percentage	12.38%

The agency request represents all funds, not just appropriated funds.

These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

State Board of Technical Registration

Mission:

To protect the public by setting appropriate registration qualifications and enforcing State Statutes relating to the practice of all Board regulated professions and occupations.

Description:

The Agency's duties are to screen applicants; adopt and administer qualifying examinations as needed to determine whether minimum standards for registration or certification have been satisfied; to enforce professional practice standards for registrants and certificate holders; and to enforce statutes relating to unlicensed practice.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	1,402.9	1,756.4	1,756.4	1,756.4
Agency Total	1,402.9	1,756.4	1,756.4	1,756.4
<i>Category</i>				
FTE	19.0	23.0	23.0	23.0
Personal Services	736.5	847.8	847.8	847.8
ERE Amount	267.0	323.1	323.1	323.1
Prof. And Outside Services	76.5	152.3	152.3	152.3
Travel - In State	8.5	12.4	12.4	12.4
Travel - Out of State	8.7	16.0	16.0	16.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	305.7	382.3	382.3	382.3
Equipment	0.0	22.5	22.5	22.5
Agency Total	1,402.9	1,756.4	1,756.4	1,756.4
<i>Fund</i>				
Technical Registration Board	1,402.9	1,756.4	1,756.4	1,756.4
Agency Total	1,402.9	1,756.4	1,756.4	1,756.4

Recent Budget Activity/Perspective

The Board's appropriation for FY 2007 was \$1.5 million. The Board's appropriation for FY 2008 increased due to new staff, and to a centralized cost increase. Since FY 2008, the Board has seen little change to its appropriation.

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Total number of professional licensees	32,122	31694	31694	31694
Percent of persons grading response to request for information as good or better	100	93	100	100
Percent of complaints resolved by informal methods	100	100	100	100
Number of complaints received	191	162	162	162

Administrative Costs

	FY 2011
Administrative Costs	144.5
Agency Request	2,067.0
Administrative Cost Percentage	6.99%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Arizona Office of Tourism

Mission:

To enhance the state economy and the quality of life for all Arizonans by expanding travel activity and increasing related revenues through tourism promotion and development.

Description:

The Office of Tourism (AOT) employs a marketing and customer-service orientation in performing its statutory duties as follows: planning and developing a comprehensive in-state, national, and international marketing plan that includes advertising campaigns; travel sales and marketing programs; media and public communications; promoting and developing tourism-related business in Arizona; undertaking research to guide tourism development plans for the State and to establish the Office as a central clearinghouse for tourism-related data; and providing information and assistance as needed by citizens, business enterprises, industry organizations, and governmental agencies on matters related to the mission of the Office.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Office of Tourism	15,777.2	10,655.2	10,655.2	0.0
Agency Total	15,777.2	10,655.2	10,655.2	0.0
<i>Category</i>				
FTE	36.0	34.0	34.0	0.0
Personal Services	1,965.7	1,871.8	1,871.8	0.0
ERE Amount	586.9	577.1	577.1	0.0
Prof. And Outside Services	2,435.8	1,283.2	1,283.2	0.0
Travel - In State	20.0	10.5	10.5	0.0
Travel - Out of State	92.0	48.5	48.5	0.0
Aid to Others	1,170.2	965.8	965.8	0.0
Other Operating Expenses	3,241.1	1,795.8	1,795.8	0.0
Equipment	27.4	14.4	14.4	0.0
Transfers Out	6,238.1	4,088.1	4,088.1	0.0
Agency Total	15,777.2	10,655.2	10,655.2	0.0
<i>Fund</i>				
General Fund	15,777.2	10,655.2	10,655.2	0.0
Agency Total	15,777.2	10,655.2	10,655.2	0.0

Executive Recommendations

FY 2011

Solutions to Budget

Eliminate General Fund Support (10,655.2)

The Executive recommends eliminating General Fund support for tourism through A.R.S. § 42-5029. Instead, the Office of Tourism would rely entirely on statutory gaming and racing revenue transfers.

General Fund (10,655.2)

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Number of domestic tourists (in millions)	33.2	32.4	30	30
Number of visitors to the Welcome Center	119,689	123,155	123,500	123,500
➤ Higher gas prices and a faltering economy have impacted the drive market. We anticipate a rebound in FY10.				
Cost per inquiry for advertising-generated requests for Arizona travel planning information (in dollars)	30.05	29.7	23.1	22.5
➤ As traffic to our web site grows, more inquiries are spread across a finite advertising budget, so cost per inquiry decreases.				
Number of inquiries for Arizona travel packet (in thousands)	257	210	230	236
➤ The combination of the Arizona Official State Visitors' Guide not publishing a new edition for CY09, being available online and a faltering economy have driven down the demand for hard copies in the short term.				
Customer satisfaction rating for travel kits program (scale 1-5, 5=very satisfied)	4.54	4.6	4.5	4.5

Administrative Costs

	FY 2011
Administrative Costs	668.0
Agency Request	27,675.0
Administrative Cost Percentage	2.41%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Department of Transportation

Mission:

To provide products and services for a safe, efficient, cost-effective transportation system that links Arizona to the global economy, promotes economic prosperity and demonstrates respect for Arizona's environment and quality of life.

Description:

Since July 1974, the Arizona Department of Transportation (ADOT) has been the state agency responsible for planning, constructing and maintaining Arizona's highway infrastructure for the efficient movement of people and products throughout the state. The transportation system, with over 18,000 travel lane miles, supports the state's economy and quality of life. The Department also provides financial assistance to public airports for improvement projects and operates and maintains the Grand Canyon National Park Airport.

ADOT works with various customers and stakeholders to identify significant transportation issues in Arizona and improve existing systems. The Arizona Long-Range Transportation Plan, MoveAZ, builds on numerous studies involving state, regional and local plans to address transportation challenges that Arizona will face over the next 20 years. The Five-Year Transportation Facilities Construction Program is critical to the delivery of major state transportation projects by assisting decision-makers in prioritizing projects and allocating funds accordingly.

The Motor Vehicle Division (MVD) is responsible for motor vehicle title and registration, aircraft registration, issuance of driver credentials, E-Government (ServiceArizona) and collection and disbursement of fuel taxes and other revenues. The division is also charged with ensuring that commercial vehicles adhere to size, weight and safety laws.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Administration	43,386.5	44,280.7	44,280.7	44,280.7
Intermodal Transportation	249,715.0	283,405.6	289,635.4	284,727.9
Motor Vehicle Division	100,887.7	104,846.0	105,128.5	103,773.2
Aeronautics Division	2,269.7	1,748.3	1,890.1	1,606.5
Agency Total	396,258.9	434,280.6	440,934.7	434,388.3
<i>Category</i>				
FTE	4,748.0	4,548.0	4,548.0	4,548.0
Personal Services	175,493.3	185,284.8	185,641.3	178,353.2
ERE Amount	79,391.0	86,126.0	86,198.5	84,716.8
Prof. And Outside Services	5,580.9	5,665.4	5,665.4	5,640.7
Travel - In State	1,381.6	1,366.9	1,366.9	1,376.6
Travel - Out of State	72.1	63.8	63.8	63.9
Aid to Others	8.0	8.0	8.0	8.0
Other Operating Expenses	123,426.4	147,343.1	151,537.5	153,775.8
Equipment	10,043.2	7,967.4	9,998.1	9,998.1
Capital Outlay	210.9	130.2	130.2	130.2
Transfers Out	651.5	325.0	325.0	325.0
Agency Total	396,258.9	434,280.6	440,934.7	434,388.3

Fund

General Fund	69.7	58.4	63.1	53.7
State Aviation Fund	2,269.7	1,748.3	1,890.1	1,606.5
State Highway Fund	363,659.7	398,222.3	402,253.7	402,253.7
Transportation Department Equipment Fund	23,678.0	27,791.8	29,822.5	25,250.4
Safety Enforcement and Transportation Infrastructure	2,118.9	2,009.9	2,172.9	1,846.9
Air Quality Fund	71.7	72.7	72.7	72.7
Vehicle Inspection & Title Enforcement	1,508.1	1,578.7	1,696.4	1,461.0
Motor Vehicle Liability Insurance Enforcement	2,122.8	2,032.7	2,197.5	1,077.6
Driving Under Influence Abatement Fund	143.3	145.4	145.4	145.4
Highway User Revenue Fund	617.0	620.4	620.4	620.4
Agency Total	396,258.9	434,280.6	440,934.7	434,388.3

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Attorney General Legal Services	2,740.9	2,874.9	2,874.9	2,874.9
SLI New Third Party Funding	910.5	930.2	930.2	930.2
SLI Abandoned Vehicle Administration	925.4	1,002.9	1,002.9	1,002.9
SLI Fraud Investigation	701.4	745.0	745.0	745.0

Recent Budget Activity/Perspective

In FY 2007 the Department of Transportation was appropriated \$43.9 million for their Administration Program; \$287.6 million to their Highways Program; \$105.9 million to their Motor Vehicle Division (MVD) Program; and \$2.2 million to their Aeronautics Program. Appropriated Capital Outlay totaled \$567.9 million.

In FY 2008 the Administrative Program grew to \$45.5 million; the Highways Program to 307.4 million - highway maintenance mile growth and an increase in the number of engineers employed within the department; the MVD to \$111.8 million - a number of issues including fraud investigation, abandoned vehicle administration, and customer service equipment were funded; and the Aeronautics Program to \$2.6 million - Grand Canyon Airport Equipment and phone system upgrades. The Capital Outlay for construction and buildings was appropriated at \$351.7 million. Most of this change was the result of the use of Statewide Transportation Acceleration Needs Account monies were spent in FY 2007. The account was established in 2006 to accelerate construction projects and appropriated \$245.0 million and \$62.0 million in FY 2006 and 2007, respectively. Fund transfers totaled \$29.7 million in FY 2008. Additionally, the DPS transfer from the State Highway Fund (SHF) was increased from the statutory \$10.0 million to \$52.0 million.

In FY 2009 the Administrative appropriation remained almost unchanged at \$45.5 million; Highways growing to \$310.2 million - highway maintenance lane mile growth; MVD shrinking to \$110.8

Recent Budget Activity/Perspective

million - one-time equipment funding eliminated; and Aeronautics reduced to \$2.4 million - one-time equipment funding reversed. However, beginning in FY 2009 the department began operating below appropriation resulting from falling revenues. The SHF spending was appropriated at \$420.0 million; the department was able to spend \$360.4 million or 14% less. The Capital Outlay appropriation remained almost unchanged at \$350.1 million. Fund transfers in FY 2009 totaled \$204.0 million. The \$10.0 million HURF transfer to DPS was increased to \$85.0 million; the \$10.0 million SHF transfer to DPS increased to \$41.3 million.

In FY 2010 the Administrative appropriation was set at \$45.8 million; Highways at \$308.3 million – highway maintenance growth minus fuel cost transfers and lump sum reductions; MVD at \$111.8 million; and Aeronautics reduced to \$2.3 million – one-time equipment reversions and lump sum reductions. Transfers in FY 2010 currently total \$48.0 million; the \$10.0 million DPS transfer from HURF raised to \$78.6 million; and the \$10.0 million DPS transfer from SHF raised to \$41.3 million.

Executive Recommendations

FY 2011

Baseline Adjustments

Highway Maintenance Workload 4,031.4
 The Executive recommendation provides for the maintenance and operation of 158.6 urban and 229.8 rural new lane miles. The amount allows \$19,500 per urban lane mile and \$4,085 per rural mile. The cost per mile includes replacement of signals and lights, the repair of guardrails, garbage removal, and surface maintenance.
 State Highway Fund 4,031.4

Other Adjustments

Equipment Fund Adjustment (4,572.1)
 The Executive recommends a reduction in agency expenditures due to lower than estimated revenues, down by about \$8 million.
 Transportation Department Equipment Fund (4,572.1)
 Liability Insurance Fund Adjustment (790.3)
 The Executive recommendation aligns with the agency's expected FY 2011 expenditures with expected revenues and the fund balance.
 Motor Vehicle Liability Insurance Enforcement Fund (790.3)
 Vehicle License Tax Transfer Continuation 0.0
 The Executive recommends continuing the \$43.2 million transfer mandated in Laws 2009, Third Special Session, Chapter 11.
 State Highway Fund 0.0

Solutions to Budget

FY 2011

Special Session Annualization 1,438.7
 The Executive recommends the annualization of the operating budget reduction enacted by Laws 2009, Fifth Special Session, Chapter 1.
 The Vehicle Equipment Fund change reverses the Special Session reduction in FY 2011 due to expected revenues below appropriation.
 General Fund (4.7)
 State Aviation Fund (141.8)
 Transportation Department Equipment Fund 2,030.7
 Safety Enforcement and Transportation Infrastructure Fund (163.0)
 Vehicle Inspection and Title Enforcement Fund (117.7)
 Motor Vehicle Liability Insurance Enforcement Fund (164.8)

FY 2010 Supplemental Recommendations

FY 2010

Equipment Fund Adjustment (4,572.1)
 The Executive recommendation aligns expenditures with the agency's expected FY 2010 revenues.
 Transportation Department Equipment Fund (4,572.1)
Vehicle Inspection Fund Adjustment (438.7)
 The Executive recommendation aligns expenditures with the agency's expected FY 2010 revenues.
 Vehicle Inspection and Title Enforcement Fund (438.7)
Safety Enforcement Fund Adjustment (530.9)
 The Executive recommendation aligns with the agencies expected FY 2010 expenditures in order to manage within the revenues and balance of the fund.
 Safety Enforcement and Transportation Infrastructure Fund (530.9)
Liability Insurance Fund Adjustment (790.3)
 The Executive recommendation aligns with the agency's expected FY 2010 expenditures with expected revenues and the fund balance.
 Motor Vehicle Liability Insurance Enforcement Fund (790.3)

Performance Measures

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Expected</u>	FY 2011 <u>Expected</u>
Percent of highway construction projects completed on schedule	96.6	96.3	97	97.5
Percent of all vehicle registration renewals completed through alternate methods	79.4	78.9	79.8	79.8
Total Internet transactions and activities (in thousands)	8,425	7,953	7,925	8,178
Percent projects completed on schedule	92	95	95	95
Percent of dollars awarded vs. planned	100	100	100	100
Administrative expenses as percentage of operating budget	2.5	5.0	5.0	5.0
Agency turnover rate (percentage)	13.0	7.0	14.0	14.0
Highway User Revenue Fund revenue forecast range (percent)	-6.6	-10.0	+2.0/-1.0	+2.0/-1.0
Regional Area Revolving Fund revenue forecast range (percent)	-7.0	-13.7	+2.0/-1.0	+2.0/-1.0

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	16,500.0
Agency Request	3,098,211.0
Administrative Cost Percentage	0.53%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation by program with special line items.

