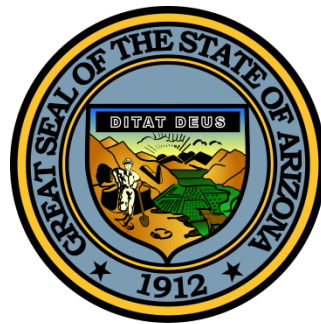


State of Arizona Executive Budget

SUMMARY

FISCAL YEARS 2014 AND 2015

Janice K. Brewer
GOVERNOR



JANUARY 2013

State of Arizona

The Executive Budget

SUMMARY

FISCAL YEARS 2014 AND 2015

Janice K. Brewer
GOVERNOR



JANUARY 2013

Provisions for Individuals with Disabilities

Individuals who have a disability and require reasonable accommodation in order to use this document are encouraged to contact the Governor's Office of Strategic Planning and Budgeting at 602-542-5381.



JANICE K. BREWER
GOVERNOR

STATE OF ARIZONA
EXECUTIVE OFFICE
1700 WEST WASHINGTON STREET, PHOENIX, AZ 85007

602-542-4331
FAX: **602-542-7601**

January 2013

To the Honorable Members of the
Fifty-First Arizona Legislature:

The annual budgeting process grants us this valuable opportunity to reaffirm our priorities, strengthen our competitiveness and, ultimately, guide Arizona to a more prosperous and secure future. My budget plan for Fiscal Year 2014 includes a strong focus on our core functions: educating our citizens, protecting our children, caring for our most vulnerable and modernizing state business. Fulfilling these priorities will strengthen Arizona's position as a global competitor, and make Arizona a better place in which to work, live and raise our families.

This administration has worked tirelessly to instill discipline and conservative principles into the budgeting process, and these efforts have already begun to pay dividends. For instance, FY 2014 will be the third consecutive year with no budget deficit. The Proposition 100 temporary sales tax did its job, and it can now expire without pushing the state back into a deficit. Additionally, the improving economy and budget reforms have reduced reliance on state programs, saving the state and Arizona taxpayers hundreds of millions of dollars and laying a sound footing for the future.

The budget plan I present today continues these conservative principles by addressing public safety, modernizing and reforming our K-12 system and improving Arizona's competitive standing in the global market. Budget issues of focus include:

- addressing the unprecedented growth in CPS caseloads;
- implementing the nationally acclaimed K-12 Common Core state education standards;
- rewarding K-12 schools that are high-performing or demonstrate improvement; and
- continuing to modernize state government.

Government will continue to play a key role in providing access to health care for the most needy. For decades, states have been able to fulfill that responsibility through effective partnerships with the federal government: The states tailored Medicaid programs to their local populations and health care systems, and the federal government provided guidance and financing. Arizona used that flexibility and partnership to create the Arizona Health Care Cost Containment System (AHCCCS), widely hailed as the most effective and efficient Medicaid program in the nation.

Sadly, those collaborative partnerships, and the flexibility that made them work, were effectively destroyed with the passage of the Affordable Care Act. Now, in the place of those partnerships is an all-or-nothing funding system that makes it virtually impossible for Arizona to implement its own laws without an expansion of Medicaid coverage. The siren's song of Obamacare is its promise to pay for almost 100% of the expansion; however, in so doing, it creates a major wealth shift – from states that do *not* expand coverage to those that *do*.

I have been steadfast in my opposition to Obamacare, and I will remain true to my convictions. However, I will not put Arizonans at a competitive disadvantage, nor will I allow Arizona taxpayer money to fund Medicaid expansions in other states while needs here at home go unmet. We will keep that money right here and show the rest of the states how to efficiently run a Medicaid program.

Arizona should participate in the Medicaid expansion, but we must protect Arizona from a bait-and-switch scheme in which a future President or Congress reduces federal matching rates, shifting more of the cost to the states. We will not be lured into a long-term commitment that we cannot afford. Thus, any expansion law we enact must include an automatic repeal in the event that the federal payments fall below 80% of the total cost.

In addressing the State of Arizona's proper functions and responsibilities, the Executive Budget Recommendation for FY 2014 reflects certain realities, both bad and good. The bad: Continued growth of the federal government, and its encroachment on state rights and responsibilities, poses a serious threat to individual liberty and the federalism our founders envisioned. The good: Arizona's emergence from a devastating national and local recession has brought new discipline to fiscal policy, forcing us to recast the role of state government and revealing new practices to help Arizona perpetuate its legacy as a hub of opportunity.

As always, Arizona's continued recovery will be led by its citizens. Their innovative, entrepreneurial spirit has always guided our state, and I look forward to working with the Arizona Legislature on ways we can further empower the people of this state.

Sincerely,

A handwritten signature in black ink that reads "Janice K. Brewer". The signature is fluid and cursive, with a large initial "J" and "B".

Janice K. Brewer
Governor

Budget Message

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Confirming State Priorities and Enhancing Competitiveness

The FY 2014 budget proposal continues the work of modernizing State government and improving Arizona's competitive standing in the world market

DRIVEN BY AN IMPROVING ECONOMY and the effective implementation of prudent budget decisions in recent fiscal years, the General Fund's projected ending balance for FY 2013 is expected to exceed the FY 2012 ending balance by nearly \$343.2 million.

These resources will allow the State to manage through the structural deficit created by the expiration of the temporary one cent sales tax. As recommended by the Governor, that tax will expire on June 1, 2013, but through careful planning and budgeting, the State can swallow the revenue loss and return to a structural balance by FY 2016.

The Governor's fiscal year 2014 Budget Recommendation continues this prudent approach to budgeting: living within our means while providing the necessary resources to properly govern the state. Additionally, the Recommendation takes additional steps to modernize State government and strengthen Arizona's position as a global competitor.

The outline that follows summarizes major General Fund components of the Executive Recommendation. Following this section are the Executive Statement of Sources and Uses of Funds and a detailed discussion of the issues summarized below.

FY 2013 Budget Recommendations

Unprecedented growth in reports of child abuse and neglect to Child Protective Services (CPS) has overburdened the current system. While CPS caseworkers continue to perform at a high level in an extremely difficult environment, they can no longer handle the growing caseload without additional resources.

To address this crisis, the Executive Recommendation calls for the immediate hiring of 50 new caseworkers in FY 2013, with more to come in FY 2014, and additional funds to bolster Children Support Services.

FY 2014 Budget Recommendations

The FY 2014 Executive Recommendation continues the Governor's strong focus on funding and modernizing the State's core functions: public safety, education, and caring for the most vulnerable.

Public Safety and Child Protection. The FY 2014 Recommendation builds on the FY 2013 supplemental and calls for an additional 150 CPS workers. Additionally, the budget provides capital funds for the Department of Corrections and for Department of Public Safety (DPS) equipment funding.

Education. The Executive continues to reform State education funding by recommending several K-12 and higher education funding changes.



K-12 Education. The Executive recommends funding for:

- implementation of Common Core State Standards along with needed technology upgrades;
- a first-in-the-nation performance-based funding model to reward academic performance;
- enhance school safety by funding additional school resource officers, and
- the Microsoft IT Academy, which gives students, teachers and support staff access to skills training and certifications.

School Facilities. The Executive recommends transitioning the School Facilities Board Building Renewal program from a formula-based program to a direct grants program. The Executive also proposes reforming and lifting the freeze on new construction funding.

Higher Education. For the State's universities, the Executive recommends implementing performance-based funding, investing in soft capital needs, increasing medical education, and fulfilling the second year of parity funding.

Healthcare. To meet the healthcare needs of adults and children, the Executive recommends funding for the Arizona Health Care Cost Containment System (AHCCCS) to restore eligibility for childless adults under Proposition 204 and implement the federally funded expansion for adults to 133% of the federal poverty level. The Executive recommends funding the General Fund cost of Proposition 204 through a provider assessment.

Good Government. The Executive's commitment to modernizing State government is evidenced by additional funding for:

- centralized oversight and project management for State technology projects, through Arizona Strategic Enterprise Technology (ASET);
- annualization of statewide employee retention payments; and
- implementation of statewide performance-based pay.

Other examples of good government include dedicating specific dollars for debt reduction, and reinstating the transfer to the Water Quality Assurance Revolving Fund, which will allow the Department of Environmental Quality to more rapidly respond to soil, groundwater and surface water contamination.

Major GF Recommendation: FY 2013

Public Safety and Child Protection

CPS Staffing and Children Support Services \$14.8 million

PROJECTED FY 2013 ENDING BALANCE \$740.2 million

Major GF Recommendations: FY 2014

Public Safety and Child Protection

DPS - ACTIC Operating Costs\$750,000

DES - Adoption Services Caseload Growth..... 2.9 million

DES - Childcare Assistance 9.6 million

DES - CPS Emergency and Residential Placement 29.7 million

DES - CPS Staffing..... 18.7 million

DES - Foster Care Placement 4.8 million

DEMA – Restore Emergency Fund 1.1 million

Education

K-12 - Common Core Implementation\$41.5 million

K-12 - Performance Funding 36.2 million

K-12 - Microsoft IT Academy..... 2.0 million

K-12 - School Safety..... 3.7 million

SFB - Common Core Technology Upgrades 20.0 million

SFB - Maintenance Accountability Program 22.3 million

SFB - New School Construction..... 3.8 million

ASDB - Dorm Renovation 1.0 million

Higher Education

Universities - Performance Funding..... \$15.3 million

Universities - Soft Capital Investment..... 20.0 million

Universities - Parity Funding..... 15.3 million

Universities - Increase Medical Education in Arizona 8.0 million

Comm. Colleges - Capital Outlay Formula Funding..... 3.3 million

Healthcare

AHCCCS - Restoration and Expansion \$27.1 million

AHCCCS - Provider Assessment Offset..... (81.8 million)

DHS - Alzheimer’s Research..... 1.4 million

DHS - Electronic Medical Records 4.5 million

DHS - TGen Funding..... 2.5 million

Good Government

ADOA Security System Replacement\$5.0 million

ASET Automations Projects Fund35.8 million

Performance Pay 6.4 million

Retention Pay.....18.7 million

Debt Reduction.....40.0 million

WQARF Restoration 2.7 million

PROJECTED 2014 ENDING BALANCE\$313.1 million

PROJECTED 2015 ENDING BALANCE\$122.3 million

PROJECTED 2016 ENDING BALANCE\$138.9 million

Sources and Uses of Funds

The General Fund’s Sources and Uses of Funds statement that follows this section summarizes the Executive Recommendation in tabular form. The statement presents the following:

- The “FY 2012 Actual” column reflects actual revenues and expenditures for FY 2012 taken from the State’s Accounting and Financial Information System.
- The “FY 2014 - FY 2016 Baseline” columns reflect the Executive’s revenue and expenditure projections based on updated caseload forecasts.
- The “FY 2014 Executive Recommendation” and “FY 2015 Executive Recommendation” columns reflect the Executive’s revenue projections and expenditure recommendations.
- The “FY 2016 Executive Baseline plus Gov.” column reflects the Executive’s calculation of the State’s fiscal situation in FY 2016 based on the FY 2014 and FY 2015 Executive Recommendations.

Impacts on Local Governments

The Executive Recommendation provides \$550,000 for each of Arizona’s 10 least populous counties by re-establishing the County Assistance Fund and allocating funding from the Lottery distribution.

Outcomes

The Executive Recommendation provides total General Fund expenditure levels of \$8.9 billion in FY 2014, \$9.1 billion in FY 2015, and \$9.3 billion in FY 2016. Fiscal year 2016 ends with a \$10.6 million structural balance, a \$138.9 million ending balance, with an additional \$450 million in the General Fund. •

STATEMENT OF STATE GENERAL FUND SOURCES AND USES
Dollars in Thousands

	FY 2012	FY 2013	FY 2013 with Supplementals	FY 2014 Baseline	FY 2014 Baseline plus Gov. Initiatives	FY 2015 Baseline	FY 2015 Baseline plus Gov. Initiatives	FY 2016 Projected Baseline	FY 2016 Projected Baseline plus Gov.
	Actuals	Appropriated							
SOURCES OF FUNDS									
Beginning Balance	3,243.0	396,962.2	396,962.2	740,188.4	725,442.8	586,174.3	313,122.9	611,134.2	122,295.8
Base Revenues	8,228,621.0	8,494,918.4	8,494,918.4	8,987,575.5	8,987,575.5	9,431,761.7	9,431,761.7	9,904,984.6	9,904,984.6
<i>Urban Revenue Sharing</i>	(424,423.4)	(513,584.0)	(513,584.0)	(561,001.2)	(561,001.2)	(596,464.8)	(596,464.8)	(639,730.2)	(639,730.2)
Adjusted Base Revenues	7,804,197.6	7,981,334.4	7,981,334.4	8,426,574.3	8,426,574.3	8,835,296.9	8,835,296.9	9,265,254.4	9,265,254.4
Temporary 1 cent TPT increase	915,835.5	957,836.6	957,836.6	0.0	0.0	0.0	0.0	0.0	0.0
Premium Tax Increase from AHCCC Expansion	0.0	0.0	0.0	0.0	7,284.0	0.0	34,186.5	0.0	36,353.5
County Transfers	38,600.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MVD Funding Shift Savings	38,614.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DPS HURF Increase	23,588.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budget Fund Transfers + Clean Elections	243,114.8	50,000.0	50,000.0	0.0	0.0	0.0	0.0	0.0	0.0
HITF Transfer	0.0	0.0	0.0	0.0	62,500.0	0.0	0.0	0.0	0.0
Lottery Distribution Changes	0.0	0.0	0.0	0.0	(7,239.0)	0.0	(7,500.0)	0.0	(7,500.0)
AG Housing Settlement	0.0	50,000.0	50,000.0	0.0	0.0	0.0	0.0	0.0	0.0
Judiciary	0.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
TOTAL SOURCES OF FUNDS	9,067,194.0	9,442,133.2	9,442,133.2	9,172,762.7	9,220,562.1	9,427,471.2	9,181,106.3	9,882,388.7	9,422,403.7
USES OF FUNDS									
Agency Operating Budgets	8,393,423.1	8,507,276.3	8,522,201.0	8,519,151.2	8,771,979.1	8,780,673.4	8,953,777.5	8,945,609.8	9,180,223.0
Additional Pay Period	79,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Standard Adjustments	0.0	(11,300.8)	(11,300.8)	9,559.2	34,616.0	9,559.2	41,006.0	9,559.2	41,006.0
Total Operating Budget	8,472,423.1	8,495,975.5	8,510,900.2	8,528,710.4	8,806,595.1	8,790,232.6	8,994,783.5	8,955,169.0	9,221,229.0
Other Expenditures / (Revenues)									
Unallocated FY 2012 Adjustments	(117.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unallocated FY 2013 Adjustments	0.0	15.4	15.4	0.0	0.0	0.0	0.0	0.0	0.0
Woolsey Flood District	32.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statutory Reversions	30,180.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restore 47/53 Shift	6,549.4	Included in Agency	Included in Agency	Included in Agency	Included in Agency	Included in Agency	Included in Agency	Included in Agency	Included in Agency
Sale/ Lease-Back Lease-Purchase Payment	49,050.7	84,119.8	84,119.8	84,099.6	84,099.6	84,103.7	84,103.7	84,094.5	84,094.5
Capital Projects	0.0	0.0	0.0	0.0	6,000.0	0.0	0.0	0.0	0.0
DOC Max Beds Capital	0.0	20,000.0	20,000.0	30,000.0	30,000.0	0.0	0.0	0.0	0.0
Debt Repayment	0.0	0.0	0.0	0.0	40,000.0	0.0	40,000.0	0.0	40,000.0
Administrative Adjustments	43,551.9	95,347.4	95,347.4	46,008.3	46,008.3	47,368.7	47,368.7	48,350.4	48,306.3
Reversions	(181,438.6)	(193,513.2)	(193,692.3)	(102,229.8)	(105,263.7)	(105,368.1)	(107,445.3)	(107,347.3)	(110,162.7)
TOTAL EXPENDITURES	8,420,231.8	8,501,944.9	8,516,690.5	8,586,588.4	8,907,439.2	8,816,336.9	9,058,810.5	8,980,266.6	9,283,467.1
Rainy Day Fund Deposits	250,000.0	200,000.0	200,000.0	0.0	0.0	0.0	0.0	0.0	0.0
ENDING BALANCE	396,962.2	740,188.4	725,442.8	586,174.3	313,122.9	611,134.2	122,295.8	902,122.1	138,936.5

STATEMENT OF STATE GENERAL FUND SOURCES AND USES
Structural Balances Showing One-Time Sources & Uses Items