State Treasurer

Mission:

To protect taxpayer money by serving as the State's Bank and fiduciary agent, providing investment management, financial information and services.

Description:

The primary responsibilities of the elected State Treasurer are to receive and keep custody over all monies belonging to the State that are not required to be kept by some other entity; to pay warrants of the Department of Administration; and to keep an account of all monies received and disbursed. The Office also invests state monies and operates the local government investment pool (LGIP) for public entities throughout the State.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Treasurer's Office	20,689.0	3,695.8	3,126.2	3,695.8
Agency Total	20,689.0	3,695.8	3,126.2	3,695.8
<i>Category</i>				
FTE	34.4	31.4	31.4	31.4
Personal Services	1,560.8	1,536.0	1,142.6	1,536.0
ERE Amount	559.8	570.2	497.4	570.2
Prof. And Outside Services	114.0	172.0	152.0	172.0
Travel - In State	3.6	1.0	1.0	1.0
Travel - Out of State	1.4	0.0	0.0	0.0
Aid to Others	2,144.6	1,115.1	1,115.1	1,115.1
Other Operating Expenses	291.4	301.5	214.1	301.5
Equipment	2.8	0.0	4.0	0.0
Transfers Out	16,010.6	0.0	0.0	0.0
Agency Total	20,689.0	3,695.8	3,126.2	3,695.8
<i>Fund</i>				
General Fund	20,689.0	3,607.5	3,607.5	3,607.5
State Treasurer's Management Fund	0.0	88.3	(481.3)	88.3
Agency Total	20,689.0	3,695.8	3,126.2	3,695.8

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Justice of the Peace Salaries	2,144.6	1,115.1	1,115.1	1,115.1
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Recent Budget Activity/Perspective

For FY 2007, the Treasurer's Office had an appropriation of \$5.8 million. For FY 2008, the appropriation was increased by \$571,800, and expenditures of \$892,400 were shifted from the Treasurer's Office to AHCCCS. For FY 2009, the appropriation was reduced by \$727,100. For FY 2010, reductions of \$1.1 million were enacted to reduce the State's responsibility for Justice of the Peace salaries.

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Customer satisfaction rating for State Agency depositors (scale 1-8).	7.03	7.19	7.10	7.10
Customer satisfaction rating for distribution recipients (scale 1-8).	7.01	7.29	7.10	7.10
Percent of distributions sent successfully and accurately.	100	100	98	98
Percent of outgoing wires sent successfully and accurately.	100	100	99	99
Number of non-compliant trades.	0	0	5	5
Average days to correct non-compliant trades.	0	0	1	1

Administrative Costs

	FY 2011
Administrative Costs	393.2
Agency Request	5,277.0
Administrative Cost Percentage	7.45%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Arizona Board of Regents

Mission:

To increase the educational attainment of Arizona citizens by producing enough high-quality university degrees for the State to be nationally competitive by the year 2020; to increase the prominence of the system's research enterprise so that it can contribute to the knowledge economy and improve the quality of life in Arizona; and to provide the educated workforce needed to fill shortages and to stimulate demand for higher paying jobs in Arizona.

Description:

The Arizona Board of Regents is the governing body for Arizona's three state universities. Consistent with its constitutional authorities, the Board makes planning and policy decisions regarding the state universities. The Board hires the university presidents and the executive director for the Board, to whom the Board assigns the responsibility of management. The Board acts as the legal entity responsible for the universities and accounts to the legislative and executive branches of government for the resources appropriated to the universities and the Board.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Governance	2,344.1	2,478.4	2,488.8	2,478.4
Student Assistance	16,091.7	16,119.9	19,154.7	16,119.9
Agency Total	18,435.8	18,598.3	21,643.5	18,598.3
<i>Category</i>				
FTE	27.9	26.9	26.9	26.9
Personal Services	1,474.2	1,676.8	1,676.8	1,676.8
ERE Amount	539.7	466.8	466.8	466.8
Prof. And Outside Services	(11.1)	0.0	0.0	0.0
Travel - In State	1.7	0.0	0.0	0.0
Travel - Out of State	0.0	0.0	0.0	0.0
Aid to Others	15,971.7	15,994.9	19,024.7	15,994.9
Other Operating Expenses	459.6	459.8	475.2	459.8
Equipment	0.0	0.0	0.0	0.0
Agency Total	18,435.8	18,598.3	21,643.5	18,598.3
<i>Fund</i>				
General Fund	18,435.8	18,598.3	21,643.5	18,598.3
Agency Total	18,435.8	18,598.3	21,643.5	18,598.3

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI WICHE Office	120.0	125.0	130.0	125.0
SLI WICHE Student Subsidies	3,894.4	4,106.0	4,333.0	4,106.0
SLI Arizona Financial Aid Trust - AFAT	10,041.2	10,041.2	12,839.0	10,041.2
SLI Arizona Teachers Incentive Program - ATIP	90.0	90.0	95.0	90.0
SLI Arizona Transfer Articulation Support System - ATASS	213.7	213.7	213.7	213.7
SLI Nursing Education	1,368.0	1,368.0	1,368.0	1,368.0

SLI Math and Science Teacher Initiative 364.4 176.0 176.0 176.0

Recent Budget Activity/Perspective

From the beginning of FY 2008, the university system has seen its state support reduced by \$220 million, or 20% of their General Fund appropriations. By the end of FY 2011 the university system will have unfunded enrollment growth of more than \$78 million resulting in a total shortfall approaching \$300 million. Per student state funding will have regressed to levels last seen in the 1990s.

As a result, tuition and fee levels have surged in the last few years. Tuition increases for fall 2009 included:

- \$605 or 13% at NAU + Surcharge of \$350 for a total change of 22% from 2008
- \$494 or 10% at U of A + Surcharge of \$766 for a total change of 24% from 2008
- \$690 or 14% at ASU + Surcharge of \$510 for a total change of 21% from 2008

Hundreds of jobs have been lost among the universities, programs have been eliminated and class offerings have been reduced.

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of first year Western Interstate Commission for Higher Education awards	63	63	41	46
Percent of action plan objectives substantially completed	n/a	0	n/a	0
Audits performed on universities	3	4	5	5
Total number of Western Interstate Commission for Higher Education awards	193	193	186	179

Administrative Costs

	FY 2011
Administrative Costs	1,381.1
Agency Request	133,884.0
Administrative Cost Percentage	1.03%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

ASU - Tempe

Mission:

To provide outstanding programs of undergraduate and graduate education, cutting-edge research, and public service for the citizens of the State of Arizona with special emphasis on the Phoenix metropolitan area.

Description:

Arizona State University is a major public research university offering programs from the baccalaureate through the doctorate for over 68,000 full time and part time students. ASU is committed to fashioning a modern university that applies the strongest features of the traditional major research university to the rapidly evolving needs of the metropolitan Phoenix area and Arizona.

Agency Summary				
<i>Program/Cost Center</i>	<i>FY 2009 Actual</i>	<i>FY 2010 Approp.</i>	<i>FY 2011 Agency Req.</i>	<i>FY 2011 Exec. Rec.</i>
Instruction	328,293.1	354,430.2	487,694.1	354,430.2
Organized Research	16,681.9	16,877.4	16,877.4	16,877.4
Public Service	826.7	814.6	814.6	814.6
Academic Support	76,040.6	98,698.5	108,475.5	98,698.5
Student Services	29,149.0	28,412.4	28,412.4	28,412.4
Institutional Support	147,444.6	147,419.3	150,709.6	147,419.3
Agency Total	598,435.9	646,652.4	792,983.6	646,652.4
<i>Category</i>				
FTE	7,073.1	6,695.0	8,034.6	6,695.0
Personal Services	351,794.2	391,848.3	471,521.0	391,848.3
ERE Amount	97,820.0	113,961.5	139,534.6	113,961.5
Prof. And Outside Services	47,982.0	46,519.4	47,019.4	46,519.4
Travel - In State	214.0	232.0	232.0	232.0
Travel - Out of State	2,664.7	2,815.1	2,815.1	2,815.1
Library Acquisitions	9,387.0	7,852.4	9,852.4	7,852.4
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	74,354.9	69,314.9	75,806.8	69,314.9
Equipment	14,219.1	14,108.8	20,509.7	14,108.8
Transfers Out	0.0	0.0	25,692.6	0.0
Agency Total	598,435.9	646,652.4	792,983.6	646,652.4
<i>Fund</i>				
General Fund	344,192.8	330,087.2	497,062.7	330,087.2
ASU Collections - Appropriated	254,243.1	316,565.2	295,920.9	316,565.2
Agency Total	598,435.9	646,652.4	792,983.6	646,652.4

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Collections	0.0	0.0	25,692.6	0.0
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Recent Budget Activity/Perspective

[Please see Board of Regents for university budget context information]

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
First professional degrees granted	238	179	183	188
Percent of graduating seniors who rate their overall university experience as good or excellent	93	93	94	95
Percent of full-time undergraduate students enrolled per semester in three or more primary courses with ranked faculty	70	76	76	76
Number of Bachelors degrees granted	8,303	8,887	9,313	9,759
Percent of agency staff turnover (classified staff only)	18.2	15.9	17.5	17.3
Doctorate degrees granted	415	564	626	695
Masters degrees granted	2,515	2,940	3,063	3,192
Average years taken by freshman students to complete a baccalaureate degree program	4.7	4.7	4.6	4.6
External dollars received for research and creative activity (in millions of dollars)	202	221	238	256

Administrative Costs

	FY 2011
Administrative Costs	9,869.5
Agency Request	1,645,010.0
Administrative Cost Percentage	0.60%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

ASU - Polytechnic

Mission:

To emphasize professional and technological programs based in the liberal arts and sciences and engage in intellectual inquiry focused on addressing societal needs by offering undergraduate and graduate programs primarily in professional and technological fields and in selected areas of the liberal arts and sciences; engaging in forms of scholarship involved with discovering, integrating, applying, and transmitting knowledge to address the conditions and concerns of society; and working with community partners in accomplishing all aspects of this mission.

Description:

ASU at the Polytechnic campus serves students and the metropolitan area through baccalaureate and graduate degree programs as well as through applied research and service. Currently, programs are offered in aeronautical management technology, agribusiness, applied biological sciences, applied psychology, applied science, business administration, computing studies, education, electronics engineering technology, exercise and wellness, human health studies, industrial management technology, interdisciplinary studies, manufacturing engineering technology, mechanical engineering technology, multimedia writing and technical communication, and nutrition. All programs at ASU at the Polytechnic campus provide students with the knowledge and extensive technological competence to succeed in their chosen professions and further learning. ASU at the Polytechnic campus offers a campus environment that places students at the center, embraces diversity and interdisciplinary inquiry, and strives to integrate the academic and social lives of students. ASU at the Polytechnic campus offers programs with outcomes directly relevant to the needs of society and the community, emphasizing collaboration and partnership to foster the educational, economic, and cultural development of local communities, the metropolitan area, the state, and the nation.

Agency Summary

<i>Program/Cost Center</i>	<i>FY 2009 Actual</i>	<i>FY 2010 Approp.</i>	<i>FY 2011 Agency Req.</i>	<i>FY 2011 Exec. Rec.</i>
Instruction	31,588.4	27,549.6	44,130.4	27,549.6
Academic Support	5,468.8	9,437.2	10,290.0	9,437.2
Student Services	2,437.8	2,681.2	2,681.2	2,681.2
Institutional Support	16,014.0	17,333.1	18,119.1	17,333.1
Agency Total	55,509.0	57,001.1	75,220.7	57,001.1

Category

FTE	580.1	552.1	757.7	552.1
Personal Services	23,272.1	28,072.4	40,742.5	28,072.4
ERE Amount	6,891.6	8,071.0	12,074.6	8,071.0
Prof. And Outside Services	13,866.8	12,037.6	12,037.6	12,037.6
Travel - In State	21.9	11.4	11.4	11.4
Travel - Out of State	162.4	63.2	63.2	63.2
Library Acquisitions	140.5	199.4	199.4	199.4
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	7,998.9	5,774.1	6,286.3	5,774.1
Equipment	1,154.8	772.0	1,805.7	772.0
Transfers Out	2,000.0	2,000.0	2,000.0	2,000.0

Agency Total	55,509.0	57,001.1	75,220.7	57,001.1
<i>Fund</i>				
General Fund	26,471.9	25,388.8	45,522.0	25,388.8
ASU Collections - Appropriated	27,037.1	29,612.3	27,698.7	29,612.3
Technology and Research Initiative Fund	2,000.0	2,000.0	2,000.0	2,000.0
Agency Total	55,509.0	57,001.1	75,220.7	57,001.1

Recent Budget Activity/Perspective

[Please see Board of Regents for university budget context information]

Performance Measures

	<u>FY 2008 Actual</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Expected</u>	<u>FY 2011 Expected</u>
Average number of years taken to graduate for student who began as freshmen	5.1	5.0	4.9	4.9
Percent of agency staff turnover (classified staff only)	12	13.1	15.4	13.7
Percent of graduating students who rate their overall experience at ASU Polytechnic as good or excellent	94	95	96	96
Fall semester enrollment (headcount)	8,752	9,614	9,100	9,300
Percent of full-time undergraduate students enrolled per semester in three or more primary courses with ranked faculty	67	67	68	68
Number of degrees granted	863	1,044	1,118	1,199
Number of Bachelors degrees granted	724	842	893	948
Number of Masters degrees granted	139	198	220	245

Administrative Costs

	<u>FY 2011</u>
Administrative Costs	1,755.4
Agency Request	97,661.0
Administrative Cost Percentage	1.80%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

ASU - West

Mission:

To become a comprehensive campus that balances the traditions of liberal arts education with responsiveness to the dynamics of workforce requirements. The West campus colleges and schools are committed to teaching and research that are innovative, interdisciplinary, collaborative and problem-solving oriented.