	FY 2012	FY 2013	FY 2013	FY 2014	FY 2014	FY 2015	FY 2015	FY 2016	FY 2016
	Actuals	Appropriated	with Supplementals	Baseline	Baseline plus Gov. Initiatives	Baseline	Baseline plus Gov. Initiatives	Projected Baseline	Projected Baseline plus Gov.
SOURCES OF FUNDS									
Ongoing Base Revenues	7,804,197.6	7,981,334.4	7,981,334.4	8,426,574.3	8,426,574.3	8,835,296.9	8,835,296.9	9,265,254.4	9,265,254.4
Lottery Distribution Changes	0.0	0.0	0.0	0.0	(7,239.0)	0.0	(7,500.0)	0.0	(7,500.0)
Premium Tax Increase from AHCCC Expansion	0.0	0.0	0.0	0.0	7,284.0	0.0	34,186.5	0.0	36,353.5
Net Ongoing Revenues	7,804,197.6	7,981,334.4	7,981,334.4	8,426,574.3	8,426,619.3	8,835,296.9	8,861,983.4	9,265,254.4	9,294,107.9
One-Time Financing Sources									
Balance Forward	3,243.0	396,962.2	396,962.2	740,188.4	725,442.8	586,174.3	313,122.9	611,134.2	122,295.8
Temporary 1 cent TPT increase	915,835.5	957,836.6	957,836.6	0.0	0.0	0.0	0.0	0.0	0.0
County Transfers	38,600.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MVD Funding Shift Savings	38,614.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DPS HURF Increase	23,588.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budget Fund Transfers + Clean Elections	243,114.8	50,000.0	50,000.0	0.0	0.0	0.0	0.0	0.0	0.0
HITF Transfer	0.0	0.0	0.0	0.0	62,500.0	0.0	0.0	0.0	0.0
AG Housing Settlement	0.0	50,000.0	50,000.0	0.0	0.0	0.0	0.0	0.0	0.0
Judiciary	0.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
One-Time Revenues	1,262,996.4	1,460,798.8	1,460,798.8	746,188.4	793,942.8	592,174.3	319,122.9	617,134.2	128,295.8
TOTAL SOURCES OF FUNDS	9,067,194.0	9,442,133.2	9,442,133.2	9,172,762.7	9,220,562.1	9,427,471.2	9,181,106.3	9,882,388.7	9,422,403.7
USES OF FUNDS									
Ongoing Expenditures									
Agency Operating Budgets	8,393,423.1	8,507,276.3	8,522,201.0	8,519,151.2	8,771,979.1	8,780,673.4	8,953,777.5	8,945,609.8	9,180,223.0
Standard Adjustments	0.0	(11,300.8)	(11,300.8)	9,559.2	34,616.0	9,559.2	41,006.0	9,559.2	41,006.0
Restore 47/53 Shift	6,549.4	Included in Agency	Included in Agency	Included in Agency	Included in Agency	Included in Agency	Included in Agency	Included in Agency	Included in Agency
Sale/ Lease-Back Lease-Purchase Payment	49,050.7	84,119.8	84,119.8	84,099.6	84,099.6	84,103.7	84,103.7	84,094.5	84,094.5
Debt Repayment	0.0	0.0	0.0	0.0	40,000.0	0.0	40,000.0	0.0	40,000.0
Administrative Adjustments	43,551.9	95,347.4	95,347.4	46,008.3	46,008.3	47,368.7	47,368.7	48,350.4	48,306.3
Reversions	(181,438.6)	(193,513.2)	(193,692.3)	(102,229.8)	(105,263.7)	(105,368.1)	(107,445.3)	(107,347.3)	(110,162.7)
Ongoing Expenditures	8,311,136.5	8,481,929.5	8,496,675.1	8,556,588.4	8,871,439.2	8,816,336.9	9,058,810.5	8,980,266.6	9,283,467.1
One-Time Expenditures									
Additional Pay Period	79,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unallocated FY 2012 Adjustments	(117.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unallocated FY 2013 Adjustments	0.0	15.4	15.4	0.0	0.0	0.0	0.0	0.0	0.0
Woolsey Flood District	32.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statutory Reversions	30,180.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Projects	0.0	0.0	0.0	0.0	6,000.0	0.0	0.0	0.0	0.0
DOC Max Beds Capital	0.0	20,000.0	20,000.0	30,000.0	30,000.0	0.0	0.0	0.0	0.0
Rainy Day Fund Deposits	250,000.0	200,000.0	200,000.0	0.0	0.0	0.0	0.0	0.0	0.0
One-Time Expenditures	359,095.3	220,015.4	220,015.4	30,000.0	36,000.0	0.0	0.0	0.0	0.0
TOTAL USES OF FUNDS	8,670,231.8	8,701,944.9	8,716,690.5	8,586,588.4	8,907,439.2	8,816,336.9	9,058,810.5	8,980,266.6	9,283,467.1
ENDING BALANCE	396,962.2	740,188.4	725,442.8	586,174.3	313,122.9	611,134.2	122,295.8	902,122.1	138,936.5
STRUCTURAL BALANCE	(506,938.9)	(500,595.1)	(515,340.7)	(130,014.1)	(444,819.9)	18,960.0	(196,827.1)	284,987.9	10,640.8

Protecting Children and Adults from Threats to Personal Safety

The Executive proposes well-conceived funding of adult corrections, law enforcement and victims' rights, and a necessary expansion of resources to protect children who are at risk of abuse and neglect

BETWEEN AUGUST 2009 AND SEPTEMBER 2012, the average monthly reports of child abuse and neglect received by CPS increased by over 36%. The percentage of reports that were substantiated and resulted in the removal of a child from his or her home is near the historical average of 23%.

Due in large part to insufficient staffing levels and overburdened caseworkers, the CPS workforce has been experiencing an annual turnover rate of more than 30%. CPS cannot continue to effectively manage the workload related to increased reports of child abuse and neglect without additional funding and staffing.

The Executive recommends 200.0 additional FTE and \$18.7 million from the General Fund to bolster CPS staff. Due to the critical child safety mission of CPS and the severity of the current need, 50.0 of the FTE and \$4.4 million General Fund should be budgeted for and hired in FY 2013, as soon as legislation providing supplemental funding authority is approved.

Children Support Services. In addition to supplemental funding to augment CPS staff, the Executive recommends \$10.4 million General Fund in FY 2013 to accommodate growth in CPS children support services. These services include parent aid services, which provide for supervised visitation and counseling for families involved with CPS, as well as substance abuse treatment and in-home intervention services.

These services are effective tools in preventing children of families in crisis from entering CPS custody; reducing the length of time children remain in the State's custody by reunifying families more quickly; and reducing the probability of recidivism into the foster care system. Often, these services (a) provide a long-term net savings to the State by returning children from CPS custody to their own homes and families and, more important, (b) allow the child to enjoy the emotional and natural benefits of being raised by their own family.

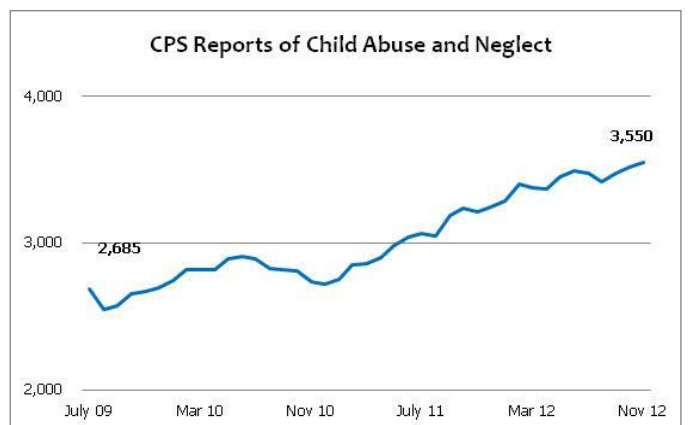
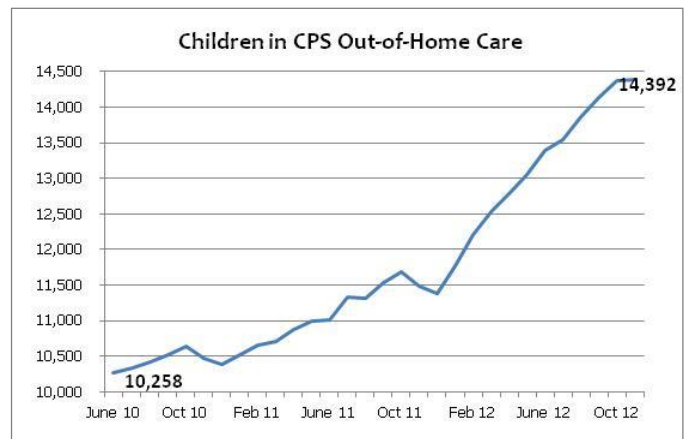
As the number of families involved in the CPS system has significantly increased, so has the demand for these services. The Executive recommends funding to allow the Department to maintain these important family reunification and intervention services.

Predictably, the Protective Services Section (PSS) of the Attorney General's Office, which provides legal support for CPS in child dependency cases, is experiencing comparable caseload increases. The number of legal cases handled by PSS increased by nearly 37% between 2008 and 2012. According to the Attorney General's Office, the PSS unit providing legal support to CPS is experiencing a 28% turnover rate.

Without increased staff, PSS will not be able to meet the increasing demands for legal representation. The Executive recommends \$1.5 million and 15.0 FTE from the General Fund for additional PSS attorneys. When combined with federal funding,

HIGHLIGHTS

- Responding to unprecedented caseload growth at Child Protective Services (CPS), the Executive recommends adding 200 investigative caseworkers during FYs 2013 and 2014, at a total annual cost to the General Fund of \$18.7 million.
- To provide a safe environment for abused and neglected children, \$4.8 million is needed to expand the number of foster families, and \$29.7 million will fund increased emergency and residential placements.
- A \$9.6 million appropriation is necessary to maintain a caseload of approximately 26,700 children in the DES child care program and to preserve subsidized child care services for approximately 4,000 children of low-income working families.
- The Executive recommends \$13 million to fund overdue maintenance and improvements in the State's adult prisons.
- Increased funding for the Department of Public Safety will eliminate a caseload backlog at the State Crime Lab.



this will allow PSS to hire 22.0 additional attorneys to represent CPS in child dependency cases.

Foster Care Placement. When a CPS caseworker determines that a living situation is unsafe and removes a child from the home, one of the best placement options is a licensed foster family. Better outcomes for children are often achieved in foster care than in institutional group homes, and foster care is significantly less expensive to the State (approximately \$580 per month, versus more than \$3,000 a month for a group home placement).

In coordination with the Governor's ArizonaSERVES task force, the Department of Economic Security (DES) is working diligently with religious organizations and other community groups to recruit foster parents. The Executive recommends \$4.8 million General Fund to allow DES to continue to recruit and pay a monthly subsidy to foster families.

Additionally, DES plans to recruit additional "foster care receiving homes," which are foster homes that are to be available for emergency, 24/7 placements. Enhanced foster care subsidies will be provided to families volunteering their homes as foster care receiving homes; again, the cost to the State will be far less than placing children in emergency placement group homes.

Emergency and Residential Placement. As growth in the number of children in the CPS system continues to exceed the capacity of foster homes, DES has been forced to place more children in residential group homes and other emergency placement situations. Between FY 2011 and FY 2012 the average number of children in CPS-funded emergency and residential group homes increased by more than 24%.

DES is able to manage the influx of children into the emergency and residential system by utilizing existing resources that will be exhausted by the end of FY 2013. The Executive recommends \$29.7 million General Fund in FY 2014 for increased emergency and residential placements of children.

Child Care Assistance. When a child is removed from a home and placed with a foster family, DES pays for child care assistance as necessary to free foster parents to go to work. Demand for child care assistance for foster families increased by 52% between July 2009 and September 2012, from 5,606 children per month to 8,508 children per month. Growth in this program is expected to continue in FY 2014 as reports of child abuse continue to rise and more children are placed in foster care. The Executive recommends \$9.6 million General Fund in FY 2014 to accommodate growth in the number of families receiving child care assistance.

The additional funding will not affect the current child care waitlist for low-income working families or allow DES to provide subsidized child care for children of families on the current waitlist.

Adoption Services. When a child in the CPS system cannot be reunited with his or her biological family, DES will seek potential adoptive parents. The DES Adoption Services program provides a

monthly adoption subsidy to parents who adopt a child who has physical, mental or developmental disabilities or who otherwise meets statutory "special needs" criteria. The subsidy, which currently averages approximately \$750 per month, is designed to partially alleviate the financial burden of adoption on families.

The population receiving adoption subsidies is expected to grow by more than 8% in FY 2014. Due to DES's success in meeting performance targets related to adoptions, it received a \$5.1 million federal adoption incentive payment in August 2012; however, growth in the program will still outpace current available resources. The Executive recommends \$2.9 million General Fund in FY 2014 for caseload growth in the Adoption Services program.

Adult Corrections

In contrast to many previous years, in which responding to prison overcrowding was a defining issue in corrections funding, FY 2014 presents an opportunity to fund overdue maintenance and capital improvements.

Cheyenne Unit Building Repairs. The Cheyenne Unit at Yuma Prison Complex was built in 1996. In June 2009, DOC discovered that water damage from roof-mounted air handlers had caused two buildings to become structurally unsound, resulting in significant inefficiencies and security issues.

In response to the usability issues in the Cheyenne Unit, DOC deactivated 324 temporary beds and, for the remaining 800 inmates, moved many daily services to housing units or offsite. Meals are made in a neighboring unit and transported to Cheyenne to be served from the unit's visitation area. This situation poses a significant safety issue because, in the event of an incident during meal times, the visitation area provides no escape routes for corrections staff.

To restore the Cheyenne Unit to full use, the Executive recommends an \$8 million non-lapsing appropriation from the Prison Construction and Operations Fund, the Corrections Fund, and the State Charitable, Penal & Reformatory Land Earnings Fund to repair the Unit's kitchen/dining hall and laundry buildings. The State Charitable, Penal & Reformatory Land Earnings Fund derives revenue from the rental of a pool of State Trust Land and distributes 25% to the Department of Corrections for operations.

Building Renewal. Laws 2012, Chapter 294 authorized a one-time \$2.5 million transfer from the Corrections Fund to the Building Renewal & Preventive Maintenance Fund in FY 2013 to provide sufficient revenue for a \$4.6 million appropriation. Completing building renewal projects and maintaining the DOC building infrastructure requires an ongoing revenue source. The Executive recommends a \$5 million appropriation from the Building Renewal & Preventive Maintenance Fund, along with statutory language to make permanent the \$2.5 million transfer from the Corrections Fund.

Law Enforcement

Funding recommendations related to law enforcement support important efforts in counter terrorism and criminal investigation and effectively address certain administrative issues.

Counter Terrorism. The Arizona Counter Terrorism Information Center (ACTIC) is a “fusion center” in which personnel from various law enforcement agencies operate from the same facility. The intent of ACTIC, which opened in October 2004, is to facilitate the sharing of information among federal, State and local law enforcement that is related to counter-terrorism and other law enforcement efforts.

ACTIC’s operating costs have been funded largely by federal grants provided through the Arizona Department of Homeland Security (AZDOHS). Such grants have decreased in recent years, putting ACTIC operating funding in jeopardy. The Executive recommends an increase from the General Fund of \$750,000 in FY 2014 and \$1.5 million in FY 2015 for ACTIC’s operating costs.

Crime Lab. The DPS Crime Laboratory is experiencing substantial backlogs of casework and of samples that need to be tested for DNA and entered into the State database. The top chart at right illustrates historical backlog levels.

In the current fiscal year, the DNA Identification System Fund is appropriated below its revenue level by about \$900,000. The Executive recommends increases of \$850,000 in FY 2014 and FY 2015 from the DNA Identification System Fund to provide resources needed to continue reducing Crime Laboratory backlogs.

Retirement Costs. Sworn Department of Public Safety (DPS) personnel are members of the Public Safety Personnel Retirement System (PSPRS). The contribution rates that DPS pays on behalf of its sworn employees have sharply increased over the past several fiscal years, as shown on the bottom graph at right.

When FY 2014 begins on July 1, 2013, DPS must pay 52% of the salary of all sworn personnel to PSPRS, an 8.3% increase over FY 2013. In some years, the Department was able to fund the increased payments through savings stemming from vacant positions. Most recently, DPS received \$9.1 million from the General Fund to fund retirement increases in FY 2012 and FY 2013.

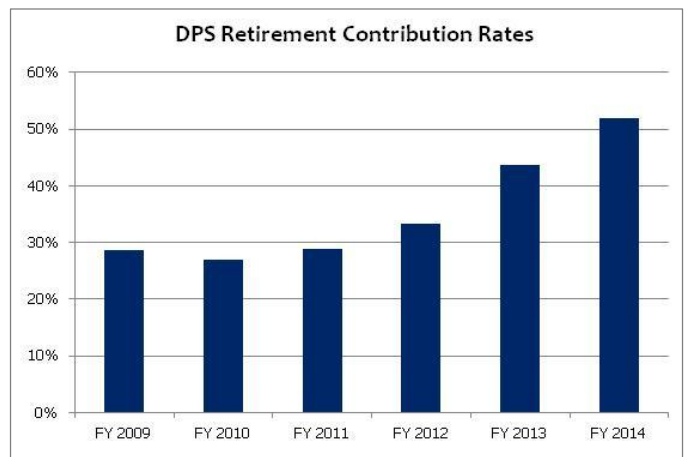
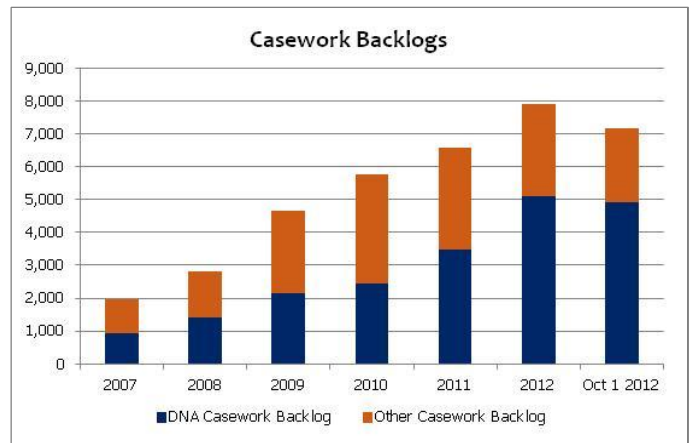
For FY 2014, the Executive recommends a \$6.3 million increase from the General Fund and a similar rate increase in FY 2015.

Public Safety Equipment Fund. In FY 2012, revenue from the State Aid to Indigent Defense Fund was diverted to the DPS GIITEM Fund Subaccount. The Executive recommends permanently diverting this revenue to the DPS Public Safety Equipment fund in FY 2014.

The Arizona Criminal Justice Commission administers the Drug and Gang Prevention Resource Center Fund. This fund’s appropriation is lower than the balance by approximately \$350,000. The Executive recommends diverting all revenue in excess of the fund’s appropriation to the DPS Public Safety Equipment Fund.

Victims’ Rights

The Attorney General’s Office administers the Victims’ Rights Program which receives 7.7% of Criminal Justice Enhancement



Fund (CJEF) revenues. The Program provides grant funding to criminal justice and non-profit agencies that provides victims’ rights services.

The Executive recommends increased funding for the Victims’ Rights Program, utilizing the CJEF fund balance, to increase the amount available for grants and enable the Attorney General’s Office to purchase updated grants management software.