Description:

ASU at the West campus is located in Phoenix and serves more than 8,600 residential and commuter students of diverse ages, ethnicity, and experiences through baccalaureate programs, master's programs, doctoral programs and certificate programs. The West campus focuses on developing a learning community that addresses the needs of a diverse metropolitan environment. It does this by offering learner-centered academic programs that enhance learning through teaching, service and enrichment opportunities; promoting discovery and innovation; pursuing new knowledge; introducing insights and creative ideas through instruction; encouraging direct involvement in new fields of inquiry; investigating important community-based issues; and integrating with the community through service based on scholarship.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Instruction	33,724.9	31,012.4	41,481.8	31,012.4
Academic Support	15,145.1	16,768.7	17,684.6	16,768.7
Student Services	7,175.4	7,983.3	7,983.3	7,983.3
Institutional Support	17,527.5	18,581.9	18,945.8	18,581.9
Agency Total	73,572.9	74,346.3	86,095.5	74,346.3
<i>Category</i>				
FTE	868.0	834.7	932.4	834.7
Personal Services	35,802.0	36,924.0	42,690.6	36,924.0
ERE Amount	10,521.9	10,986.1	12,842.5	10,986.1
Prof. And Outside Services	17,629.0	18,220.2	18,220.2	18,220.2
Travel - In State	33.2	21.9	21.9	21.9
Travel - Out of State	293.1	242.9	242.9	242.9
Library Acquisitions	1,230.9	1,475.6	1,675.6	1,475.6
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	5,608.2	4,160.9	4,446.0	4,160.9
Equipment	854.6	714.7	1,237.1	714.7
Transfers Out	1,600.0	1,600.0	4,718.7	1,600.0
Agency Total	73,572.9	74,346.3	86,095.5	74,346.3
<i>Fund</i>				
General Fund	46,259.2	44,438.9	58,563.3	44,438.9
ASU Collections - Appropriated	25,713.7	28,307.4	25,932.2	28,307.4
Technology and Research Initiative Fund	1,600.0	1,600.0	1,600.0	1,600.0
Agency Total	73,572.9	74,346.3	86,095.5	74,346.3

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Collections	0.0	0.0	3,118.7	0.0
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Recent Budget Activity/Perspective

[Please see Board of Regents for university budget context information]

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Percent of graduating seniors who rate their overall university experience as good or excellent	97	95	96	96
Percent of full-time undergraduate students enrolled per semester in three or more primary courses with ranked faculty	60	69	70	70
Number of degrees granted	2,015	1,996	2,044	2,117
Number of Bachelors degrees granted	1,651	1,500	1,518	1,537
Number of Masters degrees granted	364	477	526	580
Fall semester enrollment (full-time equivalent)	6,964	7,694	6,600	6,800
Percent of agency staff turnover (classified staff only)	11.7	7.6	11.3	8.4

Administrative Costs

	FY 2011
Administrative Costs	1,451.1
Agency Request	125,069.0
Administrative Cost Percentage	1.16%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Northern Arizona University

Mission:

To provide an outstanding undergraduate residential education strengthened by research, graduate, and professional programs and sophisticated methods of distance delivery.

Description:

Founded in 1899, Northern Arizona University is a vibrant community committed to teaching as learning, research as innovation, and service as shared leadership.

Accredited by the North Central Association of Colleges and Schools, the university values and promotes an ethnically rich and diverse university community and graduates who are prepared to contribute to the social, economic, and environmental needs of a changing world. It inspires students to become active citizens, leaders, visionaries, and problem solvers with an understanding of global issues.

Northern Arizona University's beautiful 740 acre campus promotes sustainable practices including progressive recycling efforts, shuttle buses powered with biodiesel, and has completed the construction of three new energy-efficient buildings certified by the U.S. Green Building Council.

With a growing enrollment of 23,600 students from 48 states and 69 countries, Northern Arizona University reaches out to students regionally with satellite campuses and opportunities for distance learning. From its inception, NAU has implemented innovative and accountable teaching practices, including the effective use of technology. Kiplinger's Personal Finance magazine named Northern Arizona University one of the nation's best values in public colleges and the best value in the state.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Instruction	106,531.0	113,081.9	181,351.8	113,081.9
Organized Research	3,288.0	2,290.0	8,851.9	2,290.0
Public Service	4,440.1	4,737.1	6,377.6	4,737.1
Academic Support	17,200.0	19,814.4	29,480.7	19,814.4
Student Services	16,047.9	15,759.4	23,517.4	15,759.4
Institutional Support	45,369.5	52,028.9	64,332.5	52,028.9
Agency Total	192,876.5	207,711.7	313,911.9	207,711.7
<i>Category</i>				
FTE	2,203.5	2,014.9	3,443.7	2,014.9
Personal Services	119,612.4	133,905.1	195,949.9	133,905.1
ERE Amount	41,071.0	41,584.8	63,554.6	41,584.8
Prof. And Outside Services	6,624.9	1,858.6	2,966.3	1,858.6
Travel - In State	483.7	566.2	1,753.6	566.2
Travel - Out of State	510.8	0.0	0.0	0.0
Library Acquisitions	2,112.4	0.0	3,085.0	0.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	21,833.6	29,793.4	39,593.8	29,793.4
Equipment	627.7	3.6	7,008.7	3.6

Agency Total	192,876.5	207,711.7	313,911.9	207,711.7
<i>Fund</i>				
General Fund	140,256.0	134,642.8	242,345.6	134,642.8
NAU Collections - Appropriated	52,620.5	73,068.9	71,566.3	73,068.9
Agency Total	192,876.5	207,711.7	313,911.9	207,711.7

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI NAU Yuma	2,993.5	2,999.6	2,999.6	2,999.6
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Recent Budget Activity/Perspective

[Please see Board of Regents for university budget context information]

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Percent of graduating seniors who rate their overall university experience as good or excellent	96	96	96	96
Graduate degrees awarded-first professional category	52	47	48	48
➤ Doctorate degrees awarded at the first-professional category (DPT degrees)				
Average number of years taken to graduate for students who began as freshmen	4.5	4.6	4.5	4.5
Total degrees and certificates granted.	5,014	5,484	5,490	5,490
Bachelor degrees granted to statewide students	700	789	790	790
Graduate degrees granted (Statewide and Online only)	1,295	1,345	1,350	1,350
Graduate degrees awarded at the master's level	1,747	1,719	1,725	1,725
Graduate degrees awarded at the doctoral level	35	56	55	56
Percentage of full-time, undergraduate students enrolled per semester in three or more primary courses with ranked faculty	81	80	81	81
Number of Bachelor degrees granted	2,849	3,277	3,300	3,350
Percent of agency staff turnover	15	11	15	15

Administrative Costs

	FY 2011
Administrative Costs	4,765.3
Agency Request	447,944.0
Administrative Cost Percentage	1.06%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

University of Arizona - Main Campus

Mission:

To improve life for the people of Arizona and beyond through education, research, creative expression, and community engagement.

Description:

The University of Arizona in Tucson, including its branch-campuses in Sierra Vista and downtown Phoenix, is a land-grant, doctoral research university ranking among the nation's best public universities. Its research and development expenditures place it among the nation's top public universities and it is a member of the Association of American Universities. It offers a broad array of programs leading to degrees from baccalaureate through the doctorate for a total student body enrollment of 38,052 full-time and part-time students. As a land-grant university, it maintains programs in production agriculture and mining and serves the State through its cooperative extension services, technology transfer, economic development assistance, and cultural programming. The University provides distinguished undergraduate, graduate, and professional education; excels in basic and applied research and creative achievement; and promotes the integration of the product of these activities and achievements of regional, national, and international significance into everyday life.

Agency Summary				
<i>Program/Cost Center</i>	<i>FY 2009 Actual</i>	<i>FY 2010 Approp.</i>	<i>FY 2011 Agency Req.</i>	<i>FY 2011 Exec. Rec.</i>
Instruction	166,871.4	206,580.3	315,452.7	206,580.3
Organized Research	25,830.5	22,999.3	25,944.1	22,999.3
Public Service	4,390.8	3,806.6	4,086.4	3,806.6
Academic Support	58,662.1	50,740.4	63,785.7	50,740.4
Student Services	11,020.0	12,407.2	17,603.3	12,407.2
Instruction	14,253.0	14,253.0	14,253.0	14,253.0
Institutional Support	131,531.9	129,160.2	139,900.4	129,160.2
Agriculture	49,825.3	49,855.3	55,279.0	49,855.3
Agency Total	462,385.0	489,802.3	636,304.6	489,802.3
<i>Category</i>				
FTE	5,679.5	5,679.5	5,833.1	5,679.5
Personal Services	270,234.9	308,301.5	419,480.8	308,301.5
ERE Amount	84,537.6	95,770.5	125,716.1	95,770.5
Prof. And Outside Services	9,766.0	6,995.1	6,995.1	6,995.1
Travel - In State	277.9	641.5	689.7	641.5
Travel - Out of State	730.4	146.0	219.7	146.0
Library Acquisitions	8,435.4	8,128.7	8,460.7	8,128.7
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	85,256.4	68,148.7	72,294.8	68,148.7
Equipment	3,146.4	1,670.3	2,447.7	1,670.3
Agency Total	462,385.0	489,802.3	636,304.6	489,802.3
<i>Fund</i>				
General Fund	288,471.2	274,423.1	420,925.4	274,423.1
U of A Main Campus - Collections - Appropriated	173,913.8	215,379.2	215,379.2	215,379.2
Agency Total	462,385.0	489,802.3	636,304.6	489,802.3

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Sierra Vista Campus	3,955.8	4,910.9	5,647.4	4,910.9
SLI Research Infrastructure Lease-Purchase Payment	14,253.0	14,253.0	14,253.0	14,253.0

Recent Budget Activity/Perspective

[Please see Board of Regents for university budget context information]

Performance Measures

	<i>FY 2008 Actual</i>	<i>FY 2009 Actual</i>	<i>FY 2010 Expected</i>	<i>FY 2011 Expected</i>
Average number of years taken to graduate for students who began as freshmen	4.6	4.5	4.5	4.4
Agency staff turnover (percent)	13.9	14.1	14.5	14.5
Gifts, grants, and contracts (millions)	345	374	393	414
Graduating seniors who rate their overall experience as good or excellent (percent)	95	95	95	95
Full-time undergraduate students enrolled per semester in three or more primary courses with ranked faculty (percentage)	68	71	75	75
Total number of degrees granted	7,098	7,400	7,460	7,580
Bachelors degrees granted	5,241	5,457	5,500	5,600
Masters degrees granted	1,313	1,380	1,390	1,400
First Professional degrees granted	146	144	150	150
Doctorate degrees granted	398	419	420	430

Administrative Costs

	<i>FY 2011</i>
Administrative Costs	9,498.1
Agency Request	1,465,290.0
Administrative Cost Percentage	0.65%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

University of Arizona - Health Sciences Center

Mission:

To provide distinguished undergraduate, graduate, and professional health sciences education; to engage in basic and applied research of regional, national, and international significance; to create and disseminate knowledge; and to seek to integrate creative achievement into everyday life.

Description:

The Arizona Health Sciences Center (AHSC) in Tucson is the State's only academic health sciences center. It provides the State and its people education, research, patient care, and services through its Colleges of Medicine, Nursing, Pharmacy, Public Health, Phoenix Medical Campus, University Medical Center, and university physicians. AHSC serves as the core of a broad network of State-wide health services, health education, health restoration, health promotion, and illness prevention.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Instruction	45,458.5	49,361.5	63,124.7	49,361.5
Organized Research	3,905.9	3,283.4	3,479.3	3,283.4
Public Service	2,982.3	2,815.7	3,009.9	2,815.7
Public Service	9,039.6	9,001.9	9,001.9	9,001.9
Academic Support	13,607.8	15,123.4	17,188.7	15,123.4
Student Services	1,516.9	1,690.3	1,816.2	1,690.3
Institutional Support	1,349.2	1,302.6	1,410.5	1,302.6
College of Medicine - Phoenix	12,949.6	12,874.9	26,603.2	12,874.9
Agency Total	90,809.8	95,453.7	125,634.4	95,453.7
<i>Category</i>				
FTE	966.2	967.1	1,086.9	967.1
Personal Services	53,131.0	71,856.4	91,486.0	71,856.4
ERE Amount	15,076.2	16,432.9	21,267.8	16,432.9
Prof. And Outside Services	11,568.1	1,504.7	2,771.6	1,504.7
Travel - In State	85.2	101.9	129.7	101.9
Travel - Out of State	257.0	7.7	45.3	7.7
Library Acquisitions	1,241.6	964.7	1,593.7	964.7
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	8,307.3	3,895.4	7,485.0	3,895.4
Equipment	1,143.4	690.0	855.3	690.0
Agency Total	90,809.8	95,453.7	125,634.4	95,453.7
<i>Fund</i>				
General Fund	74,073.7	74,073.7	104,254.4	74,073.7
U of A College of Medical - Collections - Appropriated	16,736.1	21,380.0	21,380.0	21,380.0
Agency Total	90,809.8	95,453.7	125,634.4	95,453.7

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Liver Research Institute	656.4	476.2	476.2	476.2
SLI Telemedicine Network	2,037.1	1,935.2	1,935.2	1,935.2
SLI Clinical Rural Rotations	401.8	379.2	379.2	379.2
SLI Clinical Teaching Support	9,039.6	9,001.9	9,001.9	9,001.9

Recent Budget Activity/Perspective

[Please see Board of Regents for university budget context information]

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Number of Degrees Granted BA/BS and MA/MS	475	580	589	598
Number of degrees granted-PhD	54	60	61	62
Percent of students passing Step II of the United States Medical Licensing Exam on the first try	N/A	N/A	N/A	N/A
Percent of students indicating satisfied or very satisfied with their medical education on the Association of American Medical Colleges graduation questionnaire	N/A	N/A	N/A	N/A

Administrative Costs

	FY 2011
Administrative Costs	0.0
Agency Request	309,015.0
Administrative Cost Percentage	0.00%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

Department of Veterans' Services

Mission:

To enrich and honor Arizona's veterans and their families through education, advocacy, and service.

Description:

The core business of the Arizona Department of Veterans' Services (ADVS) is assisting veterans and their eligible dependents obtain federal entitlements (such as VA claims for disability, pension, insurance, burial, etc.). All other agency services are derived from this central premise. The Department's largest Division is the Arizona State Veteran Home, a self-funded skilled nursing facility that provides long-term care services to veterans and their spouses. The Department also serves as guardian/conservator to incapacitated veterans and their eligible dependents, typically when their families are unable to serve in that capacity. ADVS operates a state veteran cemetery in Sierra Vista, which opened for business in 2002. ADVS is designated as the "State Approving Agency," working with institutions that provide education and training to veterans with educational benefits. ADVS also administers the "Troops to Teachers" program to help military personnel transition to a new career as public school teachers.

Program/ Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Administration	1,622.7	1,786.2	1,786.2	1,786.2
Veterans' Conservatorship/ Guardianship	1,224.6	1,159.8	1,317.3	1,159.8
Veterans' Benefits Counseling Services	2,941.1	2,980.9	2,980.9	2,980.9
State Veterans' Home	15,076.8	15,976.8	18,627.2	16,834.6
Arizona Veterans' Cemeteries	279.1	281.4	402.3	281.4
Agency Total	21,144.3	22,185.1	25,113.9	23,042.9
<i>Category</i>				
FTE	376.3	362.3	362.3	362.3
Personal Services	11,404.6	11,909.9	12,796.6	12,262.4
ERE Amount	4,692.9	5,400.3	5,712.1	5,524.2
Prof. And Outside Services	1,531.9	1,049.6	1,049.6	1,049.6
Travel - In State	85.6	96.4	96.4	96.4
Travel - Out of State	6.8	8.8	8.8	8.8
Food	469.8	570.0	570.0	570.0
Aid to Others	12.6	29.2	29.2	29.2
Other Operating Expenses	2,394.8	3,104.9	4,335.2	3,486.3
Equipment	545.3	16.0	16.0	16.0
Capital Outlay	0.0	0.0	500.0	0.0
Agency Total	21,144.3	22,185.1	25,113.9	23,042.9
<i>Fund</i>				
General Fund	7,641.9	7,602.5	7,723.4	5,456.5
Veterans' Conservatorship Fund	740.0	751.8	909.3	751.8
State Home for Veterans Trust	12,762.4	13,830.8	16,481.2	16,834.6
Agency Total	21,144.3	22,185.1	25,113.9	23,042.9

The following is a list of Special Line Items (SLI) which are included in the numbers above but are reflected here for specific disclosure.

SLI Veterans' Organizations	12.6	29.2	29.2	29.2
Contracts				

Recent Budget Activity/Perspective

In FY 2008, the General Fund appropriation to the Department of Veterans' Services was \$9.3 million. This appropriation was reduced by (\$885,300), and in FY 2009, the agency was appropriated \$8.4 million.

In Laws 2009, 1st Special Session, Chapter 1, Sections 3 & 6, the General Fund appropriation to the agency was reduced by (\$428,000). The targeted impacts were a (\$218,000) salary reduction and a (\$224,400) Veterans' Benefits Counselors reduction. The agency managed these budgetary reductions through utilizing vacancy savings from a hiring freeze on Veterans Benefits Counselors and delaying capital projects at the Arizona State Veterans' Home. The Veterans' Cemetery Fund was required to transfer (\$243,200) in FY 2009 and (\$121,600) in FY 2010.

In FY 2010, Veterans' Services' General Fund appropriation was reduced by (\$369,000) to \$7.6 million. This reduction was absorbed through continued vacancy savings across the agency and delaying capital projects at the State Veterans' Home.

Executive Recommendations

FY 2011

Baseline Adjustments

Eliminate Telemedicine SLI	0.0
The Executive recommends eliminating the special line item for funding Telemedicine, as the agency has purchased and implemented the hardware and software necessary for this purpose and there are no more appropriations from this SLI.	
State Home for Veterans Trust Fund	0.0

Increased Patient Census at Veterans' Home	857.8
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The daily average census at the State Veterans' Home is projected to increase from 170 in FY 2010 to 180 in FY 2011. The daily cost per patient at the State Veterans' Home is \$235, and the projected increase of 10 patients per day will require \$857,800 in additional appropriation from the State Home for Veterans Trust Fund. The Executive recommends an additional appropriation of \$857,800 from the State Home for Veterans Trust Fund.

State Home for Veterans Trust Fund	857.8
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Solutions to Budget

Transfer General Fund Support for Veterans' Home	0.0
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The Executive recommends eliminating all General Fund support for the Arizona Veterans' Home and providing an equal increase in appropriation from the State Veterans' Home Trust Fund. The State Veterans' Home Trust Fund has a sufficient balance and revenues to fully support the Arizona Veterans' Home. There is

FY 2011

no net effect on the State Veterans' Home's total appropriation with this recommendation.

General Fund	(2,146.0)
State Home for Veterans Trust Fund	2,146.0

FY 2010 Supplemental Recommendations

FY 2010

Capital Project Delay (600.0)

The Executive recommends a reduction of (\$600,000) from the Department of Veterans' Services General Fund appropriation. This reduction is expected to delay several capital projects at the State Veterans' Home until FY 2011.

General Fund	(600.0)
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Performance Measures

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
	<u>Actual</u>	<u>Actual</u>	<u>Expected</u>	<u>Expected</u>
Human service specialist to client ratio	1:35	1:51	1:45	1:45
Monetary awards reported on claims and appeals filed by the state veterans' benefits counselors on behalf of Arizona veterans (expressed in millions of dollars for award the Department expects to receive)	136.3	170.0	173.4	178.6
Percentage of customers rating the overall delivery of services as 1 to 3, using a 1-5 scale where 1 represents "Extremely Satisfied" and 5 represents "Extremely Dissatisfied."	92	97	94	95
➤ <i>The survey has been redesigned with a numeric score.</i>				
Expenditures of federal dollars in Arizona by the U.S. Department of Veterans Affairs (in millions of dollars)	1,692	1,874	1902	1931
➤ <i>VA expenditures are reported as of 9/30 of the previous year.</i>				
The number of federal dollars per veteran entering the Arizona economy (expressed as dollars per Veteran per year)	5,045	5465	5661	5823
➤ <i>Expressed in terms of actual dollars; no "multiplier effect" has been included in the reported figure.</i>				
Percent of agency staff turnover (covered positions) as reported by the Arizona Department of Administration	41.95	26.8	40	40
Average annual occupancy rate (in percent)	87.5	74.25	90	90
Active caseload at end of fiscal year	363	360	380	390
➤ <i>Includes open decedent accounts.</i>				

Administrative Costs

FY 2011

Administrative Costs	1,370.0
Agency Request	29,052.0
Administrative Cost Percentage	4.72%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency with special line items.

State Veterinary Medical Examining Board

Mission:

To protect the health, safety, and welfare of Arizona citizens as well as the welfare of animals by the regulation of veterinarians, veterinary technicians, veterinary premises, and animal crematories.

Description:

The Board consists of nine members appointed by the Governor for five-year terms. The Board is responsible for licensing veterinarians, certifying veterinary technicians, licensing veterinary medical premises, and licensing animal crematories. The Board administers examinations for veterinarians and veterinary technicians, inspects all fixed locations for veterinary medical premises and animal crematories, investigates complaints and violations, and takes appropriate regulatory disciplinary action to ensure the public's protection.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Licensing and Regulation	371.0	470.4	470.4	470.4
Agency Total	371.0	470.4	470.4	470.4
<i>Category</i>				
FTE	5.5	5.5	5.5	5.5
Personal Services	217.2	275.0	275.0	275.0
ERE Amount	75.2	85.0	85.0	85.0
Prof. And Outside Services	20.2	31.3	31.3	31.3
Travel - In State	4.6	9.5	9.5	9.5
Travel - Out of State	0.0	0.5	0.5	0.5
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	53.7	68.0	68.0	68.0
Equipment	0.1	1.1	1.1	1.1
Agency Total	371.0	470.4	470.4	470.4
<i>Fund</i>				
Veterinary Medical Examiners Board	371.0	470.4	470.4	470.4
Agency Total	371.0	470.4	470.4	470.4

Recent Budget Activity/Perspective

The Board's appropriation for FY 2007 was \$442,900. In FY 2008, the appropriation increased to \$477,700. In FY 2009, the appropriation for the Board was \$468,300. The Board's appropriation for FY 2010 is \$470,400

Performance Measures

	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Expected	Expected
Percent of customers responding excellent or good on customer satisfaction survey	95	96	90	90
Number of annual investigations conducted	135	126	125	125
Total number of veterinarians licensed annually, including renewals	1,968	1940	1,960	1,800
Average number of calendar days from receipt to granting of license	60	60	60	60
Number of complaints docketed	74	107	140	140
Number of complaints resolved	73	72	105	105
Average number of calendar days from receipt of complaint to resolution	70	75	90	120

Administrative Costs

	FY 2011
Administrative Costs	32.2
Agency Request	468.0
Administrative Cost Percentage	6.88%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Department of Water Resources

Mission:

To ensure a long-term, safe, sufficient, and secure water supply for the State; to develop public policies which promote the efficient use and equitable distribution of water in an environmentally and economically sound manner; and to promote the management of floodplains and dams to reduce loss of life and damage to property.

Description:

The Department of Water Resources (DWR) was established in 1980 to administer all state water laws except those laws relating to water quality. Primary responsibilities include implementing the Groundwater Code, supporting the adjudication of water rights, ensuring the safety of dams, managing floods, implementing surface water laws, surveying water resources statewide, and assessing water quality in conjunction with the Department of Environmental Quality.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
Agency Support	4,803.0	4,349.0	4,510.7	1,481.2
Water Management and Statewide Planning	13,515.6	12,593.1	13,961.7	6,287.4
Dam Safety and Flood Warning	878.7	889.4	889.4	389.4
Agency Total	19,197.3	17,831.5	19,361.8	8,158.0
<i>Category</i>				
FTE	193.4	220.7	220.7	220.7
Personal Services	10,811.3	9,735.7	10,875.2	3,247.6
ERE Amount	3,813.0	3,479.2	3,708.3	2,170.8
Prof. And Outside Services	678.3	1,268.3	1,268.3	1,268.3
Travel - In State	309.5	279.9	279.9	279.9
Travel - Out of State	10.4	32.5	32.5	32.5
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	2,977.8	2,714.0	2,875.7	837.0
Equipment	217.6	45.0	45.0	45.0
Cost Allocation	379.4	276.9	276.9	276.9
Agency Total	19,197.3	17,831.5	19,361.8	8,158.0
<i>Fund</i>				
General Fund	10,285.5	16,879.9	18,410.2	7,206.4
Arizona Water Banking Fund	7,900.0	0.0	0.0	0.0
Assured and Adequate Water Supply Administration Fund	1,011.8	951.6	951.6	951.6
Agency Total	19,197.3	17,831.5	19,361.8	8,158.0

Recent Budget Activity/Perspective

In FY 2009, the agency had its appropriation reduced by (\$11.3 million) while losing \$19.7 in fund transfers.

The Department had reductions of (\$2.9 million) in FY 2010 and \$9.7 million in transfers.

These changes have required the Department to use for operating

Recent Budget Activity/Perspective

costs money from the Water Banking Fund for operating expenditures, which has been the subject of subsequent litigation. A court decision is still pending. Without the use of the Water Banking Fund, the Department will have to reduce staff and programs.

Executive Recommendations

FY 2011

Baseline Adjustments

Contractual Rent Increases	123.1
The Executive recommends \$123,100 for contractual rent increases.	
General Fund	123.1

Solutions to Budget

Consolidation and Modernization Plan	(2,765.1)
The Executive recommendation provides a reduction of (\$2.7 million) for consolidation and modernization plan of the Department of Water Resources.	
General Fund	(2,765.1)

Self Funding Mechanism	(5,662.9)
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The Executive recommends the Department move toward self-funding. To this end, the Executive recommends a reduction of (\$5.6 million). This reduction will be offset by a combination of operational savings and fee increases.

General Fund	(5,662.9)
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Annualization of 5th Special Session Reductions	(1,368.6)
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The Executive recommends annualizing the reductions enacted by Laws 2009, Fifth Special Session, Chapter 1.

General Fund	(1,368.6)
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Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Percent of Arizona's annual entitlement to Colorado River water beneficially used	100	100	100	100
Number of dams classified in a non-emergency unsafe condition	13	13	13	13
Per capita water use in the Active Management Areas (in acre feet)	2.74	2.74	2.74	2.74
Percent of unused entitlement recharged	95	95	95	95

Administrative Costs

FY 2011

Administrative Costs	2,994.6
Agency Request	55,941.0
Administrative Cost Percentage	5.35%

The agency request represents all funds, not just appropriated funds.
These administrative costs are estimated for the express purpose of
satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation to the agency.

Department of Weights and Measures

Mission:

To protect consumers and businesses alike by ensuring a fair and equitable Arizona marketplace, and to promote clean air by regulating petroleum products and dispensing systems throughout the state.

Description:

The Department of Weights and Measures ensures that every commercial device used for the sale of commodities by either weight, measure or count is licensed and accurate for its intended use; ensures, by way of random inspections, that such commodities are properly labeled and priced in conformance with state rules and regulations; maintains custody of the state's primary standards and keeps an accurate record of all standards and equipment; collects samples of motor fuel that is stored, sold, exposed or offered for sale to determine if such motor fuel meets the required standards; inspects all mandated stage 1 and stage 2 vapor recovery systems in the state to determine if such systems are in compliance with the law.

Program/Cost Center	Agency Summary			
	FY 2009 Actual	FY 2010 Approp.	FY 2011 Agency Req.	FY 2011 Exec. Rec.
General Services	1,672.5	1,540.4	1,639.1	1,540.4
Air Quality Oxygenated Fuel	872.7	781.3	860.3	781.3
Vapor Recovery	645.4	642.9	642.9	642.9
Agency Total	3,190.6	2,964.6	3,142.3	2,964.6
<i>Category</i>				
FTE	40.4	40.4	40.4	40.4
Personal Services	1,589.9	1,493.9	1,576.0	1,493.9
ERE Amount	640.3	630.0	646.6	630.0
Prof. And Outside Services	156.4	194.9	273.9	194.9
Travel - In State	159.7	179.0	179.0	179.0
Travel - Out of State	11.0	14.0	14.0	14.0
Aid to Others	0.0	0.0	0.0	0.0
Other Operating Expenses	465.6	409.0	409.0	409.0
Equipment	59.7	43.8	43.8	43.8
Transfers Out	108.0	0.0	0.0	0.0
Agency Total	3,190.6	2,964.6	3,142.3	2,964.6
<i>Fund</i>				
General Fund	1,379.2	1,216.9	1,315.6	1,216.9
Air Quality Fund	1,518.1	1,424.2	1,503.2	1,424.2
Motor Vehicle Liability	293.3	323.5	323.5	323.5
Insurance Enforcement				
Agency Total	3,190.6	2,964.6	3,142.3	2,964.6

Recent Budget Activity/Perspective

The FY 2008 budget for the Department of Weights and Measures included a series of one-time equipment upgrades, such as \$12,300 for small package scales, \$8,800 for a mass comparator, \$13,200 for 3 Tri-testers and 4 torque wrenches, among other items. The FY 2008 budget also included \$28,000 for a rent increase, and \$22,600 for phone upgrades.