Governor’s Emergency Fund

State law provides a \$4 million appropriation from the Governor’s Emergency Fund each year for liabilities incurred by the State because of declared emergencies. In recent fiscal years, session laws were enacted to reduce the statutory amount to \$2.9 million. As a result, the Governor’s Emergency Fund has unpaid claims for eligible emergency expenditures of \$1.6 million.

The Executive recommends the full statutory appropriation of \$4 million for FY 2014 and FY 2015 to provide for emergency expenses incurred by the State. •

Raising the Bar for Accountability Among Schools, Students

Implementation of Common Core State Standards and a shift to performance funding are essential steps in achieving college and career readiness for the next generation of Arizonans

IN 2011, THE GOVERNOR'S FOUR CORNERSTONES OF REFORM announced the goal that, by 2020, 93% of Arizona high school seniors will graduate with the knowledge and discipline to be successful in college and careers. Consistent with that ambitious objective, the FY 2014 Executive Recommendation for K-12 education focuses on college- and career-readiness for all students and rewarding schools for producing student achievement and student growth.

Specifically, the budget includes support for:

- Common Core implementation,
- the Arizona Education Learning and Accountability System,
- career and technical education pathways, and
- performance funding.

Common Core Implementation

In 2010, Arizona joined 45 states and the District of Columbia in adopting the Common Core State Standards to provide a consistent set of internationally benchmarked English language arts and mathematics standards that prepare all students for college and career.

The Partnership for Assessment of College and Career (PARCC) is a state consortium made up of 23 states (including Arizona) working together to develop a common set of assessments in English language arts and math that align with the Common Core. The Web-based assessments will measure student progress in grades 3 through 11 and will replace AIMS in the 2014-2015 school year.

A statewide effort to prepare for the more rigorous standards and assessments is underway, and the Executive is committed to supporting this transition:

- Teachers need additional time for professional development and access to mentors and materials that can target training to their subject area and grade level.
- Districts and charters must update instructional materials and technology to give students the opportunity to learn the content for which they will be held accountable and to use the technology through which they will be assessed.

The Executive Recommendation includes \$40 million for school districts and charters to provide the resources that are critical to successful implementation of Common Core. Districts and charters will have flexibility to use the monies on the following options: teacher stipends for professional development, curriculum and instructional materials aligned to the new standards, and technology and equipment that support Common Core implementation.

In addition to the support provided directly to districts and charters, the Executive Recommendation addresses the need for a

HIGHLIGHTS

- To support implementation of Common Core, the Executive Recommendation includes \$40 million to purchase needed resources for school districts and charters.
- The Recommendation also provides \$20 million to the SFB to bring schools up to the required device and software specifications.
- To enhance school safety, the Executive recommends \$3.6 million to boost funding for Public School Safety Program grants that pay for placement of safety officers in selected schools.
- The Executive recommends \$7 million to complete the Student Longitudinal Data System.
- To create the nation's first state-level, performance-based funding model, the Executive Recommendation provides \$54.3 million to implement the first year of an innovative education reform initiative.
- In addressing schools' capital needs, the Executive recommends needed reforms with respect to funding of new school construction, expanding districts' bonding capacity, repealing the prohibition on SFB refinancing of lease-to-own debt, and repealing the Building Renewal formula.

coordinated, statewide professional development effort to transition to Common Core and to prepare for the PARCC exams. The Executive Recommendation includes \$1.5 million to the Governor's Office of Education Innovation to fund master teachers at the Regional Centers to work in coordination with the Arizona Department of Education (ADE), Education Service Agencies (ESAs) and Local Education Agencies (LEAs) to support teacher training.

Technology Assessment. The progress and success of these transition efforts will be measured in FY 2015, when the assessments aligned to the new standards will be administered for the first time. The new assessments will be administered online and will require significant statewide technology upgrades, including enhancements to broadband, equipment and software.

The Executive Recommendation provides \$20 million to the School Facilities Board in FY 2014 to complete a technology needs assessment and bring schools up to the required device and software specifications. Funding will be provided through grants and will be based on the number of devices needed, with a target student-to-device ratio of 5:1. After the needs assessment is complete and more is known about what it will take to administer the tests, additional support for future years will be considered.

AELAS Data System

Another integral part to successful implementation of Common Core is a statewide longitudinal data system that can provide accurate and timely data on student performance and school accountability.

Over the past two years, the ADE has been developing the Arizona Education Learning and Accountability System (AELAS), which will collect, compile, maintain and report student-level data for students attending public institutions in preschool programs, grades 1 through 12, and postsecondary educational programs across the state. ADE has organized the project into four systems that will be centralized to form the AELAS:

- the Student Accountability Information System (SAIS),
- the Student Longitudinal Data System (SLDS),
- an instructional improvement system, and
- an internal Departmental data system.

Since FY 2012, \$12.4 million has been appropriated to build the new data system. The Executive recommends increasing the current appropriation to \$7 million to complete the SLDS in FY 2014. The SLDS is essential to implementation of education reforms that demand greater accountability at every level and set higher expectations for students and teachers. The Executive recommends ongoing funding in FY 2015 and FY 2016 to complete SAIS replacement.

Development and implementation of the data system is being managed by ADE in coordination with the Data Governance Commission (DGC). The DGC is established within ADE and is statutorily tasked with identifying the needs of public education institutions, providing recommendations to ADE, and establishing guidelines for implementation of the data system. Development and implementation of AELAS is subject to review and approval of the State Board of Education.

The FY 2014 Executive Recommendation centralizes oversight of information technology (IT) projects, including AELAS, under Arizona Strategic Enterprise Technologies (ASET) at the Department of Administration (ADOA) and moves the \$7 million AELAS appropriation to ASET. The Executive Recommendation requires all monies in the Education Learning and Accountability Fund (including the prior-year fund balance and new revenue) to be transferred from ADE to the Automation Projects fund at ADOA. Expenditures from the Automation Projects Fund are subject to review and approval by the Joint Legislative Budget Committee (JLBC).

Career and Technical Education Pathways

Career and technical education programs prepare students to enter the workforce armed with the academic and vocational skills they need in order to succeed. There is growing demand in the job market for qualified individuals who offer skills in information technology (IT). As a result, the IT industry is partnering with state governments to provide educational programs to high school students that lead to career and postsecondary education pathways.

The Executive recommends \$2 million to establish a Microsoft IT Academy, a subscription-based membership program that gives students, teachers and support staff access to skills training and

certifications. The Academy consists of Web-based training modules and instruction that enables students to master Microsoft applications.

Through the program, high school students will have the opportunity to earn certification as a Microsoft Office Specialist (MOS) and/or Microsoft Certified Professional (MCP) by completing the Academy coursework and passing certification exams administered at registered testing sites across the state.

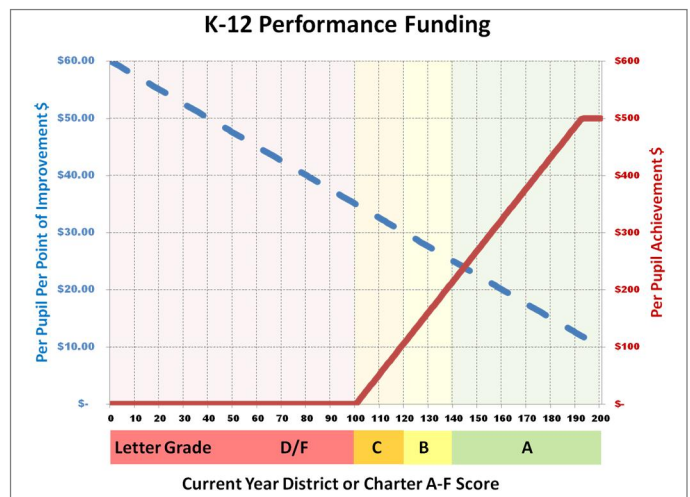
Performance Funding

In 2012, the Governor tasked the Arizona Ready Council with developing school finance recommendations that promote student success and create a highly educated, technologically prepared workforce. After nine months of collaborative deliberations, research and input from a broad selection of education stakeholders, the Council approved a proposal for district and charter performance funding.

Performance funding provides an opportunity to make strategic investments in our schools, focusing the school finance system's existing incentives on desired results. Rewarding LEAs (i.e., districts and charters) for both achievement and improvement will promote local innovation and competition and enhance student performance at every school. The proposal will drive improved student performance by rewarding success and providing incentives for achievement and improvement on the existing A-F Accountability scale.

Enacted in 2010, the A-F Accountability system assigns a letter grade to each LEA based on AIMS results, reclassification of English language learners, graduation rates, dropout rates and student academic growth. The letter grading scale consists of 200 points: 100 points each for academic outcomes and student academic growth. The number of points earned by an LEA determines the letter grade. With the proposed performance funding system, all LEAs have the opportunity to earn new resources if they achieve more than 100 points (a grade of C or higher) or improve their score.

Under the proposed K-12 performance funding system, LEAs can earn graduated per-pupil achievement payments by scoring enough points to receive an A, B or C on the Accountability scale. The maximum per-pupil achievement payment, at full implemen-



tation of K-12 performance funding, will be \$500. Tying the per-pupil payment amount to the LEA's score, rather than the letter grade, provides greater consistency in year-to-year funding as LEAs move up or down on the Accountability scale.

In addition to achievement payments, LEAs will be rewarded for improving their Accountability score above their current five-year high. The maximum per-pupil improvement payment, at full implementation of K-12 performance funding, will also be \$500. The Executive Recommendation for K-12 performance funding recognizes the difficult and important work of increasing student outcomes in an environment that has been persistently low-achieving, and therefore sets higher per-pupil improvement payments for LEAs that receive a D or F. Providing incentives to LEAs that, while low-performing, are improving is critical to progressing academic outcomes statewide.

As the chart at right indicates, performance funding will be part of the school finance formula and paid for with (a) new dollars appropriated from the General Fund and (b) dollars reallocated from the existing formula. The Executive recommends that K-12 performance funding be phased in over a five-year period until it makes up about 5% of total formula funding.

To implement Year One of the reform, the Executive Recommendation includes \$54.3 million: \$36.2 million in new General Fund dollars and \$18.1 million in reallocated dollars. The five-year funding model includes a 10% contingency budget to accommodate increased performance. Funding will be reallocated from the existing formula by reducing the base level as prescribed in A.R.S. § 15-901. Monies earned through performance funding will be flexible, allowing local leaders to determine the best way to increase student performance and produce more graduates who are college- and career-ready.

To ensure that improvement payments are fairly and accurately calculated in FY 2015, student scores on PARCC (the new State assessment) will be cross-walked to AIMS.

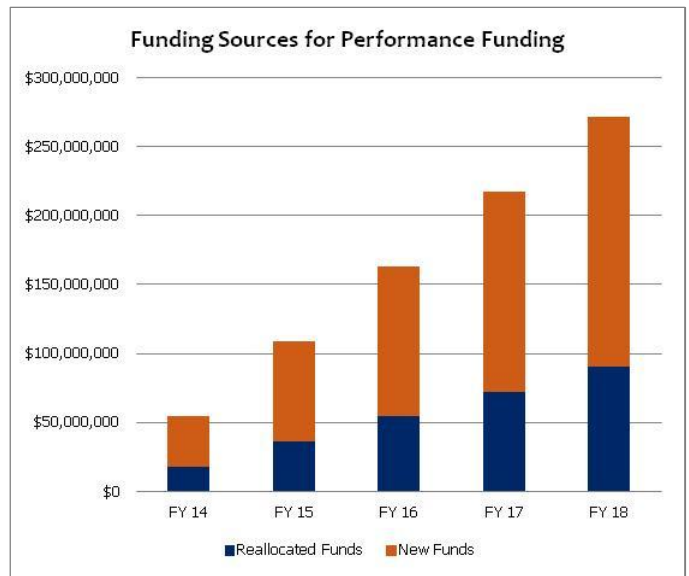
The Executive recommends an independent evaluation of the proposed K-12 performance funding system in FY 2017 to determine the extent to which performance funding is driving improved student performance.

School Safety

Ensuring a safe and supportive learning environment for students, teachers and school staff is a key priority of the Executive. The currently available Public School Safety Program is a State-funded grant that supports placement of School Resource Officers (SROs) and/or Juvenile Probation Officers (JPOs) in selected schools. School districts may apply to participate by submitting a program proposal to the School Safety Program Oversight Committee (SSPOC) by April 15 of each year. Program proposals must include:

- a detailed description of the school safety needs of the school/s or school district;
- a plan for implementing a law-related education program, or a plan that demonstrates the existence of a law-related education program as a prevention strategy; and
- a plan to use trained SROs or JPOs in the schools.

Grants are distributed on a three-year cycle and are subject to review and approval by the SSPOC.



While highly successful, the Public School Safety program is underfunded. The program currently receives \$7.8 million in Prop. 301 monies each year, sufficient to fund approximately half of all applications.

In FY 2012, 80 school districts applied for grants to cover the salary and benefits of 202 officers. Due to resource limitations, only 34 districts were awarded funding for 102 officers. The Executive recommends adding \$3.6 million to establish a 1:1 State-matching component to the program. That funding level will cover all eligible grant applicants that are not covered by Prop. 301 monies.

K-12 Capital

Passage of Students FIRST legislation in 1998 changed the process for financing new school construction in Arizona. Prior to that legislation, new schools were financed primarily through local voter-approved bonds, and local school boards and stakeholders determined the necessary and proper amount of new school construction. However, in its ruling in *Roosevelt v. Bishop*, the Arizona Supreme Court determined that the local system was not "general and uniform" as required by the Arizona Constitution.

Students FIRST created the School Facilities Board (SFB) and shifted to SFB the responsibility of building and maintaining school facilities. SFB has been largely successful in helping school districts maintain their standards for minimum adequacy. However, after 15 years of experience it is time to reassess how SFB can more effectively produce results to ensure academic success for Arizona's K-12 students.

New School Construction. Forecasting challenges and economic changes have contributed to wide fluctuations in new school construction from year to year. Currently, SFB is required to project average daily membership (ADM) numbers for all school districts. Current statute requires a three-year projection period for grade 7-12 schools and a two-year projection period for elementary schools. The projection window ensures that SFB is building schools ahead of an anticipated need, so that the schools will open before the school districts exceed capacity. However, if a new school is constructed, and the ADM projections on which its construction was based do not materialize, that district could face the possibility of maintaining schools for which it has no students.

Therefore, the Executive recommends removing the projection window for new school construction and funding the new school construction only after a district falls below the ADM guidelines in the current year.

Consistent with the downturn in the housing market, the number of SFB awards for new school construction decreased in FYs 2007 through 2012. Anticipating the possibility of building excess space, SFB put some projects on hold and eventually cancelled many of them. Although the need for new schools diminished for most of the state, there continued to be measureable growth in some districts and a need for additional space.

As the table below indicates, for FY 2014 the Executive recommends a \$3.8 million appropriation from the General Fund to provide for the districts that are in need of new schools that have already gained SFB approval for new school construction. The award to each district is based on an expected 5% outlay for planning and design costs that are normally incurred during the first year of new construction. The remaining 95% of the school construction costs would be incurred over the next one to two years of the construction process. In addition, the FY 2014 award includes estimated expenditures for land acquisition and site preparation. These expenditures are typically incurred prior to the beginning of the new school construction process.

District	FY 2014 Award
Thatcher Unified District	\$ 29,520
Benson Unified District	639,685
Laveen Elementary District	66,510
Land Acquisition Costs	1,100,000
Site Conditions	<u>2,000,000</u>
Total FY 2014 New Construction	\$ 3,835,715

Accommodation Schools and Charter Schools. “Accommodation schools” are designed to serve either a military base or another facility that is not within the boundaries of a school district. They might also provide educational services to homeless children or offer other types of alternative education programs. Because funding for accommodation schools is largely consistent with funding for traditional schools, construction of accommodation schools is the responsibility of SFB.

In contrast to traditional schools, which receive capital funding through SFB, charter schools receive capital funding based on a per-pupil formula. The formula often causes charter schools to receive a higher per-pupil funding level than traditional schools. SFB is not responsible for the construction or maintenance of charter schools.

The Executive recommends reclassifying accommodation schools as charter schools. Counties will receive funding for their facilities based on the number of students enrolled in the charter schools. SFB will no longer be responsible for the construction of new accommodation schools. Therefore, the three accommodation schools that have been approved for, but not begun, construction will not be funded by SFB.

Bonding Capacity. The recent drop in property values has impacted school districts’ bonding capacity. Additionally, as part of Students FIRST, legislation reduced local bonding authority to one-third the levels of the previous system – 10% of net assessed value for a unified school district, as compared to 30% of net assessed

value. As of September 1, 2012, 39 of the State’s school districts actually had negative bonding capacity, with four of those districts having more than \$20 million in negative capacity.

Although property values have increased in recent months, assessed values used to determine districts’ bonding capacity are expected to continue declining in Fiscal Year 2014. In that event, the number of districts with negative bonding capacity will grow beyond the current 39. Further, with the passage of Proposition 117 in 2012, caps on increases in the value of real property will also limit the assessed valuations for district bonding capacity.

The Executive recommends expanding the district bonding capacity in statute to 20% of net assessed value. This increase should allow many districts to take advantage of current market rates. The doubling of the statutory limit would still maintain districts at a level that is below their Constitutional level of 30%.

Lease-to-Own Refinancing. The Executive recommends repealing the statute that prohibits SFB from refinancing or refunding its lease-to-own debt.

Rates on municipal debt have decreased to historic lows. Unfortunately, due to legislation enacted in May 2006, SFB has been prohibited from refinancing its lease-to-own obligations. SFB’s outstanding lease-to-own obligations stand at more than \$1.1 billion, and annual repayments of the lease-to-own obligations are funded from the General Fund. Allowing SFB to refinance its outstanding lease-to-own obligations would lower its debt service costs.

Repealing the Building Renewal Formula. The current Building Renewal program uses a formula that provides about 67% of the building replacement value over a 50-year period. Although it was useful in demonstrating the potential need of districts to maintain their buildings and facilities, the formula has still proven to be inadequate in equally helping all districts.

Under current law, as long as a district submits its prior-year expenditure report and three-year building renewal plans to SFB, SFB must distribute building renewal funds to the districts in lump-sum amounts. These funds are to be used to maintain a school at the minimum adequacy guidelines, known as “primary projects.” A district may be allowed to use the funds for secondary projects, or any project not defined as a primary project, when no primary projects are necessary within that district.

In FY 2009, the Legislature suspended the Building Renewal program and replaced it with a Building Renewal Grant program. Under the Building Renewal Grant program, grants can be used only to correct systems that would no longer meet the minimum adequacy guidelines. The Executive recommends repealing the Building Renewal formula currently found in statutes and replacing it with the continuance of the Building Renewal Grant program that is already written in statute. The Building Renewal Grant program better utilizes scarce resources because it ensures that funds are spent on the highest-priority projects needed to maintain districts at minimum adequacy standards. Further, it ensures that SFB has oversight of how and when the funds are spent.

At the end of FY 2012, the Legislature approved an \$11.5 million supplemental appropriation for Building Renewal Grants. For FY 2013, the Legislature appropriated an additional \$2.7 million for a total of \$14.2 million. Through December, the SFB had awarded all but \$1.7 million of the available funds. The Executive recommends expanding this program in FY 2014 to a total appropriation of \$25 million.

School Maintenance and Accountability Program. With the Executive recommendation of \$25 million for Building Renewal Grants, the Executive also recommends that SFB reemphasize preventative maintenance by implementing a new School Maintenance and Accountability Program (School MAP). The School MAP is an SFB-administered program under which, SFB would maintain a detailed database of all major school systems with the corresponding preventative maintenance requirements. Under School MAP, SFB will be able to track performance against the required preventative maintenance guidelines. Additionally, the program will provide end of life data of all the major systems, which will allow the state to better manage the Building Renewal Grants program. The data provided in the School MAP approach will better communicate school capital needs to State legislators while making districts more accountable for the preventative maintenance of their school systems.

The Executive recommends using a portion of the \$25 million Building Renewal Grant funding for the statewide purchase of an

online preventive maintenance system and for personnel and administrative costs. It is estimated that the online preventive maintenance program will cost \$933,500 during the first year of operation. The personnel funding is estimated at \$717,600 per year to provide for personnel, travel expenses and administrative costs related to this program.

The School MAP seeks to ensure that stakeholders involved in the financing, design, construction and maintenance of school facilities have the information necessary to make sound, timely decisions. This program should help SFB to more efficiently meet the State's responsibility to maintain the more than 121 million square feet of school building space. Through this program, SFB will continue to help school districts establish and maintain preventative maintenance programs and perform inspections to evaluate the implementation of those programs. Through these recommendations, SFB will be better able to provide financial and technical support to Arizona school districts to enhance the academic success of K-12 students. •

University Funding to Reflect Performance

The Executive Recommendation focuses on rewarding performance, resolving funding disparities among the universities, and supporting the soft capital needs of all of the State's institutions of higher learning

ARIZONA'S SYSTEM OF HIGHER EDUCATION encompasses the state's three universities and more than 20 community colleges. This system represents the fulfillment of academic ambition for more than 350,000 Arizonans, a vital resource for Arizona's private and public sectors, and a catalyst for economic development throughout the state.

Arizona's colleges and universities represent the State's investment in its future by ensuring that higher education is available to all who choose that path. Excellence in higher education produces a qualified workforce poised to succeed in high-wage jobs, and it serves as a magnet for dynamic, leading-edge employers whose success hinges on the availability of talented workers and managers.

The Executive Recommendation for FY 2014 focuses on rewarding performance, addressing disparities among universities, and supporting the soft capital needs of Arizona's institutions of higher learning.

Universities

The university system, consisting of the University of Arizona (UA), Arizona State University (ASU) and Northern Arizona University (NAU), provides an increasingly sophisticated level of education to a steadily growing student population.

Over the past 10 years, university enrollment has increased by an average of 3.7% per year. In order to accommodate enrollment growth, encourage educational achievement, enhance the prominence of the universities' research enterprise, and produce a workforce that meets the needs of leading employers, the Executive recommends targeted increases to support these goals.

Performance Funding. In June 2011, the Board of Regents adopted a series of performance metrics designed to quantify the university system's productivity with respect to:

- total degrees awarded,
- degrees awarded in high-demand fields,
- transfers from the community colleges,
- research and development expenditures, and
- productivity measures.

The FY 2012 Budget required the Board of Regents to recommend a funding structure that includes performance- and outcome-based funding. In response, the Board of Regents published a formula recommendation that includes these targeted metrics and was accepted by all three universities.

The impact of the performance funding formula was first seen in the FY 2013 Budget, which included a \$5 million appropriation to the Board of Regents that was allocated from each campus. That

HIGHLIGHTS

- Performance funding for the universities is increased to \$69 million, phased in over the next three fiscal years.
- For every \$2 of performance-based funding from the General Fund, \$1 will come from carve-outs from the universities' existing base appropriations.
- The Executive recommends providing the second year of the parity funding phase-in, again appropriating \$12 million to ASU and \$3.3 million to NAU.
- \$20 million is provided for the universities' soft capital needs.
- The Recommendation provides funding to expand, to 80 students, enrollment at the UA College of Medicine at the Phoenix Biomedical Campus.

total was then reallocated back to the universities based on the performance funding formula.

The Executive recommends using the performance funding formula to distribute new funds among the three universities. In FY 2013, less than 1% of total General Fund support to the university system was distributed using the performance funding formula. The Executive recommends increasing that amount to 10% (approximately \$69 million) of total General Fund support. This increase in the amount of performance-related funding will be phased in over the next three fiscal years and will be funded by new General Fund appropriations and additional carve-outs from the existing base appropriations. The Executive recommends \$2 of new funding for every \$1 carved from base funding.

As FY 2014 is the first year of the three-year phase-in, the recommended amount distributed through the performance funding formula is \$23 million: \$15.3 million in new General Fund monies and \$7.7 million carved out of the universities' base General Fund appropriation. The \$7.7 million from the base will be recovered from the universities according to their current percentage of the total General Fund appropriation. Based on the performance funding formula, the \$23 million in performance funding will be distributed as follows: \$12.6 million to ASU, \$4.8 million to NAU, and \$5.7 million to UA.

Parity Funding. The FY 2012 budget instructed the Board of Regents and the universities to recommend a method that addresses the issue of per-student funding disparities among the three universities. The universities published a study, using FY 2011 appropriations and FTE counts, indicating that, after subtracting non-applicable appropriations to UA, there was a per-student State funding disparity of \$896 for ASU and \$758 for NAU. The report concluded that an additional \$59.9 million for ASU and \$16.5 million for NAU would achieve per-student funding parity. The

total \$76.4 million is to be phased in over five years, in \$15.3 million annual increments.

The FY 2013 budget appropriated \$15.3 million to the Board of Regents for allocation to ASU (\$12 million) and NAU (\$3.3 million) to be used for innovative course redesign as the first year of parity funding.

For FY 2014, the Executive recommends providing the second year of the parity funding phase-in, again appropriating \$12 million to ASU and \$3.3 million to NAU.

Investment in Soft Capital. “Soft capital” refers to items not permanently attached to a building, such as furniture, computers and lab equipment. To address universities’ soft capital needs, for FY 2014 the Executive recommends appropriating to the university system \$20 million, to be distributed based on each university’s percentage of total enrollment. This is a one-time appropriation.

UA College of Medicine. The Executive recommends appropriating \$8 million from the General Fund to the UA College of Medicine at the Phoenix Biomedical Campus. This base increase to the UA budget will provide sufficient capacity to support the student body expansion to 80 students per year.

Included in this appropriation are 45 new positions: 12 teaching faculty; 12.5 educational support staff; 3.0 simulation center staff; 13 building, facilities, security and IT staff; and 4.5 administrative support staff. Also included is operational support for IT, anatomy lab supplies, library subscriptions, and the simulation center.

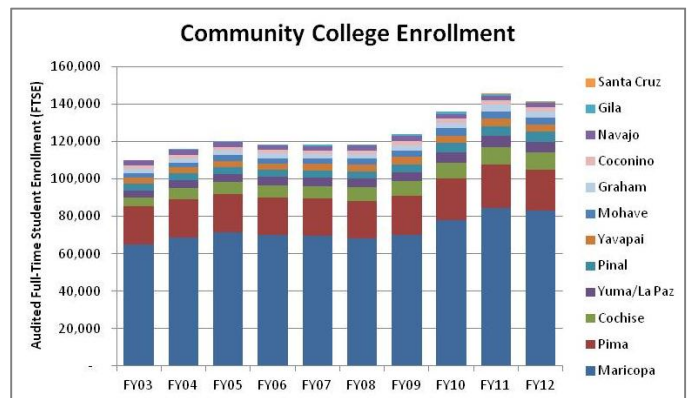
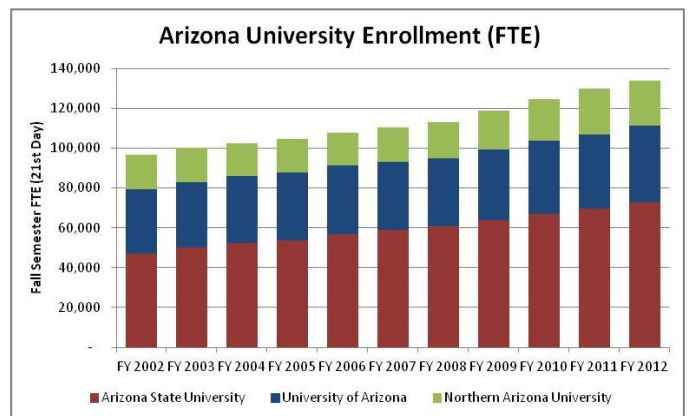
Community Colleges

A rapidly evolving economy places new demands on working Arizonans to adapt their skills and knowledge to the needs of prospective employers. Arizona’s community colleges continue to play an important role in helping students maximize their employment potential, and the Executive Recommendation focuses on providing continued financial support with that mission in mind.

Enrollment Growth. As a general rule, there is an inverse relationship between the health of the economy and enrollment in community colleges. As Arizona has recovered from the recent recession and adults have returned to the workforce, community college enrollment has decreased.

Between FY 2011 and FY 2012, community college full-time student enrollment (FTSE) decreased by 2.1%, from 145,170 to 141,474 – the first decrease in enrollment since FY 2007. The lower chart at right illustrates overall community college FTSE counts since FY 2003.

For FY 2014, the Executive recommends applying both the Operating State Aid formula and the Equalization State Aid



formula to the community college system. Applying the two formulas to enrollment data results in a net funding decrease of \$2.5 million.

Capital Investment Formula. In FY 2009, the statutory formula requirement for community college capital investment was suspended due to the State’s budget crisis. The capital formula for FY 2014 provides each district with \$210 per non-dual enrollment FTSE and \$105 per dual-enrollment FTSE.

For FY 2014, the Executive recommends fulfilling 50% of the statutory formula requirement. The Executive’s recommendation provides that:

- each per-FTSE capital investment amount is reduced by 50%, and
- the Maricopa and Pima community college districts are excluded from this calculation.

The recommended formula’s calculation will provide \$3.3 million in total State aid for community college capital outlay. •

Difficult Choice: Expanding Adult Medicaid Coverage

The expansion of Medicaid coverage for low-income adults provides an opportunity to reinvest Arizonans' federal tax dollars here at home rather than in competing states

WITH THE FORMATION of the Arizona Health Care Cost Containment System (AHCCCS) in 1982, Arizona became the last state to establish a Medicaid program for low-income citizens. Using the best practices of the private health insurance sector, AHCCCS was based almost entirely on a managed care model. This approach has allowed the State to take advantage of competition among health plans to provide quality services at low cost, with the federal government paying the majority of the expense. Over the last 20 years, the federal match has varied between 64.98% and 67.45% of the cost of providing healthcare to AHCCCS enrollees.

Since shortly after its creation, AHCCCS has been lauded as the "gold standard" for state Medicaid programs. According to the Kaiser Family Foundation, a non-partisan research organization, AHCCCS per-member costs are less than 88% of the national average.

Over the last 30 years, AHCCCS coverage has been expanded a number of times and, as can be seen in the first chart on the next page, Arizona's current program includes coverage up to:

- 140% of the federal poverty level (FPL) for children younger than age 1;
- 133% of FPL for children ages 1 through 5;
- 100% of FPL for children ages 6 through 19;
- 100% of FPL for parents of these children;
- 150% of FPL for pregnant women;
- 100% of FPL for aged, blind and disabled people who are not enrolled in long-term care;
- 230% of FPL for aged, blind and disabled people who *are* enrolled in long-term care (not shown in the chart)
- 100% of FPL for "childless adults," i.e., people without children in the home¹; and
- 200% of FPL for the Children's Health Insurance Program (CHIP), known locally as "KidsCare"² (not included in the chart, as they are covered by SCHIP, a non-Medicaid program).

FPL for 2012 was \$11,170 in annual income for single people and \$23,050 for a family of four.

Childless Adults. In 2000, Arizona voters passed Proposition 204, expanding coverage to all Arizona citizens with incomes below 100% of FPL. The State subsequently received waiver approval from the federal government to provide Medicaid coverage for childless adults under 100% of FPL and, for the first time, received a federal match for doing so.

¹ New applicants have not been accepted (frozen) since July 2011.

² Eligibility has been frozen since January 2010.

HIGHLIGHTS

- The cost of restoring adult eligibility and expanding to 133% of FPL is \$154 million General Fund in the first full year of implementation.
- Arizona will receive almost \$1.6 billion in federal funds.
- This funding would allow the State to provide health insurance for an additional 240,000 Arizonans and continue insuring 50,000 childless adults.
- The General Fund costs of Prop. 204 will be shifted to a statewide provider assessment that replaces the City of Phoenix provider tax.
- If the federal match for Arizona's childless adult population is cut below 80%, the expansion of coverage for childless adults would be automatically repealed.

As childless adults have not historically been a federally mandated Medicaid population, the State's budget-balancing efforts during the recent recession included the freezing of eligibility. Any member who was eligible on July 8, 2011, and maintains eligibility may remain on the program, but no new enrollment is being approved. To date, enrollment has dropped by 141,000 people, from 227,000 to 86,000. It is expected that, by the beginning of calendar year 2014, only about 50,000 childless adults will remain enrolled.

The freeze, as well as federal waiver authority to cover the childless adults, is effective through December 31, 2013. Extension of the program beyond that date would require federal approval, and on January 1, 2014, Arizona could be required to cut from the program its approximately 50,000 remaining childless adults.

The Economy

From December 2007 to December 2009, during the most severe economic downturn since the Great Depression, the Arizona economy lost over 300,000 jobs — almost 12% of the state's pre-recession employment base.

In every preceding recession, Arizona has returned to pre-recession employment levels within two years; in contrast, five years after the beginning of the most recent recession, the state's economy has restored only about a third, or 100,000, of its lost jobs.

At the same time, other indicators of social stress, such as long-term unemployment, CPS caseloads and AHCCCS membership, remain above historical highs and in some cases have grown at alarmingly high rates.

It is the Executive's position that, in recognition of these harsh realities, the State must take advantage of all available opportunities to help Arizona's economy remain competitive.

Strains on Healthcare System

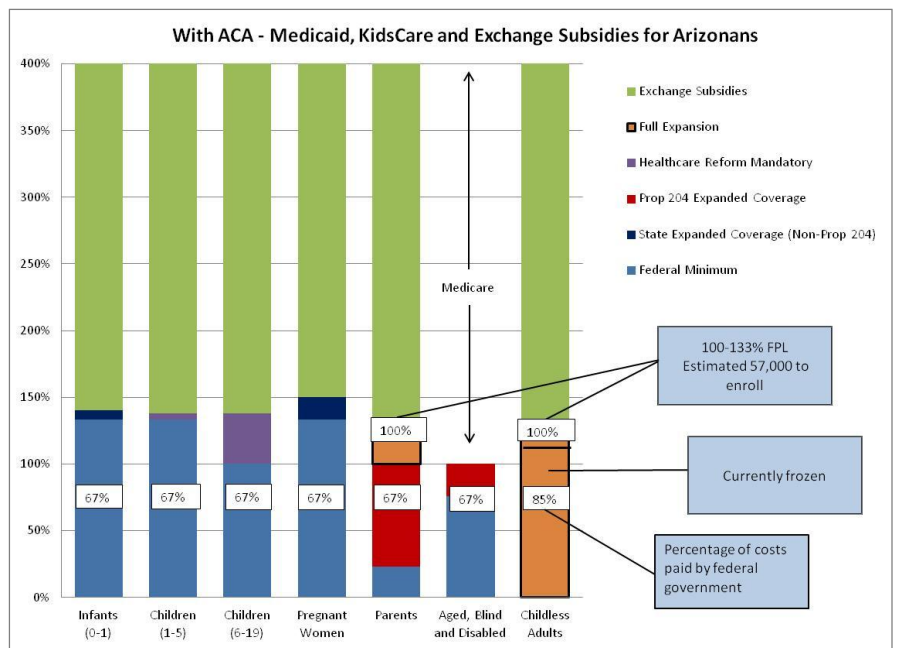
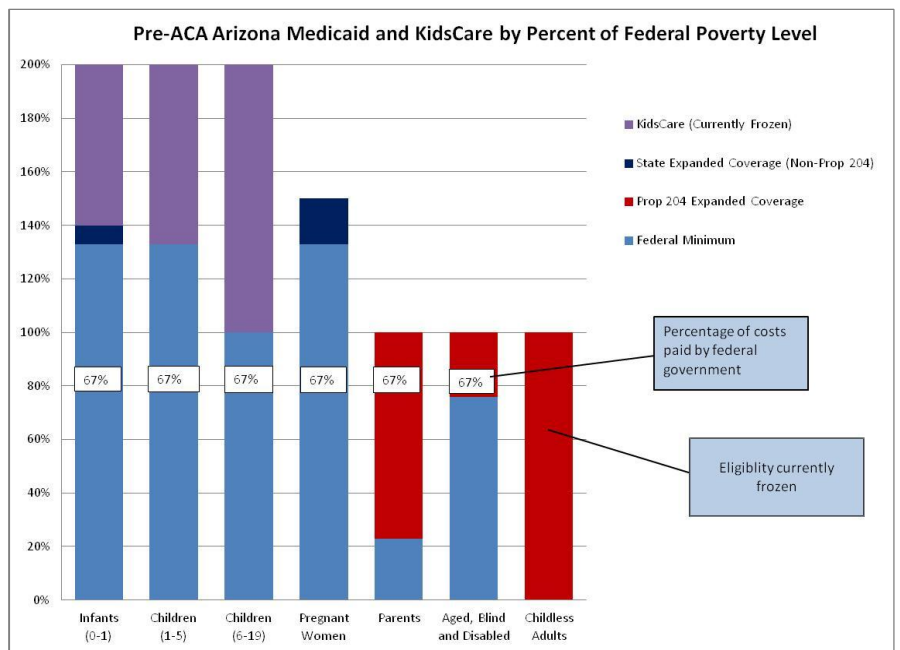
Arizona's healthcare system has suffered significant financial hardships since the economic downturn, including hardships stemming from actions taken by the State to address recession-related revenue shortfalls. From AHCCCS cuts alone — including population freezes and provider rate and benefit cuts — the Arizona healthcare system has endured over \$1.8 billion in reductions.