The FY 2009 budget included a lump sum reduction of (\$116,200),

Recent Budget Activity/Perspective

reduced to (\$106,100) for the General Fund and (\$10,100) for the Air Quality Fund. Laws 2008, Chapter 291 also included a clause that allowed the agency to increase its civil penalties from a maximum of \$500 to \$1,000.

FY 2010 included another lump sum reduction of (\$307,600) and a FTE reduction of 3.0. Additionally, the budget included a fund transfer of \$29,600 from the Air Quality Fund. All of these reductions have diminished the frequency of inspections by the agency.

Performance Measures

	FY 2008 Actual	FY 2009 Actual	FY 2010 Expected	FY 2011 Expected
Percent of Arizona Clean Burning Gasoline (AzCBG's) in compliance.	98	97	98	98
Percent of facilities inspected annually that are in compliance.	88	88	89	89
Percent of UPC (price scanning) devices in compliance.	76	80	81	81

Administrative Costs

	FY 2011
Administrative Costs	697.0
Agency Request	3,484.0
Administrative Cost Percentage	20.01%

The agency request represents all funds, not just appropriated funds. These administrative costs are estimated for the express purpose of satisfying A.R.S. § 35-115.5 and should not be used for any other purpose.

The Executive recommends a lump-sum appropriation by program.

Fund Transfer Recommendations

	FY 2010	FY 2011
Accountancy Board Fund (2001)	500,000	0
AHCCCS Intergovernmental Service Fund (2438)	499,300	0
Arizona Arts Endowment Expend Trust Fund (3106)	0	9,884,600
Arizona Commission on Criminal Justice Fund (2134)	856,300	111,000
Arizona Department of Housing Program Fund (2200)	2,183,000	2,000,000
Arizona Highway Magazine Fund (2031)	0	851,400
AZ Game & Fish Heritage Fund (2295)	0	916,300
Budget Stabilization Fund (3034)	2,767,100	0
Data Processing Acquisition Fund (2265)	56,500	0
Department of Juvenile Corrections Restitution Fund (2476)	0	13,600
Department of Public Safety Licensing Fund (2490)	0	100,000
Donations - D.P.S. Fund (3123)	7,000,000	0
Driving Under Influence Abatement Fund (2422)	0	850,300
Drug and Gang Prevention Fund (2280)	53,200	0
Emergency Medical Services Operating Fund (2171)	193,000	0
Emergency Response Fund (3031)	120,100	132,700
Game & Fish Watercraft License Fund (2079)	0	800,000
Housing Trust Fund (2235)	2,528,900	0
Judicial Collection Enhancement Fund (2246)	709,700	0
Land Conservation Fund (2432)	0	103,538,600
Motor Vehicle Liability Insurance Enforcement Fund (2285)	0	329,600
Notary Bond Fund (2387)	50,800	0
Off-Highway Vehicle Recreation Fund (2253)	250,000	0
Postsecondary Education Voucher Fund (2128)	655,500	0
Real Estate Recovery Fund (3119)	125,100	0
Residential Utility Consumer Office Revolving Fund (2175)	65,800	0
Safety Enforcement & Transportation Infrastructure Fund (2108)	0	326,000
Sex Offender Monitoring Fund (2372)	22,300	16,600
State Aid to Indigent Defense Fund (2445)	0	300,000
State Aid to the Courts Fund (2446)	56,200	0
State Aviation Fund (2005)	0	283,600
State Highway Fund (2030)	0	43,171,000
State Web Portal Fund (2531)	941,500	5,649,400
Telecommunication for the Deaf Fund (2047)	0	412,700
Telecommunications Fund (4231)	0	4,700,000
Underground Storage Tank Revolving Fund (2271)	0	9,807,600
	19,634,300	184,195,000



Legislative Changes

Proposed Legislative Changes

The following changes are necessary to implement the Executive Budget Recommendation for Fiscal Years 2010 and 2011

ADMINISTRATION, DEPARTMENT OF

FY 2010

Surplus Property Sales Proceeds. Appropriate all State Surplus Property Sales Proceeds received by the Department in excess of the \$1.26 million special line item appropriation.

Attorney General Legal Services Federal Repayment. Clarify that (a) the \$1.7 million appropriated by special line item for the repayment of disallowed Attorney General charges is an estimate of the total due to the federal government and (b) any additional funds needed to cover interest or related fees are appropriated to the Department of Administration to complete the required payments.

FY 2011

Surplus Property Sales Proceeds. Appropriate all State Surplus Property Sales Proceeds received by the Department in excess of the \$1.26 million special-line-item appropriation.

AGRICULTURE, DEPARTMENT OF

FY 2011

Continue Fee Increase Appropriation. As Session Law, continue the fee increase authority, rule making exemption, and appropriation granted in Laws 2009, Fourth Special Session, Chapter 3, Section 23.

Meat and Poultry Inspection Elimination. Repeal A.R.S. Title 3, Chapter 13, to cede State authority over meat and poultry inspection to the federal government.

ARIZONA CRIMINAL JUSTICE COMMISSION

FY 2011

Arizona Youth Survey. Amend A.R.S. § 41-2402 to permanently remove funding for the Drug and Gang Prevention Resource Center. The Arizona Criminal Justice Commission will no longer make a transfer to the Resource Center and will instead apply the funding to the Arizona Youth Survey program.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

FY 2010

County Transfers - FY 2010: Arizona Long-Term Care System. Repeal Laws 2009, Third Special Session, Chapter 3, Section 2, which transfers 62.2% of unspent federal stimulus monies to the counties and replace it with a section that notwithstands A.R.S. § 11-292 to ensure that the counties received 60% of the final savings achieved from the federal stimulus monies.

General Mental Health and Substance Abuse Transfer to AHCCCS. Amend statutes related to the provision of behavioral health services to delineate Department of Health Services responsibility for services for adults with serious mental illness and individuals under age 21, and AHCCCS responsibility for services for all other persons.

FY 2011

Payment Rollover. As Session Law, continue the FY 2010 payment rollover by delaying health plan capitation payments for one month, from June 2011 until July 2011. The delay would amount to 100% of the payment for plans with more than 100,000 members and 50% of the payment for plans with fewer members. Also, set the interest rate at 0.5%.

County Transfers – FY 2010 Acute. As Session Law, transfer to the counties prior to December 31, 2010, their portion of the federal stimulus monies received in FY 2010.

Nursing Home and Hospital Provider Rate Freeze. As Session Law, give AHCCCS discretionary authority to freeze or reduce hospital and nursing home provider rates.

Ambulance Rates. As Session Law, continue the exemption established in FY 2010 for AHCCCS ambulance rates from the statute mandating providers to pay ambulance rates established by the Department of Health Services.

Expenditure Limitation. As Session Law, continue to exempt county match payments from county expenditure limitations.

DUC Pool. As Session Law, continue to require county contributions of \$2.6 million.

County Acute Care Contribution. As Session Law, continue to require county contributions of \$51.4 million, including an inflationary reduction for Maricopa County's share per A.R.S. § 11-292 (Q).

Disproportionate Share Hospital. As Session Law, the Disproportionate Share Hospital payments for FY 2011 shall be \$80,830,000 for the Maricopa Special Healthcare District, and \$28,474,900 for the Arizona State Hospital.

General Mental Health and Substance Abuse Transfer to AHCCCS. Amend statutes related to the provision of behavioral health services to delineate Department of Health Services responsibility for services for adults with serious mental illness and individuals under age 21, and AHCCCS responsibility for services for all other persons.

Proposition 204 Rollback. Pass a referendum to ask the voters to cap the population eligible for AHCCCS services under Proposition 204 to those that would be funded by revenues received from the State's settlement with tobacco companies referred to as the Master Settlement Agreement.

County Transfers - FY 2011: Arizona Long-Term Care System. As Session Law, notwithstanding A.R.S. § 11-292 (M), require the State to transfer the savings from FY 2011 federal stimulus monies to the counties in the proportion generated for FY 2011 by A.R.S. § 11-292 (B) and (C).

ARIZONA STATE RETIREMENT SYSTEM

FY 2011

Refund of Employer Contributions. Amend A.R.S. §§ 38-740 and -742, to cap employer contributions paid by ASRS at 25%. Currently, ASRS pays up to 100% of employer contributions.

Normal Retirement Date. Amend A.R.S. § 38-711.27(C), so that normal retirement will require a member's sum of years of service and age to be 85. This will require an extra 2.5 years of service.

Average Monthly Salary. Amend A.R.S. § 38-711 to change the retirement benefit calculation to include the average monthly salary for the past 60 months. Currently, the calculation includes the average monthly salary for the past 36 months.

CAPITAL POSTCONVICTION PUBLIC DEFENDER'S OFFICE

FY 2011

Create New Expert Witness Fund. Create A.R.S. § 41-4303, establishing the Capital Postconviction Office Fund. Amend A.R.S. § 41-4301 to remove the \$30,000 cap on reimbursements from counties for costs incurred by the Capital Post-Conviction Public Defender's Office and deposit the reimbursements into the Capital Postconviction Office Fund.

CORRECTIONS, DEPARTMENT OF

FY 2011

State Education Fund for Committed Youth. As Session Law, authorize the expenditure of all revenues deposited into the Education Fund for Committed Youth.

Repeal Language Requiring DOC to Use AHCCCS Rates. As Session Law, repeal Laws 2009, Third Special Session, Chapter 6, Section 17, allowing the DOC to contract for healthcare services.

Repeal of the Prison Concession. As Session Law, repeal Laws 2009, Third Special Session, Chapter 6, Section 33, requiring a prison concession agreement.

Healthcare Privatization. As Session Law, amend Laws 2009, Third Special Session, Chapter 6, Section 26, to extend the deadline for awarding the healthcare privatization contract to May 1, 2011.

ECONOMIC SECURITY, DEPARTMENT OF

FY 2010

Child Support Enforcement Fee Increase. Amend A.R.S. § 25-510 to allow DES to raise the Child Support Enforcement Clearinghouse fee from \$2.25 per payment to \$5.00 per payment. These changes must be retroactive to January 1, 2010.

Developmental Disability Client SSI Collections. Amend A.R.S. § 36-562 to allow DES to collect 88% of a client's SSI monthly benefit to pay for a portion of the cost of support and care. This change, which must be retroactive to January 1, 2010, would be consistent with the retention rate currently employed by AHCCCS.

Restrict Cash Assistance Eligibility. Amend A.R.S. § 46-294 to reduce, from five years to three, the maximum period for cash assistance eligibility. This change must be retroactive to January 1, 2010.

Eliminate Sight Conservation Program. Amend A.R.S. § 46-134 to eliminate the mandatory Sight Conservation Program.

FY 2011

Child Support Enforcement Fee Increase. Amend A.R.S. § 25-510 to allow DES to raise the Child Support Enforcement Clearinghouse fee from \$2.25 per payment to \$5.00 per payment.

Developmental Disability Client SSI Collections. Amend A.R.S. § 36-562 to allow DES to collect 88% of a client's SSI monthly benefit to pay for a portion of the cost of support and care.

Restrict Cash Assistance Eligibility. Amend A.R.S. § 46-294 to reduce, from five years to three, the maximum period for cash assistance eligibility.

Eliminate Sight Conservation Program. Amend A.R.S. § 46-134 to eliminate the mandatory Sight Conservation Program.

EDUCATION, DEPARTMENT OF

FY 2010

K-12 Rollover. As Session Law, defer an additional \$350 million of Basic State Aid and Additional State Aid until FY 2012.

FY 2011

Charter School Reduction. Notwithstanding A.R.S. § 15-185, the Department of Education shall reduce by \$10 million the amount of additional assistance funding that otherwise would be apportioned to charter schools.

Early Graduation Scholarship Grant Program. As Session Law, suspend A.R.S. § 15-105(F)(2) requiring the Department of Education to fund the Early Graduation Scholarship Grant program.

Excess Utilities. Notwithstanding A.R.S. § 910.04, a school district is not permitted to adjust its revenue control limit in FY 2011 for actual utility costs. Notwithstanding A.R.S. § 15-910.03, a school district is not required to submit a funding plan pursuant to that section in FY 2011.

Full Day Kindergarten. Amend A.R.S. § 15-943 to remove the Group B weight funding for voluntary full day kindergarten.

Gifted Support. Notwithstanding A.R.S. § 15-779.03, no additional funding shall be provided for gifted education programs.

Inflation Funding. Amend A.R.S. § 15-901(B)(2) by increasing the per-pupil amount by 1.3%.

Charter School Inflation Funding. Amend A.R.S. § 15-185(B)(4) by increasing charter school additional assistance by 1.3%.

JTED Funding. As Session Law for FY 2011, notwithstanding A.R.S. § 15-393 or any other law, the Department of Education shall fund State aid for joint technological education districts at 91% of the amount that would otherwise be provided by law.

K-12 Rollover. As Session Law, continue to defer \$902 million of Basic State Aid and Additional State Aid until FY 2012.

Parental Choice for Reading Success, Appropriation. As Session Law, the amount of \$1 million is appropriated annually to the Parental Choice for Reading Success special line item for FYs 2012-2015. The Executive recommends adopting Legislative changes to the program requiring priority funding for rural and underserved schools.

Soft Capital Funding. As Session Law, reduce soft capital funding by \$180 million.

Soft Capital Use. Notwithstanding A.R.S. § 15-962, a school district may use its soft capital allocation for any operating or capital expenditures.

State Board of Education Math and Science Initiatives. For FY 2012, the amount of \$500,000 is appropriated from the General Fund to the State Board of Education for the Math and Science Initiatives special line item.

Transportation Funding. Amend A.R.S. § 15-945 to increase the transportation funding level by 1.3%.

ENVIRONMENTAL QUALITY, DEPARTMENT OF

FY 2011

Restore/Maintain Permitting and Indirect Footnotes. As Session Law, continue to allow Indirect and Air Permits revenue in excess of the appropriation to be used by the Department. Allow Water Quality Expedited Fee revenue in excess of the appropriation to be used by the Department. The Department shall submit the intended uses of the funds to the Joint Legislative Budget Committee for review.