Arizona hospitals report that their average uncompensated care for the last six months of available data has grown by 81% compared with the two quarters prior to the childless adult freeze in July 2011.

State Efforts to Help Hospitals. To help hospitals bridge the financing gap until the implementation of the federal Patient Protection and Affordable Care Act (ACA) in FY 2014, the State has taken a number of actions, including the following:

- **SNCP.** The Safety Net Care Pool allows local governments to provide the state match to draw down federal matching funds to provide over \$250 million per year in special payments to safety-net hospitals to offset uncompensated care costs.
- **KidsCare II.** As a condition of federal approval of SNCP, the State opened KidsCare to an additional 21,700 children.
- **Graduate Medical Education.** To provide assistance to hospitals that incur extra costs for training medical residents, the State has allowed local governments to furnish a match for reimbursement payments to training hospitals, providing more than \$100 million annually in hospital payments.
- **Indian Health Service/638.** AHCCCS is authorized to provide supplemental payments to facilities that are 100% federally funded (IHS or tribal 638 facilities). To date over \$40 million has been paid to these facilities.
- **DSH Voluntary Contributions.** AHCCCS has allowed local governments to provide the state match for federal Disproportionate Share Hospital (DSH) supplemental payments for private hospitals totaling roughly \$40 million.
- **Federal Match for Trauma Center Funding.** AHCCCS has obtained a federal match for Gaming Trauma and Emergency Services funds, providing an additional \$13 million to offset the extraordinary costs of Arizona hospital trauma centers and emergency departments.

As helpful as these actions are, they primarily help urban hospitals. Also, most of these provisions will expire on December 31, 2013, and, in light of the financing provided in the ACA for Medicaid coverage, it is unlikely that the federal government will extend them.



Additional Efforts to Help Hospitals. The Phoenix City Council has adopted a 6% hospital assessment on net patient revenue that is intended to be used as a state match, under provisions of the Safety Net Care Pool, to draw down federal funds to make special payments back to Phoenix hospitals to offset uncompensated care costs. The assessment would be matched at about 2-to-1 with federal funds, and Phoenix estimates that the entire program would provide about \$400 million to these hospitals for five quarters until the tax expires on December 31, 2013.

Other cities have discussed similar proposals.

Affordable Care Act

ACA makes numerous changes to the healthcare system, with an overarching goal of expanding health insurance coverage.

A major ACA component is an expansion of the adult Medicaid eligibility to 133% of the FPL. If Arizona were to expand, the State would receive:

- a 100% federal match for expanding coverage for parents and childless adults, from 100% to 133% of FPL; and
- an 85% federal match (growing to 90%) for restoring eligibility for childless adults below 100% of FPL.

As noted above, Proposition 204 already requires coverage for childless adults below 100% of FPL, depending on available funds. The new expanded population (100% of FPL to 133%) is estimated to be only about 57,000 people, or approximately 5% of Arizona's total Medicaid population of 1.2 million people.

State Choice

After the ACA was signed into law, Arizona joined 25 other states in a lawsuit opposing the ACA as an unconstitutional usurping of states' rights. On June 28, 2012, the U.S. Supreme Court effectively upheld most of the ACA's provisions, finding as unconstitutional only the provision that pulled all federal Medicaid funding for states that refused to expand Medicaid coverage for adults to 133% of FPL.

Expansion of coverage for children is treated in statute separately from the adult expansion; thus, the children's expansion to 133% of FPL is not optional.

Because of the Supreme Court decision, states are faced with a choice of whether to expand adult Medicaid coverage to 133% of FPL, without facing the risk of losing their entire federal Medicaid match.

Funding and Population. As seen in the table at right, the Executive estimates that the cost of restoring adult eligibility, and expanding eligibility to 133% of FPL, is \$154 million General Fund in the first full year of implementation (FY 2015), while Arizona would receive almost \$1.6 billion in federal funds. In FY 2016, as the federal match improves, the Executive estimates that the General Fund cost would shrink to \$105 million, while the federal match would grow to \$1.7 billion.

This funding would allow the State to:

- provide health insurance for an additional 240,000 Arizonans, and
- continue insuring the remaining 50,000 childless adults, and receive an enhanced federal match for doing so.

Executive Recommendation

While the Governor has consistently opposed the ACA as it worked its way through the Congress and Supreme Court, the Supreme Court and the voters have spoken.

The Executive estimates that, for a state match of a little over \$154 million in FY 2015, the State can draw into its healthcare sector \$1.6 billion in federal funds — a return on investment of more than 10-to-1.

Given the continued struggles of many Arizonans, including hospitals, physicians and other healthcare providers, the Executive recommends accepting this opportunity.

However, the Executive is very mindful of the need to balance the General Fund budget and the importance of adequately funding education and public safety. The Executive proposes that,

Impact of Medicaid Expansion

	FY 2014	FY 2015	FY 2016
State Match Increase	\$27 million	\$154 million	\$105 million
General Fund Savings per Provider Tax	(\$82 million)	(\$256 million)	(\$224 million)
Add'l. Insurance Premium Tax	<u>(\$7 million)</u>	<u>(\$34 million)</u>	<u>(\$36 million)</u>
Net Cost (Savings)	(\$62 million)	(\$136 million)	(\$155 million)
Federal Funds Received	\$337 million	\$1.556 billion	\$1.712 billion
Newly Insured	101,900 persons	239,200 persons	247,300 persons

All figures are in comparison to a continuation of the childless adult freeze

starting January 1, 2014, the provider assessment adopted by the City of Phoenix be (a) redirected to the State and (b) expanded statewide in order to lift the burden of the Proposition 204 expansion from the General Fund, consistent with the stated intent of the ballot measure when it was presented to Arizona voters. As part of this proposal, on January 1, 2014 cities would no longer be permitted to levy their own provider taxes.

The provider assessment would not be an unprecedented step, as Arizona already charges a 2% insurance premium tax, which also applies to AHCCCS plans. Further, as recently as 2012, the State adopted a provider tax on nursing homes in order to draw federal funds for special payments to the homes.

Circuit Breaker. It is probable that, at some point, the federal government will choose to reduce reimbursements to the states as a consequence of its own fiscal challenges. The Executive proposes that, if the federal match for Arizona's childless adult population is cut below 80%, the expansion of coverage for childless adults would be automatically repealed.

Federal Deficit. While the Executive acknowledges the gravity of the enormous federal budget deficit, denying Medicaid coverage to 57,000 Arizona residents will not solve the problem. Instead, as a leader among the states in administering the nation's most efficient Medicaid program, Arizona can demonstrate real solutions for solving the deficit.

Because the federal government covers 100% of the cost of expansion, the practical effect for states that choose *not* to expand is the sending of their taxpayer dollars to the states that *do* choose to expand. If Arizona chooses not to expand, Arizona taxpayer money will benefit the healthcare systems of California, Illinois, Connecticut and many other states.

State Reforms. In addition to the Executive's proposal to expand the Medicaid program, AHCCCS has initiated a number of efforts to change the way in which providers and plans are paid and, thus, incentivized. The Executive is pursuing integration efforts for a number of populations to decrease fragmentation in the healthcare system and to improve both quality and efficiency. Further, AHCCCS is implementing payment reform efforts, including health plan and provider partnerships to enhance quality and performance.

Finally, the Executive is pursuing provider reimbursement models that improve the healthcare delivery system. The Executive recommends that AHCCCS be allowed to incorporate the best practices of the private sector and continue these efforts by shifting from a hospital reimbursement system which rewards longer

hospital stays to a per-diagnosis system that rewards quality and efficiency.

Health Exchange Impact on Medicaid. If Arizona chooses not to expand, childless adults below 100% of FPL will have no health insurance assistance, while people above 100% of FPL will receive significant Federal subsidies.

Under the ACA, people over 100% of FPL who do not receive health insurance through employer groups can apply for health insurance through a Federal Health Exchange. Federal assistance amounts vary by income levels:

% of FPL	Max Premium a Person Will Pay as a Percent of Income
100-133	2%
133-150	3%-4%
150-200	4%-6.3%
200-250	6.3%-8.05%
250-300	8.05%-9.5%

To take an extreme example, with the Exchange subsidies, a childless single adult earning \$11,200 per year would have to pay a maximum of \$224 per year, while someone in the same situation earning \$100 less, or \$11,100, would have to pay the full cost of their health insurance. If they could purchase health insurance at the AHCCCS rate, the cost to them would be \$4,950 per year, or 45% of their total income.

Legal Aliens. Because the ACA assumes that states would expand Medicaid coverage, the only provision for a subsidy below 100% of FPL is for aliens who are in the country legally but are ineligible for Medicaid because of their alien status. The ACA allows them to receive a federal health insurance subsidy as though they had an income of 100% of FPL. Thus, if Arizona does not expand, for poor Arizonans below 100% of FPL, only legal immigrants, but not citizens, would be eligible for subsidies.

Economic Competitiveness. The influx of federal dollars triggered by Arizona's expansion to 133% of FPL would have nearly the economic impact of an additional Luke Air Force Base, another Intel facility, or three Cactus Leagues. In competing with other states for jobs and business, it is important that Arizona offers a competitive, low-cost, efficient and effective healthcare delivery system.

Employers will be looking closely at the cost of healthcare as they make decisions about where to locate. States that adopt the Medicaid expansion will be at a competitive advantage, since the employers in that marketplace will not need to underwrite the cost of uncompensated care for this population.

People will get hurt and sick, and they will receive medical care. The question is whether (a) Arizona hospitals, doctors and other providers will be directly paid for providing that care or (b) businesses will encounter that cost in their health insurance bills.

Summary

Arizona faces the following situation:

- an economy in recovery from the worst recession since the Great Depression;
- hospitals suffering financially under the load of uncompensated care;
- current law that mandates Medicaid coverage to all adults, as funding is available, below 100% of FPL;
- an offer from the federal government:
 - to provide 240,000 more people with health insurance, allowing the State to comply with its own law;
 - to pay \$1.6 billion in additional federal funds for their health insurance;
 - for a state match of just over \$150 million;
- the use of Arizona tax dollars to fund Medicaid growth in other states, if Arizona does not expand; and
- the use of Arizona tax dollars by the participating states to enhance their economic competitiveness against Arizona.

Given the ongoing financial struggles of Arizona and its health sector, the Executive contends that the responsible choice is to accept this offer.

However, the Executive also proposes to offset the General Fund cost and moderate the State's risk by offloading the Prop. 204 General Fund cost onto a statewide provider assessment, and setting a circuit breaker that repeals the expansion in case the federal government lowers the enhanced federal match. •

Statewide Improvements in Efficiency, Effectiveness

The Executive Recommendation for FY 2014 provides a broad-based approach to modernizing and enhancing the quality of State government

FOR FY 2014, the Executive Recommendation includes continued progress towards efficiency improvements throughout State government, with an emphasis on information technology (IT), employee quality, environmental quality, debt repayment, and the structuring of fees collected by State services.

Information Technology

Over the last several years, the State has taken important steps to modernize systems and increase technological efficiency. To this end, the State began the process of investing in technology modernization projects in FY 2013, and the Executive recommends expanding these projects in scope and number in FY 2014.

Automation Projects Fund Overview. As the State continues to modernize and transform its IT infrastructure, critical large-scale projects involving numerous State agencies are in the beginning stages of implementation. These projects necessitate centralized oversight and project management that will best be provided by the Arizona Strategic Enterprise Technology (ASET) office of the Department of Administration (ADOA). To facilitate this consolidation of IT projects, ADOA's Automation Projects Fund will be used as the projects' sole funding mechanism. In FY 2014, an additional \$35.8 million from the General Fund will be needed to supplement revenues already in the Automation Projects Fund to help pay for the projects discussed below.

AFIS Replacement. State government relies on the Arizona Financial Information System (AFIS) for financial data. This massive accounting system is antiquated, and replacement plans are in place. Adequately funding AFIS replacement is critical to protecting the State against system failure and achieving its modernization objectives.

Significant progress has already been made. In FY 2013, the State established requirements for the new system, issued a request for proposals (RFP), established an evaluation committee, and hired consultants to facilitate the procurement process. Monies from the General Fund have been appropriated through FY 2016 for AFIS replacement (\$20 million in FY 2014), and the Executive recommends that an additional \$20 million be devoted to the project in FY 2014. The amount recommended is a placeholder until more specific costs for the new system are known early in calendar year 2013.

Inmate Data. The Department of Corrections (DOC) uses an inmate data system designed on a 1978 programming platform. Replacing the Department's Adult Information Management System (AIMS) is imperative to avoiding technology failure.

Programmers familiar with the 35-year-old AIMS technology are increasingly scarce (two programmers who maintain the system were recently hired out of retirement). Additionally, the system is currently at capacity, is not expandable and does not

HIGHLIGHTS

- To fund a number of important information technology projects, an additional \$35.8 million from the General Fund will be needed to supplement revenues already in the Automation Projects Fund.
- High-priority IT projects include replacement of the Arizona Financial Information System (AFIS) and the Department of Corrections' Adult Information Management System (AIMS) ... enhancing Department of Revenue data security to comply with federal requirements ... and developing a scalable e-licensing system at the Department of Environmental Quality.
- To make State salaries more competitive with the private sector, the 5% statewide increase in State employee pay is to be continued into FY 2014 and become part of the base pay for all eligible uncovered employees.
- To fund performance pay for State employees who excel in their jobs, the Executive recommends \$6.4 million from the General Fund and \$4.3 million from other appropriated funds.
- Regarding employee benefits, the Executive recommends eliminating the 90-day waiting period for new employees.
- Funding is restored for ADEQ recycling and water quality programs.
- The Executive recommends dedicating an on-going \$40 million per year, beyond the existing debt service schedules, to retire debt.

interface with other data systems at DOC or partner agencies. Due to the complexity of DOC's numerous processes (e.g., inmate classification) and the need for on-going changes, AIMS cannot be reprogrammed to accurately manage inmates. The inability of AIMS to be adapted to changes in complex sentencing laws increases the risk of release-calculation errors and improper housing of inmates.

The system is estimated to cost \$24 million, to be developed, installed and funded over the next three fiscal years. The Executive recommends \$8 million for each of the next three fiscal years; a \$4 million capital appropriation from the General Fund to ADOA's Automation Projects Fund and \$4 million appropriated from DOC's Inmate Store Proceeds and Revolving funds.

Department of Revenue Data Security. In order to comply with federal requirements, the Department of Revenue must enhance its data security. The Executive recommends \$4.9 million from the Automation Projects Fund in FY 2014 for data encryption. Ongoing funding of \$421,500 for hardware and software maintenance is also recommended in FY 2015.

ADEQ E-Licensing. The Executive recommends that ADOA partner with the Arizona Department of Environmental Quality

(ADEQ) to build a scalable e-licensing system. This system is intended to streamline processes at ADEQ by allowing applicants, permit-holders and customers to access documents such as permit applications, renewal notices and authorizations to construct, thus reducing customer wait-times and increasing efficiency at the agency.

The newly developed e-licensing system will be a model for use at other State agencies to increase efficiency, reduce wait-times and increase compliance across Arizona. The Executive recommends that \$10 million from the ADEQ Emissions Inspection Fund be moved to the Automation Projects Fund for this project in FY 2014.

State Employees

Salary Increase. Low wages are a barrier to attracting and retaining talented and skilled employees to State government. State wages are estimated to be 17.1% below the private sector, and the statewide average annual salary in FY 2012 for covered employees recently dropped to its lowest level since FY 2008.

With separation rates for covered employees increasing in FY 2012 to 16.2%, and with one-fourth of the State government workforce expected to be eligible for retirement in the next five years, the State is faced with a challenging workforce situation.³

The State is striving to become a more competitive employer, offering salary increases in FY 2013 and beyond as incentives to attract and retain high-performing employees.

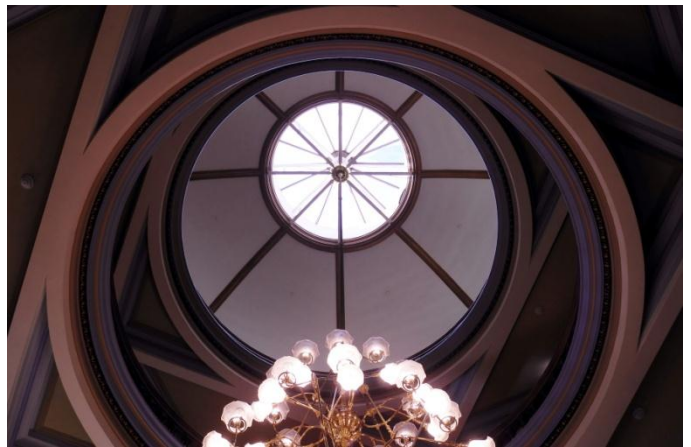
To begin addressing this problem in FY 2013, the State implemented a 5% temporary salary adjustment in conjunction with the State's personnel reform initiative for all uncovered employees and employees who chose to become uncovered after September 29, 2012. This increase was authorized only for 19 pay periods and is scheduled to expire at the end of FY 2013.

The Executive recommends that the 5% increase be continued into FY 2014 and become part of the base pay for all eligible uncovered employees. This is a crucial step for the State in addressing the large pay gap between the State and private sectors and making salaries more competitive.

Based on current funding sources for the 19 pay period increase, the recommended raise would be funded with approximately \$18.7 million from the General Fund and \$16.2 million from other appropriated funds in FY 2014.

Performance Pay. Most private sector employers use merit increases as their primary annual salary adjustment process. In the past several years, as a result of very tight fiscal constraints, it is becoming more common for employers to eliminate merit increases for average performers, in order to provide more funding to reward their top performers. The Executive recommends following this practice with respect to performance pay at the State level.

To support the State's goals of supporting a performance-based culture, the Executive recommends that each agency receive a sufficient appropriation to provide merit increases for their top-performing uncovered employees beginning January 1, 2014. With the State's new performance management system going into place in 2013, most agencies will have completed the annual review process with employees by that date and will be able to award merit increases. The Executive recommends that \$6.4 million from



the General Fund and \$4.3 million from other appropriated funds be used for this purpose in FY 2014.

Immediate Benefits Restoration. In FY 2012, the State implemented the requirement that employees work for at least 90 days in order to be eligible for health, dental and other non-retirement benefits. The Executive recommends eliminating the delay and allowing employees to begin receiving these benefits immediately. With high turnover rates and increased competitiveness in the employee market, the Executive believes that the negative impacts on new employee recruitment outweigh the minor financial savings.

Previous reductions to agency and university budgets for these benefits totaled \$7.3 million General Fund. The General Fund cost to restore the benefit would be approximately \$4.4 million. However, savings from changes to the State's annual leave plan, implemented as part of the 2012 personnel reform bill, are estimated at \$1.9 million and will partially offset that cost. The Executive recommends that agencies absorb the balance of the costs. The universities, which realize no savings from the annual leave change, will absorb in full the estimated \$2.9 million impact on their operating budgets.

Environmental Quality

In striving to enhance Arizona's environmental quality, the Executive recommends funding restorations in the important areas of recycling and water quality.

The Recycling program at ADEQ has been suspended since FY 2009 as part of the State's efforts to meet critical budget challenges. Before it was suspended, the program distributed grants to political subdivisions, tribal governments, not-for-profit entities and private businesses to reduce waste through recycling initiatives, education, and research and development. The Executive recommends reinstating to the Recycling program \$1 million from the Recycling Fund, the balance of which in FY 2014 will be adequate to fund the program.

In FY 2010, the transfer of Corporate Income Tax (CIT) revenues to the Water Quality Assurance Revolving Fund (WQARF) was reduced from \$15 million to \$7 million and remained at that level through FY 2013 due to the financial crisis. The Executive recommends reinstating the transfer, beginning with a \$2.7 million increase in FY 2014. The three-year phased-in restoration of WQARF funding will allow ADEQ to accelerate the clean-up of contaminated soil, groundwater and surface water.

³ State of Arizona Workforce Report, 2012

State Land

In FY 2010, the Trust Land Management Fund (TLMF) was created in an effort to transition the State Land Department to a self-funding structure. The transition was to be achieved by retaining up to 10% of permanent fund receipts for deposit into the TLMF, in addition to other fee revenues collected by the Department.

A lawsuit challenged the diversion of these monies and sought to bar the Department from using the sales proceeds portion of the TLMF for operational purposes. On January 9, 2013, the Arizona Supreme Court ruled that the planned diversion of the sales proceeds and their use by the Department for operational purposes is unconstitutional.

While the litigation was pending, the State funded the Land Department from the Risk Management Revolving Fund. In the wake of the Supreme Court's ruling, the Executive recommends shifting operational funding from the Risk Management Revolving Fund to the General Fund.

Debt Repayment

During its recent budget crisis, the State took several steps to ensure cash balances, including issuing both structured and non-structured debt.

Structured debt includes the sale/leaseback of State buildings and lottery bonds and equals approximately \$1.4 billion. Remaining *non-structured* debt equals approximately \$1.2 billion and is made up of rollovers in the university, K-12 and DES systems.

While the structured debt has a definitive debt service schedule, the rollovers do not. The Executive recommends dedicating an on-going \$40 million per year, beyond the existing debt service schedules, to retire debt. The Executive will work with the Legislature to prioritize the retiring of debt obligations.

Agency Fees

The Executive Recommendation follows the lead of the State Agency Fee Commission in embracing transparency and fairness in agency fees and funding structures.

Laws 2011, Chapter 333 established the Commission to review the fees of State agencies and to make recommendations. In 2012, the Commission studied the fees and funding structures of four State agencies: the Department of Financial Institutions, the State Land Department, the Department of Weights and Measures, and the Department of Environmental Quality.

As the support staff for the Commission, the Governor's Office of Strategic Planning and Budgeting examined the agencies' programs and fee-setting methodologies and sought to evaluate the revenues and expenditures associated with each fee.

The 2012 report made the following general recommendations for State government:

- The General Fund should not benefit from program fees.
- Cross-subsidization among programs should be limited.
- Fees should reflect the cost of the service.
- The General Fund should not fund specialty programs.
- Revenues and expenditures from fees should be as transparent as possible.

- Agencies should continue to undergo a systematic review of their fees.

The Commission also made agency-specific recommendations. It determined that fees for both the State Land Department and the Department of Weights and Measures were appropriately set and their current fee structures were sound.

The Commission recommended that the Department of Financial Institutions move to a self-funding structure and create a single-fee depository fund in order to enhance transparency and provide more efficient management of agency resources. The Executive budget aligns its recommendations for the Department with those of the Fee Commission.

ADEQ had implemented a new fee structure within the last two years, and the Commission recommended retaining the current fee structure while continuing to monitor and adjust fee levels as necessary. The Commission also recommended that ADEQ be allowed to utilize revenues from the Vehicle Emissions Inspection and Air Quality Fee Funds as general purpose monies and to utilize revenues from the Recycling Fund to fulfill the original intent of the Recycling program. The Executive Budget Recommendation for the Department aligns its budget with the Commission's recommendations.

In 2013, the Commission plans to review the following agencies: Office of Administrative Hearings, Department of Corrections, Department of Health Services, Industrial Commission, Department of Liquor Licenses and Control, State Parks Board, Pioneers' Home, Department of Veterans' Services, and Department of Water Resources. The Commission also plans to review State agencies' allocations of indirect costs as they relate to fees.

Agency Restructuring. Following the Fee Commission's recommendation, the Executive recommends that the Department of Financial Institutions (DFI) transition to a self-funding structure. The restructuring plan includes the elimination of the Financial Services Fund and the Banking Revolving Fund. A new fund, the Financial Institutions Fund, will be the main depository of all DFI fees, with the exception of mortgage assessments fees. This new fund will be the main source of funding for DFI's operations and will end its dependence on volatile civil money penalties and the General Fund. Altering DFI's fee structure will enhance fee transparency and provide more efficient management of agency resources.

Similarly, the Executive recommends that the Department of Real Estate (ADRE) transition to a "90-10"⁴ funding structure. The main goal of the transition is to decrease volatility of fees caused by the current "95-110" structure, under which ADRE must revise its fee schedule for revenues to stay between 95% and 110% of its General Fund appropriation. Due to a biennial renewal cycle, varying licensee counts and additional fees, this revision generally occurs annually. Under the recommended structure, 90% of all licensing revenues collected will be deposited into a new fund called the Real Estate Fund, and 10% will be deposited into the General Fund. All ADRE operating expenditures will be appropriated out of the new Real Estate Fund. The Executive does not recommend any changes to the Department's organizational structure; thus, it will remain an Executive agency. •

⁴ Under a 90-10 funding structure, the agency retains 90% of the fees collected and deposits the remaining 10% into the General Fund.

Funding for Essential Maintenance, Building Improvements

The capital outlay plan for Fiscal Year 2014 emphasizes renovations, reform and improved building care

AS OF JUNE 30, 2012, the State of Arizona was responsible for 6,820 buildings and structures statewide with a replacement value of more than \$13 billion. During the recent budget crisis, and as a general rule over the last several decades, the State's capital needs have been passed over for spending in other program areas, with the exception of emergency repairs and certain projects deemed absolutely essential.

The State's building inventory is comprised of four main building systems:

- Arizona Department of Administration (ADOA),
- Arizona Department of Transportation (ADOT),
- Arizona Board of Regents (ABOR), and
- Department of Corrections (DOC).

Each of these systems has extensive building renewal and capital project needs. The Executive capital outlay plan is designed to address both administrative and physical needs in the State building systems. These recommendations are also designed to improve the safety of State facilities, increase the efficiency of State operations, and help avoid expensive emergency repairs.

ADOA Building System

The ADOA Building System includes 3,863 structures with a total area of more than 22.6 million gross square feet (GSF) and an estimated replacement value of \$3.6 billion. ADOA's most recent building inspections revealed that the overall condition of the building system is poor and that many buildings have exceeded their useful lives.

COSF Reform. In addition to standard building renewal and capital recommendations, the Executive Recommendation includes ongoing reforms to the Capital Outlay Stabilization Fund (COSF).

As recommended by the Executive and enacted by the Legislature (Laws 2012, Chapter 296, Section 8), all State space was converted to rentable square feet (RSF) so as to eliminate inconsistencies and inequities in the way space was calculated and billed. These inconsistencies were unfair to the agencies that were forced to pay into this system and created a serious risk of the federal government disallowing COSF charges completely. The cost of increasing square footage to meet this standard was offset by the savings of not paying COSF rent on the Papago Park Museum and on buildings not maintained by ADOA at the Arizona Schools for the Deaf and Blind (ASDB).

In addition, the State successfully consolidated space in the Executive Tower, the Land Building, and the Juvenile Corrections buildings in order to make better use of State resources and reduce costs to the General Fund in FY 2013.

To further address COSF issues in FY 2014, the Executive recommends clarifying in statute that only buildings receiving ADOA

maintenance or operation services as delineated in current statute are subject to COSF rent.

For FY 2014, the Executive recommends decreasing COSF rates from \$13.82 per square foot of office space to \$13.33 and reducing storage rates from \$5.01 per square foot to \$4.83. These updated rates satisfy the Legislative requirement that the recent conversion to rentable square feet has no General Fund impact.

ADOA Building Renewal. As part of a significant change in FY 2012 laws, building renewal is now defined as "major activities that involve the repair or reworking of a building and the supporting infrastructure that will result in maintaining a building's expected useful life" (Laws 2011, First Regular Session, Chapter 34). It does not include new building additions, new infrastructure additions, landscaping and beautification, routine preventive maintenance, or demolition. Under this definition, building renewal includes only major maintenance and repair of existing buildings that extends the useful life of the facility.

To properly care for the ADOA Building System, the Executive recommends \$13.5 million from the Capital Outlay Stabilization Fund for general building renewal in FY 2014.

Although building renewal needs are estimated based on statutory formula, the State has fully funded the formula only twice in the past 26 years, and deferred maintenance costs are estimated at nearly \$337 million for the ADOA Building System. Although the Executive Recommendation covers only 48% of the statutory formula, this would represent the most significant investment in building renewal in over a decade. As so many of the State's building components and structural systems have exceeded their useful lives, this represents an important investment in the State's infrastructure.

The Executive Recommendation also includes building renewal funding for the three State agencies – Game and Fish Department, Lottery Commission, and Department of Corrections – considered to have dedicated fund sources based on statutory formulas. The Executive recommends:

- For the Game and Fish Department, (a) \$327,200 from the Game and Fish Fund for construction related to hazard classification compliance at the Black Canyon Dam and (b) \$558,800 from the Game and Fish Fund for cyclical maintenance for replacement or renovation of major building system components.
- For the Lottery, funding the full \$90,283 renewal formula amount.
- For the Department of Corrections, (a) \$5 million from the DOC Building Renewal and Preventative Maintenance Fund for building renewal and (b) to fund this appropriation, continuing into FY 2014 a \$2.5 million transfer from the Corrections Fund.

ADOA Capital Projects. In addition to capital projects for the dedicated fund agencies, the Executive recommends specific capital projects for the ADOA building system.

Security System Replacement. ADOA is responsible for security in 49 State buildings in Phoenix and Tucson. The security system is obsolete and failing. Problems exist with badging and hardware failures, and there is no mass communication through the fire alarm system. These conditions pose a threat to security and safety and should be resolved. The Executive recommends an increase of \$5 million from the General Fund in FY 2014 to replace ADOA's antiquated physical security infrastructure. This recommended amount is an estimate of the total project cost; after final costs are determined in the spring, ADOA will adjust the amount accordingly.

ASDB Residential Facilities. ASDB campuses in Tucson and Phoenix are part of the ADOA building system. The Tucson residential facilities are outdated, do not comply with the Americans with Disabilities Act (ADA) accessibility standards, and are in need of renovation. ASDB has already received building renewal grant monies to update the fire alarm and fire suppression systems in the residential facilities; however, because at least six dorms must be usable at any time, the Executive recommends that facilities be renovated at the same time as the fire alarm suppression system to minimize the time during which dorms are vacant and unusable.

In FY 2013, ASDB started the renovation process, with general operating funds accrued through vacancy savings, and was able to complete renovation on two dorms (Ocotillo and Saguaro) and begin renovation on a third (Yucca). Construction on Yucca has been stalled due to the lack of available funding. Renovations have included updated bathrooms, plumbing, flooring, paint and lighting.

The Executive recommends \$1 million in FY 2014 to complete renovations on the Yucca dorms and the renovation of two additional dorms at an estimated cost of \$55 per square foot. Completion of these dorms will bring the total capacity in remodeled dorms to 144 beds and provide a more comfortable and accessible home for students.

Pioneers' Home Radiators. The Pioneers' Home uses radiators as its only heating source in the winter. In order to maximize energy efficiency, the Executive recommends that the Home install radiator reflectors as well as thermostatic controls. To prevent potential burns, the Executive also recommends that the Home install radiator covers. The Home will use in-house maintenance staff, and the \$59,000 project will be split between FY 2014 and FY 2015 and funded from the Miner's Hospital Fund.

State Parks. Because the State's recent budget crisis led to the complete elimination of capital funding at State Parks, capital needs have begun to accumulate at numerous facilities. Some of the needs are critical, while others affect visitation and revenue. Priority projects include (a) removing the existing water storage tank at Alamo Lake and replacing it with a new system, (b) protecting and preserving existing roads and parking at Buckskin Mountain and Fool Hollow, and (c) stabilizing the existing shoreline at Buckskin Mountain with erosion control activity.

The Executive also recommends an annual \$2 million increase to the State Parks Revenue Fund for capital improvement projects.

Funding will be directed from Lottery-generated General Fund distributions and into the State Parks Revenue Fund. The recommended redirection of funds to Parks will not affect the current distribution to any other beneficiaries.

ADOT Building System

The ADOT system includes an inventory of 1,246 buildings and structures with a total area of 3.3 million square feet and a replacement value estimated at \$677.2 million.

As requested by the Agency, the Executive recommends \$5.3 million from the State Highway Fund for new capital projects and \$3.2 million for building renewal needs in FY 2014.

ADOT Building Construction. Provided that the State Highway Fund revenue is sufficient to support ADOT operations and capital projects, the Executive recommends \$5.3 million for capital projects that would increase compliance with environmental standards as it relates to storm water regulations.

ADOT has 35 de-icer storage buildings and 14 vehicle wash stations and plans on building 17 more de-icer storage buildings in the next three years to comply with environmental standards. For FY 2014, the Executive recommends \$2.3 million for the construction of five de-icer storage buildings and \$3 million for six vehicle wash systems.

By 2019, ADOT plans to build 34 new vehicle wash systems in remote locations where commercial options are unavailable. This plan will prevent the premature deterioration of ADOT's highway maintenance vehicles and equipment.

ADOT Building Renewal. The Executive recommends \$3 million from the State Highway Fund and \$188,200 from the State Aviation Fund for building renewal needs.

Highway Construction. As detailed in the table below, the Executive Recommendation supports a \$1.2 billion transportation infrastructure program in FY 2014. The recommended funding would provide \$142 million for highway construction and \$257 million for pavement preservation. The debt service on existing ADOT construction bonds is \$316.4 million in FY 2014.

In accordance with State statute, actual expenditure levels are determined within the scope of the Five-Year Highway Construction Program as approved by the State Transportation Board. •

Highway Construction Projects Beginning in FY 2014 and Debt Service Payments

Construction	\$ 141,810,000
Urban Controlled Access ¹	413,044,000
Pavement Preservation Maintenance	256,513,000
Other ²	68,207,000
Debt Service ³	<u>316,373,000</u>
<i>Total</i>	\$ 1,195,947,000

¹ Includes expenditures from the HURF for controlled access and from the Maricopa Regional Area Road Fund.

² Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

³ Information provided by the department. Includes \$116,426,000 for SHF statewide construction bonds; \$33,572,000 for HURF, MAG, and PAG controlled access bonds; \$103,588,000 for Maricopa Regional Area Road Fund Bonds; and \$62,787,000 for Grant Anticipation Notes as of June 30, 2012.

Clear Signs of Recovery for Arizona and the Nation

A slight acceleration in Arizona's economic growth is forecast for 2013, with more robust growth on the horizon for 2014 and beyond

IN 2012, THE NATION'S ECONOMY maintained its gradual improvement. Similar to last year at this time, the most recent outlook from IHS Global Insight suggests a slow-growth recovery through 2013, with real GDP growth at sub-par levels (about 2%) until 2014.

A few optimists believe that the consensus is overly pessimistic and that significant growth could occur as early as the middle of 2013. Their optimism may be fueled in part by clear signs that consumers are taking advantage of prices and low interest rates to purchase automobiles, homes and some other consumer durables.