EXECUTIVE CLEMENCY, BOARD OF

FY 2010

Board Deadlock. Amend A.R.S. § 31-404 (J) to allow the Board to consider failed an issue in which the Board is deadlocked, rather than forcing the Board to reconsider the issue at a later meeting.

FY 2011

Board Member Status. As Session Law, allow the Board to continue to have a single individual serve as both Executive Director of the Board and Chairman of the Board, and establish that the members of the Board serve on a part-time basis.

HEALTH SERVICES, DEPARTMENT OF

FY 2010

Arnold v. Sarn. Amend statutes to eliminate the requirement to provide services to SMIs under *Arnold v. Sarn*.

Charge Counties 100% of Sexually-Violent Persons at ASH. Amend Laws 2009, Third Special Session, Chapter 10, Section 32, to increase, from 25% of the cost of care to 100%, the charge to counties for sexually violent persons at the Arizona State Hospital. This change must be retroactive to July 1, 2009.

General Mental Health and Substance Abuse Transfer to AHCCCS. Amend statutes related to the provision of behavioral health services to delineate Department of Health Services responsibility for services for adults with serious mental illness and individuals under age 21, and AHCCCS responsibility for services for all other persons.

FY 2011

Arnold v. Sarn. Amend statutes to eliminate the requirement to provide services to SMIs under *Arnold v. Sarn*.

Charge Counties 100% of Sexually-Violent Persons at ASH. Amend Laws 2009, Third Special Session, 2009, Chapter 10, Section 32, to increase, from 25% of the cost of care to 100%, the charge to counties for sexually violent persons at the Arizona State Hospital.

General Mental Health and Substance Abuse Transfer to AHCCCS. Amend statutes related to the provision of behavioral health services to delineate Department of Health Services responsibility for services for adults with serious mental illness and individuals under age 21, and AHCCCS responsibility for services for all other persons.

Pilot Program for Integrated Physical and Behavioral Healthcare for Persons with Serious Mental Illness. As Session Law, notwithstanding any other law, DHS, in collaboration with AHCCCS, shall conduct a pilot program to implement an integrated physical and behavioral health service delivery model for adult persons with serious mental illness.

HOUSING, DEPARTMENT OF

FY 2011

Housing Trust Fund Revenue Reduction. Amend A.R.S. § 44-3139(A)(1) to reduce, from \$10.5 million to \$7.5 million, the amount transferred from the Department of Revenue's Unclaimed Property Fund to the Department of Housing's Housing Trust Fund, thereby allowing the General Fund to collect an additional \$3 million in revenue from Unclaimed Property proceeds.

INSURANCE, DEPARTMENT OF

FY 2011

Fee and Assessment Adjustment Suspension. As Session Law, notwithstanding A.R.S. §§ 20-167(F) and -466(J), the Director of Insurance shall not revise fees or assessments in FY 2011 for the purpose of meeting the requirement to recover at

least 95% but not more than 110% of the Department's appropriated budget.

JUVENILE CORRECTIONS, DEPARTMENT OF

FY 2011

Closure of the Department of Juvenile Corrections. Repeal A.R.S. §§ 41-2801 through -2831, and amend all statutory language referring to the Department of Juvenile Corrections to direct Counties to be responsible for the long-term, secure care of juveniles.

Closure of DJC: Transfer of CJEF Distribution. Amend A.R.S. § 41-2401 to redirect CJEF Distributions from the Department of Juvenile Corrections to the Department of Corrections.

Closure of DJC: Transfer of State Charitable Penal, Reformatory Land Fund. As Session Law, authorize the Department of Corrections to spend all monies in the State Charitable Penal Reformatory Land Fund.

LAND DEPARTMENT

FY 2011

Continue Fee Increase Appropriation. As Session Law, continue the fee increase authority, rule making exemption, and appropriation granted in Laws 2009, Fourth Special Session, Chapter 3, Section 27.

LOTTERY

FY 2010

Lottery Distributions. As Session Law, notwithstanding any other law, the Arizona Lottery shall make no additional distributions to the Mass Transit Fund, the Local Transportation Assistance Fund, the County Assistance Fund, or the Heritage Fund.

FY 2011

Lottery Continuation. As Session Law, provide for a 20-year continuation of the State Lottery.

Lottery Distributions. As Session Law, notwithstanding any other law, the Arizona Lottery shall make no distribution to the Mass Transit Fund, the Local Transportation Assistance Fund, the County Assistance Fund, the Heritage Fund, or DES for homeless shelters.

OSTEOPATHIC EXAMINERS

FY 2011

Equal Sized Renewal Cycle. As Session Law, allow the Board to require certain licensees to renew for a one-year period at a prorated fee to even out the renewal cycle. After the one-year period, licensees would resume biennial renewal.

PEST MANAGEMENT, OFFICE OF

FY 2011

Rule Making Exemption. As Session Law, allow the Office of Pest Management an exemption to rule making to permanently continue fees developed in FY 2010.

POSTSECONDARY EDUCATION, COMMISSION FOR

FY 2011

Early Graduation Scholarship Grant Program. As Session Law, suspend funding for the Early Graduation Scholarship Grant program for one year, and place a moratorium on new student enrollment in the program.

Early Graduation Scholarship Grant Program: Private and Federal Funds. Amend A.R.S. § 15-105 to allow the Commission to solicit and administer federal grants and private donations for the Early Graduation Scholarship Grant program.

PUBLIC SAFETY, DEPARTMENT OF

FY 2010

Operating Budget Reduction. Amend A.R.S. § 41-1825 to allow DPS to charge the Peace Officer Standards and Training Board (POST) for administrative support costs.

Public Safety Equipment Fund. Amend A.R.S. § 41-1723 to reduce, from \$3 million to \$1.2 million, the amount deposited to the Public Safety Equipment Fund from DUI and OUI assessments.

FY 2011

DNA ID System Fund Appropriation. As Session Law, reduce, from \$3,440,000 to \$980,000, the DNA ID System Fund appropriation for FY 2011. The monies originally appropriated in Laws 2007, Chapter 261 were to fund expanded DNA testing and the design and construction of an expanded Crime Lab in Phoenix. This reduction will restore the FY 2009 appropriation.

HURF and State Highway Fund Statutory Caps. As Session Law, continue to suspend the statutory caps for HURF and State Highway Fund monies that can be used to fund DPS Highway Patrol costs.

Judicial Productivity Credits: Photo Enforcement. As Session Law, continue to exclude photo enforcement citations from the calculation for Judicial Productivity credits.

Offset General Fund with CJEF. As Session Law, redirect the 9% of CJEF revenues, previously deposited in the General Fund, to DPS for general law enforcement purposes.

Sex Offender Monitoring Fund. Repeal A.R.S. § 13-3828, eliminating the Sex Offender Monitoring Fund. Amend A.R.S. §§ 13-3821 and -3824 to redirect fund revenues to the General Fund.

RACING, DEPARTMENT OF

FY 2011

Allow Receipt of Donations. Create A.R.S. § 5-116, establishing a donations fund for the Department of Racing, and allowing the Department to expend any revenue generated for the exclusive purpose of animal drug testing. The fund will accept donations from individuals and organizations, including race permit holders.

RADIATION REGULATORY AGENCY

FY 2011

Continue Fee Increase Appropriation. As Session Law, continue the fee increase authority, rule making exemption, and appropriation granted in Laws 2009, Fourth Special Session, Chapter 3, Section 27.

REGISTRAR OF CONTRACTORS

FY 2011

Registrar of Contractors Recovery Fund. As Session Law, continue to allow 14% of prior fiscal year revenues from the Residential Contractors Recovery Fund to be used for employee and contracted services, equipment, and operational costs, rather than 10% of the fund balance.

REVENUE, DEPARTMENT OF

FY 2011

Automate the Bank Levy Process. Amend A.R.S. §§ 6-1601 and 42-1202 to allow the Department to enter into an agreement with a vendor to conduct data matching electronically.

Eliminate Statutory Limit on Outsourcing Collections Cases. Amend A.R.S. § 42-1004.B.3 to eliminate the \$500 outsourcing limit on collections cases.

Extend Tax Liability Statute of Limitations. Amend A.R.S. §§ 42-114, -1151, -1153, -1201 and -2066 to increase the statute of limitations on tax liability from six years to ten.

Increase Business License Fees. Amend A.R.S. § 42-5005(A) to increase the business license fee from \$12 to \$50, renewable annually.

Penalty for Mandated Electronic Payments. Amend A.R.S. § 42-1129 to mandate that all taxpayers specified in that section would be required to file electronically, and allow the Department to enforce this mandate by assessing a 5% penalty on specified taxpayers who fail to file electronically.

Require All Payroll Services Companies to File Electronically. Create A.R.S. §§ 43-418 and -419 to establish a statutory requirement that all payroll service companies file and pay electronically on behalf of their clients. Assess a \$25 per quarter per client penalty on clients that have not filed and paid electronically.

Unclaimed Property Auditors Appropriation. As Session Law, notwithstanding any other law, if 12.5% of the dollar value of the properties recovered by unclaimed property contract auditors exceeds \$1,770,000 in FYs 2010-2011, the excess amount shall be transferred from the State General Fund to the Department of Revenue Administrative Fund, and appropriated from the Department of Revenue Administrative Fund to the Department of Revenue for unclaimed property contract auditor fees.

SCHOOL FACILITIES BOARD

FY 2011

Building Renewal Formula Suspension. As Session Law, suspend the Building Renewal formula. Under the current

statutory formula, the FY 2011 Building Renewal amount would have been \$231,715,400.

New Construction Inflation Adjustment. Amend A.R.S. § 15-2041 to restore the authority of SFB to award an inflation adjustment for new construction projects. The FY 2010 Education BRB permanently restricted SFB from providing new construction projects inflationary funding above the formula amount.

New School Construction. As Session Law, continue to prohibit SFB from authorizing or awarding funding for the design or construction of any new school facility, excluding up to \$100 million in new bonding authority. Continue to require school districts to submit capital plans during FY 2011, and permit SFB to review and award new school facilities, subject to future appropriations.

Lease-to-Own. As Session Law, require SFB to issue up to \$100 million in new debt for new construction or the acquisition of land. This debt may be either Qualified School Construction Bonds, as authorized by ARRA, or standard bonds.

STATE PARKS BOARD

FY 2011

Growing Smarter Reform. Amend A.R.S. § 41-511.23 to suspend General Fund deposits to the Land Conservation Fund in FY 2011, and authorize a transfer of the Land Conservation Fund's balance to the General Fund.

State Park Enhancement Fund. As Session Law, continue to allow State Park Enhancement Fund monies to be used for the operation of State parks as appropriated by the Legislature, or for capital needs as approved by the Joint Committee on Capital Review.

Off-Highway Vehicle Fund Use. As Session Law, continue to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs.

TRANSPORTATION, DEPARTMENT OF

FY 2011

Vehicle License Tax Transfer. As Session Law, notwithstanding any other law, \$43,170,600 received in FYs 2010-2011 pursuant to Title 28, Chapter 16, Article 3, Arizona Revised Statutes, relating to Vehicle License Tax, for distribution to the State Highway Fund pursuant to A.R.S. § 28-6538(A)(1), shall be deposited to the General Fund.

TOURISM, OFFICE OF

FY 2011

Tourism Fund Administrative Costs. As permanent law, allow the Office of Tourism to use up to 50% of the monies collected pursuant to A.R.S. § 5-835 for administrative costs. The Executive recommends this provision be retroactive to April 1, 2010.

WATER RESOURCES, DEPARTMENT OF

FY 2011

Water Protection Fund, State General Fund Deposit. As Session law, continue to suspend the requirement for a \$5 mil-

lion General Fund appropriation to the Water Protection Fund.



Glossary and Acronyms

Budget Terms

90/10 Professional and occupational regulatory agencies funded through the collection of fees and the issuance of licenses. These agencies retain 90% of the fees collected annually in separate agency fund accounts and deposit 10% of the fees collected into the *General Fund*.¹

accountability Monitoring, measuring and evaluating the performance and progress of policies, plans and programs to ensure that results are achieved.

actual expenditures Expenditures made in the prior *fiscal year* as reported in the State of Arizona Annual Financial Report, including *Personal Services, Employee-Related Expenditures, All Other Operating Expenditures* and all *special line items* as authorized by the Legislature.

administrative adjustments Adjustments made to reflect expenditures made by an agency after the close of the *fiscal year*. Administrative adjustments include the time period from the close of the 13th month to June 30 of the next fiscal year.

administrative costs Expenses associated with the support, management and oversight of services delivered pursuant to the agency or program *mission*. Typical administrative costs include those associated with accounting, human resources, budgeting, strategic planning, public information, auditing, executive management, etc.

All Other Operating Expenditures (AOOE) Category of expenditure accounts that include Professional and Outside Services, In-State Travel, Out-of-State Travel, Food, *Other Operating Expenditures*, and *Equipment*.

Annual Budget Unit Agencies that are required, pursuant to Laws 2002, Chapter 210, to submit annual budget requests. There are 17 such agencies; the remaining State agencies are biennial budget units.

annualization An adjustment, made to the current year funding base, that will allow a partially funded program to operate for a full year or accounts for a full-year of budget savings due to mid-year reductions.

appropriated fund The Legislatively mandated segregation of funds. It is used and monitored by the *General Accounting Office* as a separate self-balancing set of accounts.

Arizona Administrative Code State agency rules of practice setting forth the nature and requirements of all formal procedures available to the public.

Arizona Financial Information System (AFIS) The statewide accounting system maintained by the Department of Administration.

Arizona Health Care Cost Containment System (AHCCCS) The State's Medicaid program designed to deliver quality managed health care to qualifying individuals.

Arizona Revised Statutes (A.R.S.) The laws governing the State of Arizona.

base budget An adjusted budget base that reflects the current year appropriation, amended to include changes for *standard operating adjustments*.

below-the-line items Specific expenditure or budgetary accounts that have been singled out through the appropriation process to provide high visibility of expenditure. Also known as *special line items*.

biennial budgeting A process that estimates revenues and expenditures for a two-year period.

block grant Allocations of federal money to a state or its subdivisions in accordance with a distribution formula prescribed by law or administrative regulation, for activities of a continuing nature within a restricted subject area (e.g., social services, maternal and child health, and childcare).

budget A financial plan that estimates the revenues and expenditures for a given period of time. (SEE ALSO: *capital outlay* and *operating budget*).

budget program Functions and activities of a *budget unit* or within a budget unit that are pre-planned to fulfill a distinct *mission*.

budget reform legislation Refers to the provisions contained in Laws 1993, Chapter 252; Laws 1994, Chapter 218; Laws 1995, Chapter 283; Laws 1996, Chapter 339; Laws 1997, Chapter 210, and Laws 2002, Chapter 210.

budget unit A department, commission, board, institution or other State organization receiving, expending, disbursing or incurring obligations against State funds.

capital outlay Expenditures for upkeep, preservation, development, improvement or acquisition of lands, buildings or certain associated equipment.