The optimistic view contrasts with that of contrarians who worry about Europe, federal fiscal gridlock and other potential negative shocks.

National Outlook

Employment. Job growth was slow for most of 2012, until discernible positive movement occurred late in the year, with workers possessing specialized skills in high demand. The unemployment rate dropped below 8% in the fall of 2012, and most economists see it remaining below 8% for most of 2013.

Global Insight projections do not provide for unemployment rates below 7% until 2015; in the meantime, sub-par demand for goods and services and growing concerns over labor costs are expected to impede job growth.

Consumer Spending. As was suggested earlier, consumer confidence has finally begun to show signs of improving after maintaining severely depressed levels since 2008. Because consumers' actual buying patterns have been somewhat more positive than the outlooks expressed in consumer confidence surveys, it is a prudent strategy to watch what consumers do rather than simply ask how they feel.

While it is difficult to predict consumer psychology at this point in the cycle, there are clear signs of increased spending on consumer durables such as automobiles and new homes. Using Global Insight's most likely scenario, over the next three years consumer confidence will steadily return, attaining pre-recession levels in 2014 or 2015.

Interest Rates. Following four years of aggressive easing, the Federal Reserve continues to indicate that it will not tighten interest rates in the near future. The third wave of "quantitative easing" (QE3) began this fall, and indications are clear that a policy of aggressive easing will remain in place until more normalcy is achieved in labor markets.

At some point, aggressive easing will be replaced by a more normal credit policy that can help avert inflation. However, it is noteworthy that Global Insight continues to see no significant inflation risk regardless of its forecast scenarios. Inflation is ex-



pected to remain below 2% in the most likely scenario, and, with low inflation, interest rates will remain low.

Commodity prices may spike in some areas, but no overall core inflation will occur as long as there is so much slack in the economy. While this will be good for the financial markets and for homeowners who qualify for very low mortgage rates, retailers will be limited in pricing power for the foreseeable future, which will continue to dampen the pace of overall nominal retail sales activity. Also, fixed-income savers will be confronted with limited opportunities to earn rates of return that keep pace with even modest inflation rates.

Business Spending. Corporate profits in 2013 are predicted to fall short of 2012, but modest growth is likely. Businesses might accelerate their reinvestment plans if they see evidence of growing

demand for products and services and if balance sheet conditions support business expansion.

Current Events and Risks. Global Insight places the chance of a recession at 20% (down from 30% a year ago), with possible triggers including a geopolitical crisis or a financial shock, such as the collapse of a major bank, municipality or developed country. Throughout much of 2012, the biggest risks emanated from Europe.

Anything that undermines the re-emerging confidence of timid consumers could put the nation at the edge of another downturn, which is why a budget impasse worries many economists. On the flip side, confidence could revert to more normal levels as the housing sector finds its footing and provides a boost that will be self-reinforcing.

Arizona Outlook

After four years of stagnation and slow growth, the Arizona economy has begun to display signs of recovery. By historical standards, growth is modest, and only slight acceleration is seen for 2013, with more robust growth on the horizon for 2014 and beyond. This growth scenario is generally based on:

- stability in aerospace manufacturing;
- modest growth in semiconductor manufacturing, retail sales, healthcare, professional services, and construction;
- plans for expansion at major employer facilities remaining on track; and
- declining excess inventory in the housing sector.

Employment. The good news on the employment front is that the Arizona economy saw job growth in 2011 and faster growth in 2012. Arizona was among the nation's leaders in job growth throughout much of 2012.

The prospects for 2013 suggest that job growth will accelerate, perhaps approaching 3% by the end of 2013 using year-over-year comparisons. However, a return to normal 4% to 5% year-over-year employment growth will probably be delayed until 2014. Impediments, if any, to job growth would probably come from manufacturing, the aerospace/defense sector, federal and local governments, and even the health sector which has had rather robust growth to date. The imposition of austerity measures at the federal level will largely determine how severe these headwinds become.

Personal Income. Aggregate personal income growth in Arizona, as reported by the Bureau of Economic Analysis, displayed signs of accelerating in 2012, and slightly faster growth of 5% to 6% is predicted to return in 2013.

As growth in overall incomes returns, it is likely that consumer confidence will recover and consumer purchases will continue to accelerate. Any resurgence in inflation will bolster this growth scenario.

In-Migration. By all accounts, 2009 through 2011 were likely the slowest years for new arrivals from other states in Arizona's recorded history. Slight improvement occurred in 2012, although the official figures are not yet available, and data from public utility companies does not suggest much new client growth.

There are no real signs that net in-migration is recovering at levels necessary to sustain demographic growth at more normal levels. Modest increases in domestic in-migration might be ex-

pected, since housing prices remain at very attractive levels and Arizona job growth is among the nation's leaders.

Economy-driven headwinds have impeded this migration over the past several years; nevertheless, many of the attributes that have sustained Arizona's people magnetism for decades remain in place today. It is likely that in-migration rates will improve in 2013 and beyond, and that Arizona will see significant growth in retiree populations as the economy improves. It is the pace of that resurgence that will be important for Arizona's growth trajectory.

Risks. The risks to the Arizona economy remain significant, with perhaps the most serious risk coming from a scenario in which the nation falls back into recession due to self-inflicted or external shocks. A national recession will significantly delay recovery in Arizona, since it will damage our cyclically sensitive sectors while impeding the in-migration flow that has sparked growth historically.

Catalysts for a national downturn might include:

- another financial episode triggered by a debt crisis and/or a geopolitical shock;
- another significant round of residential foreclosures and defaults;
- geopolitical shocks that threaten the hospitality and travel industries, which are positioned to grow from very low current levels; or
- substantial cuts in federal spending.

With respect to the impact of federal spending cuts, in recent years Arizona has depended on an annual injection of some \$65 billion from the federal government. Thus, any substantial reduction in federal spending will have a negative impact on Arizona.

Importantly, some \$13 billion in direct procurement is injected into Arizona's defense industry each year, so reductions there will result in direct hits to the manufacturing sector.

Upside Potential. A considerable share of Arizona's economic woes stems from the shattered psychology of many consumers, especially those who historically purchase durables like automobiles and homes. This erosion is likely linked to the sharp declines in housing wealth and the ongoing de-leveraging.

If the pace of improvement in the economy picks up, consumer psychology can improve with it. And, as we have seen throughout much of 2012, only modest improvement in psychology will manifest itself in marked improvements in the pace of retail transactions. This improvement will help provide a reinforcing mechanism for more transactions, unfreezing of credit lines, and more normal consumer behavior. This chain of events could play out at a faster or slower pace, depending on a host of factors, e.g., changes in the rate of inflation and in-migration, foreclosure trends, and the pace of real GDP growth.

Achieving Baseline Revenue Forecasts

2013. The 2013 forecast is very conservative, showing modest growth over reported 2012 figures. Revenue flows appear to have stabilized after several years of significant declines. Achieving the forecasts will require only modest economic growth and only a slight upward trajectory in consumer confidence.

The revenue forecasts are consistent with the baseline economic projections contained in the current monthly report prepared for the Governor's Office of Strategic Planning and Budgeting (OSP)



by the Seidman Research Institute at Arizona State University. The personal income and employment growth projections provided in the baseline scenario are consistent with the consensus views of most private and public economic forecasters for the State.

There remains a relatively large range between pessimistic and optimistic revenue scenarios. Factors contributing to the range include uncertainties about the potential realization of capital gains, the pace of potential improvement in consumer confidence, and the continuing uncertainties about how corporations reassess

prior liabilities and request refunds. However, it is clear that these uncertainties have mitigated somewhat over the past year, removing some of the headwinds we have observed in revenue flows in 2011 and 2012.

2014. The 2014 forecast is characterized by moderate to robust growth rates. The baseline economic projections contained in the current monthly report, prepared for OSPB by ASU's Seidman Research Institute, display growth from FY 2013 to FY 2014, and revenues respond accordingly. However, revenue growth will likely outpace economic growth because, as the economy stabilizes and improves, it will bring with it a marked improvement in consumer psychology that has dampened revenue growth in recent years. Some of this will likely be fueled by a resurgence in capital gains income. As a result, modest growth in employment, income and wealth in FY 2013 will be accompanied by even stronger revenue growth. However, a return to the lofty revenue levels of FY 2006 and FY 2007 is still several years away.

Upside and Downside Potential. The pessimistic and optimistic economic scenarios are depicted in the current monthly report prepared for OSPB by ASU's Seidman Research Institute. However, the revenue volatility associated with these economic scenarios is greater than the volatility suggested by the alternative economic scenarios. This again stems from the likely dampened consumer psychology that would accompany a pessimistic economic scenario, and the bolstered consumer psychology that would accompany the optimistic scenario. In addition, accelerated economic growth would be accompanied by increased corporate profits and more capital gains, while the converse will apply if the economy grows at a rate that falls short of consensus expectations. Historically, the volatility of these factors has greatly contributed to revenue flow volatility.

Therefore, consensus economic growth and revenue growth remain the most likely outcomes for the next two fiscal years. But there is decidedly more uncertainty with respect to both upside and downside potential movement in the economy. As we learn more about the resolution of the budget talks in Washington, D.C., including resolution of the debt ceiling, the picture will become clearer. Once the budget is resolved, the implications on the Arizona economy will have to be determined, because federal spending provides an important source of income in Arizona, both in the private and public sectors. Also, a budget resolution can have an important residual impact on consumer psychology, and this will have to be monitored carefully. •

General Fund Base Revenue Summary

FY 2012 THROUGH FY 2016

(in thousands)

	Actual FY 2012	Estimate FY 2013	Estimate FY 2014	Estimate FY 2015	Estimate FY 2016
TAXES					
Corporate Income	647,809.6	687,820.0	714,910.0	736,800.0	677,090.0
Individual Income	3,092,198.3	3,288,612.0	3,531,257.9	3,815,200.0	4,107,500.0
Property Taxes	15,887.9	20,000.0	20,000.0	20,000.0	20,000.0
Sales and Use	3,654,934.3	3,822,600.0	4,029,020.0	4,246,600.0	4,475,900.0
Luxury Taxes	56,357.1	57,788.4	58,752.6	60,477.2	62,195.0
Insurance Premium Taxes	393,242.5	387,057.0	385,700.0	387,600.0	399,413.0
Estate Taxes	200.8	0.0	0.0	0.0	0.0
Other Taxes	7,133.6	7,000.0	3,000.0	3,000.0	3,000.0
TOTAL TAXES	7,867,764.2	8,270,877.4	8,742,640.5	9,269,677.2	9,745,098.0
OTHER REVENUES					
Licenses, Fees & Permits/Misc.	151,791.9	115,270.0	119,880.8	124,676.0	129,663.1
Interest Earnings	10,177.1	10,000.0	12,000.0	12,000.0	12,000.0
Lottery	81,932.2	70,746.0	67,146.2	73,175.5	73,175.5
Transfers & Reimbursements	21,267.3	21,000.0	21,000.0	21,000.0	21,000.0
Disproportionate Share	95,688.3	95,320.0	90,757.0	85,222.0	79,687.0
TOTAL OTHER REVENUES	360,856.8	312,336.0	310,784.0	316,073.5	315,525.6
TOTAL REVENUES	8,228,621.0	8,583,213.4	9,053,424.5	9,585,750.7	10,060,623.6
ADJUSTMENTS					
Urban Revenue Sharing	(424,423.4)	(513,584.0)	(561,001.2)	(596,464.8)	(639,730.2)
FY11 & FY12 Tax Reduction Package*		(18,700.0)	(35,400.0)	(123,540.0)	(125,190.0)
Civic Center and Rio Nuevo Payment		(17,595.0)	(30,449.0)	(30,449.0)	(30,449.0)
TPT Threshold		(52,000.0)	-	-	-
GRAND TOTAL REVENUES	7,804,197.6	7,981,334.4	8,426,574.3	8,835,296.9	9,265,254.4

* Note : Impact of the tax reduction represents the incremental amount over the previous years' impact. The previous years' impact amounts are built in the base of the current-year forecast for the appropriate tax types.

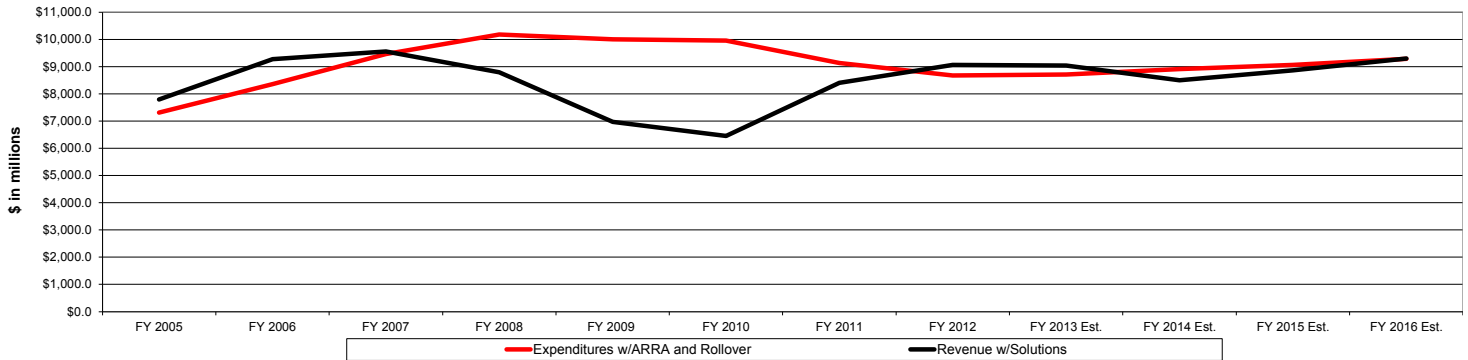
BUDGET IN A FLASH

EXECUTIVE RECOMMENDATION SUMMARY

Sources and Uses FY 2013-FY 2016

	FY 2013	FY 2014	FY 2015	FY 2016
Beginning Balance	\$396,962.2	\$725,442.8	\$313,122.9	\$122,295.8
Revenue Estimate	\$9,045,171.0	\$8,495,119.3	\$8,867,983.4	\$9,300,107.9
TOTAL SOURCES	\$9,442,133.2	\$9,220,562.1	\$9,181,106.3	\$9,422,403.7
Agency Operating Budgets	\$8,522,201.0	\$8,771,979.1	\$8,953,777.5	\$9,180,223.0
Other Expenditures	\$194,489.4	\$135,460.1	\$105,033.0	\$103,244.2
TOTAL EXPENDITURES	\$8,716,690.4	\$8,907,439.2	\$9,058,810.5	\$9,283,467.2
Ending Balance	\$725,442.8	\$313,122.9	\$122,295.8	\$138,936.5

Arizona General Fund Ongoing Revenue and Expenditures (FY 2005-FY 2016)



Agency Operating Budgets

	FY 2013	Net Change-FY 2013	FY 2014
Department of Education	\$3,496,900.3	\$69,698.6	\$3,566,598.9
AHCCCS	\$1,397,607.3	(\$85,692.3)	\$1,311,915.0
Department of Corrections	\$956,404.2	\$9,077.7	\$965,481.9
Universities	\$707,333.8	\$58,616.3	\$765,950.1
Department of Economic Services	\$627,104.0	\$71,931.6	\$699,035.6
Department of Health Services	\$587,120.7	\$16,141.8	\$603,262.5
School Facilities Board	\$173,708.3	\$50,903.1	\$224,611.4
Judiciary	\$108,596.0	\$117.4	\$108,713.4
Community Colleges	\$65,942.6	\$663.2	\$66,605.8
Department of Public Safety	\$45,524.0	\$7,093.1	\$52,617.1
Department of Revenue	\$45,442.1	\$1,482.0	\$46,924.1
Department of Administration	\$30,230.3	\$42,428.9	\$72,659.2
All Other Operating Budgets	\$280,287.4	\$7,316.7	\$287,604.1
TOTAL OPERATING BUDGETS	\$8,522,201.0	\$249,778.1	\$8,771,979.1

FY 2013 Supplemental Recommendations

Economic Security-CPS Staffing & Children Support	\$14,807.8	Treasurer-Justice of the Peace Salary Increase	\$116.9
		Total FY 2013 Supplemental Appropriations	\$14,924.7

Major Highlights of FY 2014

\$68.3 million-Education Enrollment Growth	\$20.0 million-School Facilities Common Core Technology
\$41.5 million-Education Common Core Implementation	\$18.7 million-DES CPS Staffing
\$40.0 million-Debt Reduction	\$18.7 million-Retention Pay
\$36.2 million-Education Performance Funding	\$15.3 million-Universities Performance Funding
\$35.8 million-Administration Automation Projects	\$15.3 million-Universities Parity Funding
\$29.7 million-DES CPS Emergency and Residential Placement	\$13.4 million-DES Title XIX Developmental Disabilities
\$27.1 million-AHCCCS Affordable Care Act Adult Expansion	\$9.6 million-DES Child Care Assistance
\$22.3 million-School Facilities Maintenance Accountability	(\$18.5) million-DHS BHS Title XIX State Match
\$20.0 million-Universities Soft Capital Investment	(\$81.8) million-AHCCCS Provider Tax Offset