Capital Outlay Stabilization Fund (COSF) A fund into which rent monies collected from agencies occupying State-owned rental space are deposited. The monies partially offset building operating and maintenance costs.

¹ Italicized terms are defined in this Glossary.

categorical eligibility Automatic eligibility for certain federal-State matched public assistance programs, based on criteria established in federal law. Admission to a program (e.g., Medicaid) is mandatory to certain groups of beneficiaries who meet the legal criteria for eligibility to the specified program.

categorical programs A broad category of joint federal-State public assistance programs that provide financial assistance to individuals or that may subsidize a particular activity (e.g., Medicaid pays for medical services on behalf of certain groups of low-income persons).

certificate of participation (COP) A financing tool used by the State for the acquisition and construction of State facilities.

classification salary adjustment (CSA) The review of positions within a specific class to determine whether a change in class or salary is warranted. A CSA is conducted by the Personnel Division of the Department of Administration.

comptroller object code A four-digit code used within the statewide accounting system to identify the detailed revenue or expenditure account affected by a transaction; the lowest level in the object structure.

continuing appropriation An appropriation that is automatically renewed without further Legislative action, period after period, until altered or revoked or liquidated by expenditure.

cost center The allocation of resources by functional area within an agency.

current services budget A financial plan that incorporates the *base budget* needs of an agency and the addition of funding to support demographic growth in client caseloads and workload functions.

decision package A funding request made by State agencies.

detail fund A fund designation used in the statewide accounting system to segregate agency-specific activity. The balance of an *appropriated fund* is comprised of the sum of all of its detail funds.

Disproportionate Share Hospital (DSH) A hospital that serves a disproportionate share of low-income and Medicaid patients, thereby qualifying for federal aid pursuant to Section 1923 of the Social Security Act. The federal basis for payments is either a reflection of a hospital's number of Title XIX in-patient days or a "low-income" utilization rate. States may also establish optional payment categories. Arizona has established optional groups that include county, State and private hospitals.

Employee-Related Expenditures (ERE) The State's contribution to an employee's benefit package. ERE include FICA; retirement; Worker's Compensation; health, dental, and life insurance; unemployment insurance; Personnel Division charges;

Government Information Technology Agency charges; and uniforms for certain classes of employees.

entitlement programs A broad category of categorical public assistance programs that provide services (e.g., cash assistance, medical services, etc.) to certain population groups (e.g., low-income families with minor children). Admission is often mandatory for qualified individuals who meet the legal eligibility criteria (e.g., individuals who are low-income and aged, blind or disabled), hence the reference "entitlement."

Equipment In the operating budget, a specific item of expenditure divided into capitalized equipment (purchased for \$5,000 or more) and non-capitalized equipment (usually between \$300 and \$4,999).

ERE rate The quotient of *Employee-Related Expenditures* and *Personal Services* expressed as a percentage.

expansion populations Persons who have annual incomes of not more than 100% of the *Federal Poverty Level* and that qualify for *AHCCCS* benefits due to the expansion of eligibility as a result of Proposition 204.

Executive Issue An adjustment to the prior-year appropriation to change the scope of current programs or service levels.

Expenditures See *actual expenditures*.

federal budget neutrality A concept intended to ensure that a waiver cannot be expected to cost the federal government more than it would have cost without the waiver. Arizona is subject to "federal budget neutrality" as part of its 100% of *FPL* waiver. The waiver is for a five-year period that began on October 1, 2006, and expires September 30, 2011.

federal funds Amounts collected and made available to the State by the federal government, usually in the form of *categorical* or *block grants* and *entitlements*.

Federal Insurance Contribution Act (FICA) Requires employees and employers to make matching contributions into the Social Security fund.

Federal Poverty Level (FPL) Refers to the poverty guidelines, in relation to income standards, as updated annually in the *FEDERAL REGISTER* by the U.S. Department of Health and Human Services.

Federal Waiver Program Experimental, pilot or demonstration projects that, in the judgment of the Secretary of the U.S. Department of Health and Human Services, are likely to assist in promoting the objectives of the Medicaid Statute. Projects approved under this authority are referred to as "waiver" programs.

fiscal year The State's yearly accounting period beginning July 1 and ending June 30. (The federal fiscal year begins October 1 and ends September 30.)

full-time equivalent (FTE) position A position budgeted at 2,080 hours per year.

fund An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves and equities, which are segregated for the purpose of carrying on specific activities in accordance with limitations, restrictions or regulations.

fund balance The excess of the assets of a fund over its liabilities and reserves.

General Accounting Office (GAO) A division of the Department of Administration that provides diverse statewide financial services and ensures compliance with related *statutes* and rules.

General Fund The primary State account into which monies are collected for the general purposes of government. The primary sources of revenues for the General Fund include sales taxes, income taxes and property taxes. The General Fund is also the major expenditure source from which agencies make payments for specified purposes.

grant anticipation note (GAN) A federal finance tool involving bonding that can be issued by the State Transportation Board. The issuance of a GAN allows the State to fund and accelerate highway construction projects with anticipated federal monies.

inflation An allowance made for an increase in price levels of operating expenditures from one *fiscal year* to the next.

input A *performance measure* that identifies the amount of resources needed to provide particular products or services.

Joint Committee on Capital Review (JCCR) Created by Laws 1986, Chapter 85, to establish the Building Renewal Formula, approve the creation of Building Systems, and review the State Capital Improvement Plan. The JCCR is also responsible for reviewing all construction projects before commencement of the project. The JCCR consists of the following 14 members of the Legislature: Chairs of the House and Senate Appropriations Committees, majority and minority leaders from the House and Senate, four members of the House Appropriations Committee, and four members of the Senate Appropriations Committee.

Joint Legislative Budget Committee (JLBC) A Legislative committee consisting of the following 16 members of the Legislature: Majority Leaders of both the House and Senate; Chairs of both the House and Senate Appropriations Committees; Chair of the Senate Finance Committee; Chair of the House Ways and Means Committee; five members of the House Appropriations Committee; and five members of the Senate Appropriations Committee. The JLBC meets as often as is necessary to transact business related to fiscal management of the State's resources.

Joint Legislative Budget Committee Staff The Legislative counterpart to the Governor's *Office of Strategic Planning and Budgeting (OSPB)*. The Joint Legislative Budget Committee Staff is often referred to as the JLBC but should not be confused with the Legislative committee of the same name. The JLBC Staff prepares an analysis of the Executive Budget as soon as it is presented to the Legislature. The analysis includes the JLBC Staff's recommendations for revisions in expenditures.

Joint Substance Abuse Treatment Program (JSAT) Also known as "Arizona Families First," JSAT is a substance abuse program jointly administered by the Department of Economic Security and the Department of Health Services. The program pays for services to parents, guardians or custodians whose substance abuse is a significant barrier to preserving the family. Services can also be provided to federal *TANF* Block Grant recipients whose substance abuse is a significant barrier to obtaining or maintaining employment.

KidsCare The State Children's Health Insurance Program (SCHIP), created by the passage of the Federal Balanced Budget Act of 1997 and intended to reduce the number of uninsured low-income children nationwide. Administered by *AHCCCS*, KidsCare is Arizona's response to SCHIP. KidsCare, which was implemented November 1, 1998, is for children up to age 18 whose household incomes exceed the Title XIX eligibility limits but are below 200% of the *Federal Poverty Level (FPL)*.

lapsing appropriation An appropriation that terminates automatically. Except for a *continuing appropriation*, an appropriation is made for a certain period of time, generally one year. At the end of this period (including an *administrative adjustment* period), unexpended or unencumbered balances revert to the fund from which the appropriation was made. Also known as a "reverting appropriation."

line item appropriation A method of appropriation that separates the budget into specific objects of expenditure. The specific items include *Personal Services, ERE, Professional and Outside Services, In-State Travel, Out-of-State Travel, Food, Other Operating Expenditures, and Equipment*.

lump-sum appropriation An appropriation made for a stated purpose, or for a named department, without specifying further the amounts that may be spent for specific activities or for particular objects of expenditure.

Master List *Budget reform legislation* requires *OSPB* to publish a list of programs run by or overseen by State government. Laws 2002, Chapter 210 slightly changed the format of the Master List and designated this annual submittal as the operational plan for State agencies and conformed to the budget cycles. Required information for each agency, pro-

gram and subprogram includes the agency description, *mission* statement, strategic issues, and financial and *FTE* position information, as well as the description, *mission* statements, goals, and *performance measures* for all programs and subprograms. *OSPB* still publishes the hard copy report biennially.

means-tested program Eligibility to a public assistance program restricted by an applicant's income or other resources specified by law. Resources include bank accounts and similar liquid assets as well as real estate, automobiles and other personal property whose value exceeds specified financial limits.

mission A brief, comprehensive statement of purpose of an agency, program, or subprogram.

modified lump-sum appropriation A method of appropriation in which *Personal Services*, *Employee-Related Expenditures*, *All Other Operating Expenditures* and *below-the-line items* are specified in the appropriations bill.

modified standard adjustment The difference, as calculated by the agency, between the actual *Personal Services* base and the amount allocated for *Personal Services* by the agency in its expenditure plan. Any amount identified as a modified standard adjustment must be explained by the agency requesting the adjustment.

non-appropriated funds Generally, funds set up as Enterprise or revolving funds. These funds are considered statutorily appropriated and are not subject to the annual or biennial appropriation process.

non-lapsing appropriation An appropriation that does not revert to the fund from which it was appropriated at the end of the *fiscal year*, as provided by law. (SEE *continuing appropriation*).

object code Refers to the accounting code structure of the Arizona Accounting Manual.

objectives Specific and measurable targets for accomplishing goals.

Office of Strategic Planning and Budgeting (OSPB) A State agency charged with preparing the Governor's budget guidelines and the Executive Budget recommendation for review by the Governor. The Office also facilitates a strategic planning process for State government and is responsible for implementing many of the provisions of *budget reform legislation*. The *OSPB* staff is the Executive counterpart to the *JLBC Staff*.

one-time adjustments Budget adjustments that must be made because of a one-time circumstance that is not continued through the next *fiscal year*. The end of a project would bring about a one-time decrease the following year.

operating budget A plan of all proposed expenditures other than capital expenditures (SEE *capital outlay*). An operating budget is composed of various objects of expenditure, such as *Personal Services*, *ERE*, *In-State Travel*, etc.

operational plan A practical action-oriented guide that directs goal-setting to achieve meaningful results with the existing resources through the shorter budget cycle period. The operational plan should provide incremental steps towards achieving the strategic long-range plan. SEE ALSO: *Master List*

Other Appropriated Funds All amounts, excluding *General Fund* amounts, appropriated by the Legislature for predetermined uses. These include *Special Revenue Funds*, revolving funds, etc.

Other Operating Expenditures According to the ARIZONA ACCOUNTING MANUAL, everything using a comptroller object code of 7000. This refers to operating expenditures necessary to operate a budget unit, e.g., office supplies, utilities, communication, etc.

outcome A *performance measure* that reflects the actual results achieved, as well as the impact or benefit, of a program.

output A *performance measure* that focuses on the level of activity in a particular program or subprogram.

per diem compensation Compensation paid to board or commission members for their work. Per diem compensation is a daily rate set statutorily.

per diem travel Cost of meals and incidentals reimbursed to employees and board or commission members.

performance accountability A means of judging policies and programs by measuring their progress toward achieving agreed-on *performance targets*. Performance accountability systems are composed of three components: defining performance measures (including outcomes), measuring performance and reporting results.

performance measures Used to measure results and ensure accountability. (SEE ALSO: *input*, *output*, *outcome*, and *quality*).

performance targets Quantifiable estimates of results expected for a given period of time.

Personal Services Line item of expenditure for salaries and wages paid to employees, elected officials and board or commission members. Payments for leave categories, overtime and other miscellaneous earnings are also recorded in this line item.

privately owned vehicle (POV) Those miles to be used in calculating reimbursement of staff for use of private vehicles on State business.

privatization The opening of government markets allowing for equitable competition between the private and public sectors for the privilege of delivering services to the public.

program budgeting A budget system that focuses on program *missions*, program achievements, and program cost effectiveness. Pursuant to *statute*, the *program structure* for program budgeting is governed by *The Master List of State Government Programs* structure. Program budgeting is linked to planning and *accountability* through alignment of the structures and merging of the planning and budget information.

program enhancement An upward revision in the funding level of a specific program in order to enhance the level of services being provided by that program.

program structure An orderly, logical arrangement of an organization's programs and subprograms. This structure provides the framework for planning, budgeting and strategic program authorization review.

Proposition 204 Medical Program A voter-approved AHCCCS program that expands eligibility to include individuals whose annual incomes are at or below 100% of the *Federal Poverty Level (FPL)*. The program is funded through monies received by the State from the tobacco litigation settlement tobacco tax funds and the State General Fund.

quality A *performance measure* that reflects the effectiveness in meeting the expectations of customers and stakeholders.

receipts Unless otherwise defined, cash received. There are five general categories of receipts: taxes, licenses and permits, charges for services, fines and forfeitures, and other receipts that do not fall into another category.

resource allocation Determination and allotment of resources or assets necessary to carry out strategies within the priority framework established in the goal-setting process.

revenue Additions to assets that do not increase any liability, do not represent the recovery of an expenditure, do not represent the cancellation of certain liabilities without a corresponding increase in other liabilities or a decrease in assets, or do not represent contributions of fund capital in Enterprise and Intergovernmental Service Funds.

Risk Management The charges assessed by the Department of Administration to guard against the risk of loss by an employee or agency acting on behalf of the State of Arizona.

special line items See *below-the-line items*

standard adjustments Changes that must be made to the current year's appropriation to arrive at the new year's *base budget*. Examples of standard adjustments include *annualization* of programs partially funded during the current year,

annualization of the pay package, restoration of *vacancy savings*, and one-time increases and decreases.

standard operating adjustments Adjustments to the *base budget* that include *annualization* of programs partially funded by the Legislative appropriation during the current year; annualization of Legislatively authorized pay packages; restoration of *vacancy savings*; and one-time increases or decreases to the *operating budget*.

State service All offices and positions of employment in State government except offices and positions specifically exempted by law from the State personnel system.

statute A written law, either new or revised, enacted by the Legislature and signed by the Governor.

strategic management Process of positioning an organization so it can prosper in the future. The overall framework within which policy development, strategic, operational, *quality* planning, budgeting, *capital outlay* planning, information technology planning, program implementation, and evaluation and *accountability* take place.

strategic plan A visionary guide, based on an examination of internal and external environmental and political factors, that directs goal-setting and future resource requirements to achieve meaningful *results* over time. Strategic projections are long-range and usually cover a five-year period.

Strategic Program Authorization Review (SPAR) A formal review of selected State government programs, *subprograms* or crosscutting functions. The SPARs determine if programs are retained, eliminated or modified.

subprogram An integral component of a program that can be separately analyzed to gain a better understanding of the larger program.

tracking systems Systems that monitor progress, compile management information and keep goals on track.

uniform allowance An amount budgeted for specific agencies for the cost of uniforms required by the agency.

vacancy savings Savings generated by not filling vacant positions, by not filling newly authorized positions, or by filling a vacant position at a lower grade or step. Vacancy savings cannot be expended for any of the following purposes without the approval of the Director of the Department of Administration: merit increases for State employees; funding for reclassified positions; or the creation of new positions that exceed the total number of authorized *FTE*, as approved by the Legislature.

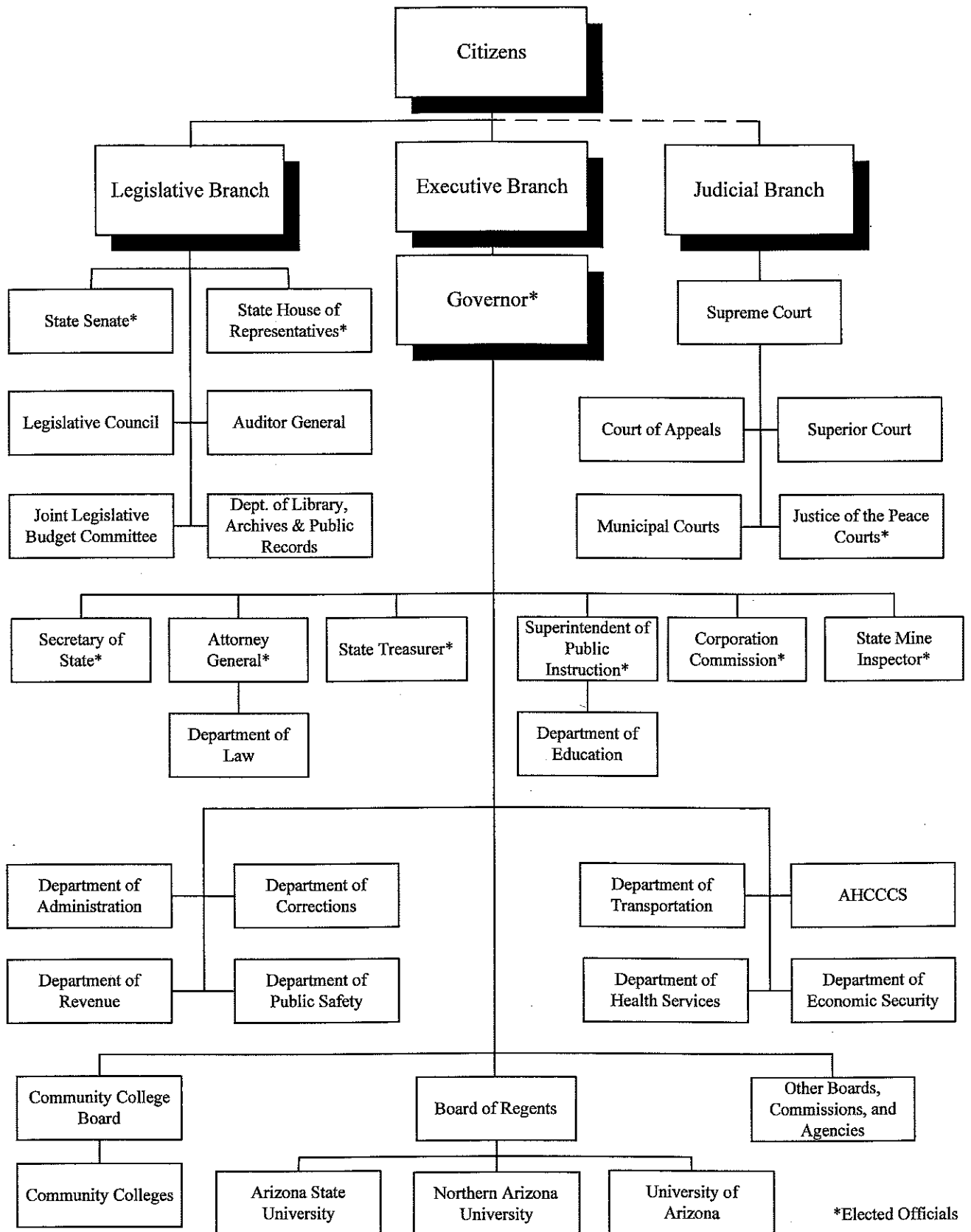
Acronyms

A.R.S. Arizona Revised Statutes	APS Adult Protective Services	COP Certificate of Participation
AAC Arizona Administrative Code	ARF Automation Revolving Fund	COSF Capital Outlay Stabilization Fund
ABOR Arizona Board of Regents	ARRT American Registry of Radiological Technologists	CPS Child Protective Services
ACJC Arizona Criminal Justice Commission	ASDB Arizona School for the Deaf and the Blind	CRIPA Civil Rights of Institutionalized Persons Act
ACJIS Arizona Criminal Justice Information System	ASH Arizona State Hospital	CRS Children’s Rehabilitative Services
ACW Arizona Center for Women	ASPC Arizona State Prison Complex	CSMS Combined Support Maintenance Shop
ADA Americans with Disabilities Act	ASRS Arizona State Retirement System	CSO Correctional Service Officer
ADC Arizona Department of Corrections	ASU Arizona State University	CWA Clean Water Act
ADE Arizona Department of Education	ATA Automobile Theft Authority	CWRF Clean Water Revolving Fund
ADJC Arizona Department of Juvenile Corrections	ATDA Arizona Technology Development Authority	DACS Division of Aging and Community Services
ADM Average Daily Membership	AVSC Arizona Veterans’ Service Commission	DBME Division of Benefits and Medical Eligibility
ADMIN Administration	AZAFIS Arizona Automated Fingerprint Identification System	DCFS Division of Children and Family Services
ADOA Arizona Department of Administration	AZGS Arizona Geological Survey	DD Dually Diagnosed or Developmentally Disabled
ADOT Arizona Department of Transportation	BIFO Border Infrastructure Finance Office	DDD Division of Developmental Disabilities
ADP Average Daily Population	CAE Commission on the Arizona Environment	DDSA Disability Determination Services Administration
AERB Agriculture Employment Relations Board	CAP Child Abuse Prevention	DEA Drug Enforcement Account
AFDC Aid for Families with Dependent Children	CBHS Children’s Behavioral Health Services	DEMA Department of Emergency and Military Affairs
AFIS Arizona Financial Information System	CCDF Child Care Development Fund	DEQ Department of Environmental Quality
AFUND Appropriated Fund	CEDC Commerce and Economic Development Commission	DERS Division of Employment and Rehabilitative Services
AG Attorney General	CERF Collection Enforcement Revolving Fund	DES Department of Economic Security
AGFD Arizona Game and Fish Department	CHC Community Health Center	DHS Department of Health Services
AHCCCS Arizona Health Care Cost Containment System	CHILDS Children’s Information Library and Data Source	DJC Department of Juvenile Corrections
AHS Arizona Historical Society	CIS Client Information System	DOA Department of Administration
AIDA Arizona International Development Authority	CJEF Criminal Justice Enhancement Fund	DOI Department of Insurance
ALTCS Arizona Long-Term Care System	CLIA Clinical Lab Inspections Act	DOR Department of Revenue
AOOE All Other-Operating Expenditures	CMDP Comprehensive Medical and Dental Plan	DPS Department of Public Safety
APP Aquifer Protection Permit	CMR Classification Maintenance Review	DSH Disproportionate Share Hospital

DUI Driving Under the Influence	HMO Health Maintenance Organization	MNMI Medically Needy Medically Indigent
DWR Department of Water Resources	HRMS Human Resource Management System	MVD Motor Vehicle Division
EAC Eligible Assistance Children	HURF Highway User Revenue Fund	NADB North American Development Bank
EDP Electronic Data Processing	IGA Intergovernmental Agreement	NAFTA North American Free Trade Agreement
EEO Equal Employment Opportunity	IHS Indian Health Service	NAIC National Association of Insurance Commissioners
ELIC Eligible Low-Income Children	IM 240 Inspection and Maintenance 240 Second Emission Test	NAU Northern Arizona University
EMS Emergency Medical Services	IOCC Inter-State Oil Compact Commission	NLCIFT National Law Center for Inter-American Free Trade
EMSCOM Emergency Medical Services Communications	IRM Information Resource Management	NRC National Resource Conservation District
EMSOF Emergency Medical Services Operating Fund	IRMG Information Resource Management Group	OAH Office of Administrative Hearings
EPA Environmental Protection Agency	ISD Information Services Division	OGCC Oil and Gas Conservation Commission
EPSDT Early Periodic Screening, Diagnostic, and Testing	ISP Institutional Support Payments	OPM Office of Pest Management
ERE Employee-Related Expenditures	IT Information Technology	OSHA Occupational Safety and Health Administration
FES Federal Emergency Services	ITAC Information Technology Authorization Committee	OSPB Office of Strategic Planning and Budgeting
FFP Federal Financial Participation	JCCR Joint Committee on Capital Review	PAS Prior Authorization Screening
FHAMIS Family Health Administration Management Information System	JCEF Judicial Collection Enhancement Fund	PASARR Pre-admission Screening and Annual Resident Review
FICA Federal Insurance Contribution Act	JLBC Joint Legislative Budget Committee	PDS Phoenix Day School for the Deaf
FMAP Federal Matching Assistance Payments	JOBS Job Opportunity and Basic Skills	PERIS Public Employee Retirement Information System
FMCS Financial Management Control System	LAN Local Area Network	POV Privately Owned Vehicle
FPL Federal Poverty Level	LES Licensing and Enforcement Section	PRWORA Personal Responsibility and Work Opportunity Reconciliation Act of 1986
FTE Full-Time Equivalent	LGIP Local Government Investment Pool	PS Personal Services
GAAP Generally Accepted Accounting Principles	LTC Long Term Care	PSPRS Public Safety Personnel Retirement System
GADA Greater Arizona Development Authority	MAG Maricopa Association of Governments	QMB Qualified Medicare Beneficiary
GAO General Accounting Office	MAO Medical Assistance Only	RARF Regional Area Road Fund
GDP Gross Domestic Product	MARS Management and Reporting System	RCF Registrar of Contractors Fund
GIITEM Gang and Immigration Intelligence Team Enforcement Mission	MD Multiply Disabled	REDI Rural Economic Development Initiative
GITA Government Information Technology Agency	MDSSI Multiply Disabled Severely Sensory Impaired	REM Retain, Eliminate or Modify
H.B. House Bill	MEDICS Medical Eligibility Determinations and Information Control System	RIF Reduction-in-Force
HAP Hazardous Air Pollutant	MIPS Million Instructions Per Second or Medicaid in the Public Schools	
HCBS Home and Community Based Services	MIS Management Information System	
HI Hearing Impaired		

RMIS Risk Management Information System	SMI Serious Mental Illness or Seriously Mentally Ill	UAHSC University of Arizona Health Sciences Center
RTC Residential Treatment Center or Return to Custody	SOBRA Sixth Omnibus Budget Reconciliation Act	USAS Uniform State-wide Accounting System
RUCO Residential Utility Consumer Office	SPAR Strategic Program Authorization Review	USGS United States Geological Survey
S.B. Senate Bill	SPO State Purchasing Office	UST Underground Storage Tank
SAMHC Southern Arizona Mental Health Center	SPU Special Population Unit	VA Veterans Affairs
SAVE Systematic Alien Verification for Entitlements	SR&E Securities Regulation and Enforcement	VEI Vehicle Emission Inspections
SBAC Small Business Assistance Center	SSI Supplemental Security Income	VI Visually Impaired
SBCS State Board for Charter Schools	SSIG State Student Incentive Grant	VR Vocational Rehabilitation
SBE State Board of Education	SSRE State Share of Retained Earnings	VRIRF Victims' Rights Implementation Revolving fund
SBIR Small Business Innovative Research	SWCAP State-wide Cost Allocation Plan	WAN Wide Area Network
SBOE State Board of Equalization	T&R Title and Registration	WATS Wide Area Telephone System
SCHIP State Children's Health Insurance Program	TANF Temporary Assistance for Needy Families	WFRJT Work Force Recruitment and Job Training
SDWA Safe Drinking Water Act	TB Tuberculosis	WICHE Western Inter-State Commission on Higher Education
SDWRF Safe Drinking Water Revolving Fund	TCC Transitional Child Care	WIFA Water Infrastructure Finance Authority
SES State Emergency Services	TDD Telecommunication Devices for the Deaf	WIPP Work Incentive Pay Plan
SLI Special Line Item	TIFS Tourism Investment Fund Sharing	WPF Water Protection Fund
SLIAG State Legalization Impact Assistance Grant	TPO Telecommunications Policy Office	WQAB Water Quality Appeals Board
	UA University of Arizona	WQARF Water Quality Assurance Revolving Fund

Arizona State Government Organization



*Elected Officials

BUDGET

The following budget resources are available at www.ospb.state.az.us

- FY 2011 Executive Budget - Summary
- FY 2011 Executive Budget – State Agency Budgets
- FY 2011 Executive Budget - Appendix
- Statement of Federal Funds for Fiscal Years 2007 through 2009
- Calculation of the Appropriation Limit for Fiscal Years 2008 through 2010

STRATEGIC PLANNING

The following planning resources are available at www.ospb.state.az.us

- Master List of State Government Programs for Fiscal Years 2008 through 2010
- Five-Year Strategic Plans for Annual Budget Units
- Managing for Results, 1998 Strategic Planning and Performance Measurement Handbook (recognized by the Council of State Governments as an Exemplary State Management Program)

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