FY 2014 Executive Recommendations

	<u>General Fund</u>	<u>Other Appropriated</u>	<u>Non- Appropriated</u>	<u>All Funds</u>
State Board of Accountancy	0.0	1,897.7	0.0	1,897.7
Acupuncture Board of Examiners	0.0	144.6	0.0	144.6
Arizona Department of Administration	72,659.2	175,935.9	1,079,216.9	1,327,812.0
Office of Administrative Hearings	808.1	13.3	1,035.6	1,857.0
Arizona Department of Agriculture	7,927.1	0.0	16,897.2	24,824.3
Arizona Health Care Cost Containment System	1,311,915.0	161,722.6	7,966,385.5	9,440,023.1
State Board of Appraisal	0.0	756.5	0.0	756.5
Arizona Commission on the Arts	0.0	0.0	2,103.4	2,103.4
State Board of Athletic Training	0.0	101.8	0.0	101.8
Attorney General - Department of Law	23,049.9	37,323.6	67,432.3	127,805.8
Automobile Theft Authority	0.0	4,274.5	0.0	4,274.5
Board of Barber Examiners	0.0	321.9	0.0	321.9
Board of Behavioral Health Examiners	0.0	1,658.5	0.0	1,658.5
State Board for Charter Schools	748.1	0.0	18.0	766.1
State Board of Chiropractic Examiners	0.0	457.8	0.0	457.8
Citizens' Clean Elections Commission	0.0	0.0	7,129.9	7,129.9
Commerce Authority	31,500.0	0.0	64,368.2	95,868.2
Arizona Community Colleges	66,605.8	0.0	0.0	66,605.8
Constable Ethics Standards & Training Board	0.0	0.0	294.6	294.6
Registrar of Contractors	0.0	12,059.8	7,329.1	19,388.9
Corporation Commission	589.1	24,957.3	760.8	26,307.2
Department of Corrections	965,481.9	52,907.7	79,224.9	1,097,614.5
Board of Cosmetology	0.0	1,750.3	0.0	1,750.3
Arizona Criminal Justice Commission	0.0	5,630.7	14,339.0	19,969.7
Arizona State Schools for the Deaf and the Blind	20,586.1	13,296.1	20,546.6	54,428.8
Commission for the Deaf and the Hard of Hearing	0.0	3,749.0	0.0	3,749.0
State Board of Dental Examiners	0.0	1,189.6	0.0	1,189.6
Arizona Early Childhood Development and Health Board	0.0	0.0	179,432.7	179,432.7
Department of Economic Security	699,035.6	491,194.6	3,671,440.2	4,861,670.4
Department of Education	3,566,598.9	57,567.7	1,587,712.9	5,211,879.5
Department of Emergency and Military Affairs	9,934.3	132.7	61,454.1	71,521.1
Department of Environmental Quality	9,666.7	79,342.3	56,477.5	145,486.5
Governor's Office for Equal Opportunity	187.1	0.0	88.1	275.2
State Board of Equalization	629.5	0.0	0.0	629.5
Board of Executive Clemency	821.5	0.0	0.0	821.5
Arizona Exposition & State Fair	0.0	11,131.2	0.0	11,131.2
State Department of Financial Institutions	0.0	5,695.1	85.5	5,780.6
Board of Fingerprinting	0.0	0.0	576.2	576.2
Department of Fire, Building and Life Safety	575.0	1,422.0	665.2	2,662.2
State Forester	7,062.4	0.0	17,399.2	24,461.6
State Board of Funeral Directors & Embalmers	0.0	340.6	0.0	340.6
Arizona Game & Fish Department	0.0	39,287.2	55,172.9	94,460.1
Department of Gaming	0.0	13,098.4	0.0	13,098.4
Arizona Geological Survey	853.6	0.0	8,791.0	9,644.6
Office of the Governor	8,086.6	0.0	30,965.1	39,051.7
Governor's Office of Strategic Planning and Budgeting	1,871.7	0.0	0.0	1,871.7
Department of Health Services	603,262.5	85,542.9	1,687,686.4	2,376,491.8
Governor's Office of Highway Safety	0.0	0.0	7,131.2	7,131.2

FY 2014 Executive Recommendations

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Appropriated</u>	<u>Non-</u> <u>Appropriated</u>	<u>All</u> <u>Funds</u>
Arizona Historical Society	3,042.1	0.0	937.5	3,979.6
Prescott Historical Society of Arizona	654.2	0.0	0.0	654.2
Department of Homeland Security	0.0	0.0	23,464.0	23,464.0
Board of Homeopathic Medical Examiners	0.0	98.0	0.0	98.0
Arizona Department of Housing	0.0	304.6	95,506.2	95,810.8
Independent Redistricting Commission	1,445.3	0.0	0.0	1,445.3
Arizona Commission of Indian Affairs	53.7	0.0	14.5	68.2
Department of Insurance	5,169.6	0.0	9,962.8	15,132.4
Industrial Commission of Arizona	0.0	19,656.4	6,212.7	25,869.1
Judiciary	108,713.4	39,691.0	33,305.6	181,710.0
Department of Juvenile Corrections	43,428.4	3,461.1	1,450.7	48,340.2
State Land Department	12,038.1	4,121.2	903.5	17,062.8
Law Enforcement Merit System Council	0.0	0.0	0.0	0.0
Auditor General	17,240.1	0.0	1,867.8	19,107.9
House of Representatives	13,067.1	0.0	0.0	13,067.1
Joint Legislative Budget Committee	2,418.8	0.0	0.0	2,418.8
Legislative Council	7,884.7	0.0	0.0	7,884.7
Senate	8,036.3	0.0	0.0	8,036.3
Department of Liquor Licenses and Control	0.0	2,850.4	4,050.0	6,900.4
Arizona State Lottery Commission	0.0	95,763.1	1,021,971.7	1,117,734.8
Arizona Medical Board	0.0	5,809.4	0.0	5,809.4
State Mine Inspector	1,183.6	112.5	384.9	1,681.0
Naturopathic Physicians Board of Medical Examiners	0.0	587.5	0.0	587.5
Arizona Navigable Stream Adjudication Commission	126.2	0.0	62.4	188.6
State Board of Nursing	0.0	4,178.1	487.5	4,665.6
Nursing Care Ins. Admin. Examiners	0.0	406.7	0.0	406.7
Board of Occupational Therapy Examiners	0.0	167.9	0.0	167.9
State Board of Dispensing Opticians	0.0	131.3	0.0	131.3
State Board of Optometry	0.0	197.8	0.0	197.8
OSHA Review Board	0.0	0.0	0.0	0.0
Arizona Board of Osteopathic Examiners	0.0	759.4	0.0	759.4
State Parks Board	0.0	14,559.5	30,269.1	44,828.6
Personnel Board	0.0	364.5	0.0	364.5
Office of Pest Management	0.0	1,999.7	113.5	2,113.2
Arizona State Board of Pharmacy	0.0	2,008.6	1,532.7	3,541.3
Board of Physical Therapy Examiners	0.0	424.8	0.0	424.8
Arizona Pioneers' Home	1,604.8	4,630.2	15.3	6,250.3
State Board of Podiatry Examiners	0.0	143.0	0.0	143.0
Commission for Postsecondary Education	1,396.8	1,426.1	2,916.9	5,739.8
Power Authority	0.0	0.0	39,280.2	39,280.2
State Board for Private Postsecondary Education	0.0	628.5	103.1	731.6
State Board of Psychologist Examiners	0.0	344.9	0.0	344.9
Department of Public Safety	52,617.1	185,893.7	64,067.4	302,578.2
Public Safety Personnel Retirement System	0.0	0.0	36,436.5	36,436.5
Arizona Department of Racing	2,029.5	2,831.2	97.9	4,958.6
Radiation Regulatory Agency	1,563.5	829.8	952.1	3,345.4
Department of Real Estate	720.4	2,181.8	275.8	3,178.0
Residential Utility Consumer Office	0.0	1,299.9	0.0	1,299.9

FY 2014 Executive Recommendations

	<u>General Fund</u>	<u>Other Appropriated</u>	<u>Non- Appropriated</u>	<u>All Funds</u>
Board of Respiratory Care Examiners	0.0	262.4	0.0	262.4
Arizona State Arizona Retirement System	0.0	25,159.5	73,912.0	99,071.5
Department of Revenue	46,924.1	26,052.0	105,150.0	178,126.1
School Facilities Board	224,611.4	0.0	297,613.4	522,224.8
Department of State - Secretary of State	14,923.2	3,653.5	4,695.0	23,271.7
State Boards Office	0.0	212.5	0.0	212.5
State Board of Tax Appeals	254.8	0.0	0.0	254.8
State Board of Technical Registration	0.0	2,028.3	0.0	2,028.3
Arizona Office of Tourism	7,000.0	0.0	12,869.9	19,869.9
Department of Transportation	50.5	365,715.8	2,610,188.1	2,975,954.4
State Treasurer	1,205.1	4,874.8	0.0	6,079.9
Arizona Board of Regents	16,926.5	0.0	88,674.9	105,601.4
ASU - Tempe	288,266.9	452,685.0	1,089,323.7	1,830,275.6
ASU - Polytechnic	23,165.7	37,590.9	45,319.7	106,076.3
ASU - West	33,843.5	41,990.2	53,152.4	128,986.1
Northern Arizona University	116,142.2	107,409.1	305,683.7	529,235.0
University of Arizona - Main Campus	218,020.0	269,918.0	1,249,586.8	1,737,524.8
University of Arizona - Health Sciences Center	69,585.3	43,920.4	259,503.1	373,008.8
Department of Veterans' Services	5,212.8	28,498.8	6,714.3	40,425.9
State Veterinary Medical Examining Board	0.0	470.6	0.0	470.6
Water Infrastructure Finance Authority	0.0	0.0	129,659.5	129,659.5
Department of Water Resources	9,673.7	2,766.8	9,919.6	22,360.1
Department of Weights and Measures	1,284.0	1,759.2	0.0	3,043.2
	<u>8,771,979.1</u>	<u>3,097,734.3</u>	<u>24,410,768.6</u>	<u>36,280,482.0</u>

FY 2015 Executive Recommendations

	<u>General Fund</u>	<u>Other Appropriated</u>	<u>Non- Appropriated</u>	<u>All Funds</u>
State Board of Accountancy	0.0	1,897.7	0.0	1,897.7
Acupuncture Board of Examiners	0.0	144.6	0.0	144.6
Office of Administrative Hearings	808.1	13.3	1,035.6	1,857.0
Arizona Department of Agriculture	7,927.1	0.0	16,383.2	24,310.3
State Board of Appraisal	0.0	756.5	0.0	756.5
Arizona Commission on the Arts	0.0	0.0	2,027.3	2,027.3
State Board of Athletic Training	0.0	101.8	0.0	101.8
Attorney General - Department of Law	23,049.9	37,084.2	67,167.1	127,301.2
Automobile Theft Authority	0.0	4,274.5	0.0	4,274.5
Board of Barber Examiners	0.0	321.9	0.0	321.9
Board of Behavioral Health Examiners	0.0	1,632.8	0.0	1,632.8
State Board for Charter Schools	748.1	0.0	18.0	766.1
State Board of Chiropractic Examiners	0.0	466.8	0.0	466.8
Citizens' Clean Elections Commission	0.0	0.0	7,129.9	7,129.9
Commerce Authority	31,500.0	0.0	60,205.1	91,705.1
Constable Ethics Standards & Training Board	0.0	0.0	294.6	294.6
Registrar of Contractors	0.0	12,059.8	4,629.1	16,688.9
Corporation Commission	589.1	24,957.3	760.8	26,307.2
Board of Cosmetology	0.0	1,750.3	0.0	1,750.3
Arizona Criminal Justice Commission	0.0	5,630.7	14,339.0	19,969.7
Arizona State Schools for the Deaf and the Blind	20,586.1	13,296.1	20,293.6	54,175.8
Commission for the Deaf and the Hard of Hearing	0.0	3,749.0	0.0	3,749.0
State Board of Dental Examiners	0.0	1,189.6	0.0	1,189.6
Arizona Early Childhood Development and Health Board	0.0	0.0	180,648.3	180,648.3
Department of Emergency and Military Affairs	9,934.3	132.7	50,189.3	60,256.3
Department of Environmental Quality	12,333.4	69,342.3	56,428.8	138,104.5
Governor's Office for Equal Opportunity	187.1	0.0	88.1	275.2
State Board of Equalization	629.5	0.0	0.0	629.5
Board of Executive Clemency	821.5	0.0	0.0	821.5
Arizona Exposition & State Fair	0.0	11,131.2	0.0	11,131.2
State Department of Financial Institutions	0.0	4,839.1	85.5	4,924.6
Board of Fingerprinting	0.0	0.0	576.2	576.2
Department of Fire, Building and Life Safety	575.0	1,422.0	665.2	2,662.2
State Forester	7,062.4	0.0	16,482.9	23,545.3
State Board of Funeral Directors & Embalmers	0.0	340.6	0.0	340.6
Arizona Game & Fish Department	0.0	39,287.2	54,292.5	93,579.7
Department of Gaming	0.0	13,566.5	0.0	13,566.5
Arizona Geological Survey	853.6	0.0	8,766.4	9,620.0
Office of the Governor	6,586.6	0.0	23,590.5	30,177.1
Governor's Office of Strategic Planning and Budgeting	1,871.7	0.0	0.0	1,871.7
Governor's Office of Highway Safety	0.0	0.0	7,131.2	7,131.2
Arizona Historical Society	3,042.1	0.0	910.1	3,952.2
Prescott Historical Society of Arizona	654.2	0.0	0.0	654.2
Department of Homeland Security	0.0	0.0	9,606.0	9,606.0
Board of Homeopathic Medical Examiners	0.0	98.0	0.0	98.0
Arizona Department of Housing	0.0	304.6	87,683.4	87,988.0
Independent Redistricting Commission	1,445.3	0.0	0.0	1,445.3
Arizona Commission of Indian Affairs	53.7	0.0	14.5	68.2

FY 2015 Executive Recommendations

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Appropriated</u>	<u>Non-</u> <u>Appropriated</u>	<u>All</u> <u>Funds</u>
Department of Insurance	5,216.8	0.0	8,810.5	14,027.3
Industrial Commission of Arizona	0.0	19,656.4	6,172.4	25,828.8
State Land Department	12,070.2	4,112.2	903.1	17,085.5
Law Enforcement Merit System Council	0.0	0.0	0.0	0.0
Auditor General	17,240.1	0.0	1,867.8	19,107.9
House of Representatives	13,067.1	0.0	0.0	13,067.1
Joint Legislative Budget Committee	2,418.8	0.0	0.0	2,418.8
Legislative Council	7,884.7	0.0	0.0	7,884.7
Senate	8,036.3	0.0	0.0	8,036.3
Department of Liquor Licenses and Control	0.0	2,850.4	4,050.0	6,900.4
Arizona State Lottery Commission	0.0	98,046.2	1,055,606.7	1,153,652.9
Arizona Medical Board	0.0	5,809.4	0.0	5,809.4
State Mine Inspector	1,183.6	112.5	384.9	1,681.0
Naturopathic Physicians Board of Medical Examiners	0.0	587.5	0.0	587.5
Arizona Navigable Stream Adjudication Commission	126.2	0.0	62.4	188.6
State Board of Nursing	0.0	4,173.3	487.5	4,660.8
Nursing Care Ins. Admin. Examiners	0.0	406.7	0.0	406.7
Board of Occupational Therapy Examiners	0.0	167.9	0.0	167.9
State Board of Dispensing Opticians	0.0	131.3	0.0	131.3
State Board of Optometry	0.0	197.8	0.0	197.8
OSHA Review Board	0.0	0.0	0.0	0.0
Arizona Board of Osteopathic Examiners	0.0	763.1	0.0	763.1
State Parks Board	0.0	14,559.5	13,308.1	27,867.6
Personnel Board	0.0	364.5	0.0	364.5
Office of Pest Management	0.0	1,999.7	113.5	2,113.2
Arizona State Board of Pharmacy	0.0	1,946.4	1,532.7	3,479.1
Board of Physical Therapy Examiners	0.0	404.1	0.0	404.1
Arizona Pioneers' Home	1,604.8	4,630.2	15.3	6,250.3
State Board of Podiatry Examiners	0.0	143.0	0.0	143.0
Commission for Postsecondary Education	1,396.8	1,426.1	1,823.4	4,646.3
Power Authority	0.0	0.0	39,280.2	39,280.2
State Board for Private Postsecondary Education	0.0	382.9	103.1	486.0
State Board of Psychologist Examiners	0.0	344.9	0.0	344.9
Department of Public Safety	59,639.5	184,745.1	63,696.1	308,080.7
Public Safety Personnel Retirement System	0.0	0.0	36,436.5	36,436.5
Arizona Department of Racing	2,029.5	2,831.2	97.9	4,958.6
Radiation Regulatory Agency	1,620.2	889.6	952.1	3,461.9
Department of Real Estate	0.0	2,902.2	393.8	3,296.0
Residential Utility Consumer Office	0.0	1,299.9	0.0	1,299.9
Board of Respiratory Care Examiners	0.0	262.4	0.0	262.4
Arizona State Arizona Retirement System	0.0	25,684.5	77,808.0	103,492.5
Department of Revenue	47,270.6	26,052.0	105,150.0	178,472.6
Department of State - Secretary of State	14,923.2	3,653.5	4,671.4	23,248.1
State Boards Office	0.0	212.5	0.0	212.5
State Board of Tax Appeals	254.8	0.0	0.0	254.8
State Board of Technical Registration	0.0	2,028.3	0.0	2,028.3
Arizona Office of Tourism	7,000.0	0.0	12,869.9	19,869.9
State Treasurer	1,205.1	4,874.8	0.0	6,079.9

FY 2015 Executive Recommendations

	General Fund	Other Appropriated	Non- Appropriated	All Funds
Department of Veterans' Services	5,212.8	28,498.8	1,850.5	35,562.1
State Veterinary Medical Examining Board	0.0	496.5	0.0	496.5
Water Infrastructure Finance Authority	0.0	0.0	146,157.9	146,157.9
Department of Water Resources	12,262.6	407.2	9,919.6	22,589.4
Department of Weights and Measures	1,197.5	1,738.3	0.0	2,935.8
	354,120.0	699,583.9	2,285,967.5	3,339,671.4

General Fund Operating Budgets Summary

(Dollars in Thousands)

	FY 2012 Expenditures	FY 2013 Appropriation	FY 2013 Executive Budget	FY 2014 Executive Budget	FY 2014 Changes and Adjustments	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
Arizona Department of Administration	15,133.4	30,230.3	30,230.3	72,659.2	42,428.9	N/A	N/A
Office of Administrative Hearings	839.6	808.1	808.1	808.1	0.0	808.1	0.0
Arizona Department of Agriculture	8,133.9	7,927.1	7,927.1	7,927.1	0.0	7,927.1	0.0
Arizona Health Care Cost Containment System	1,402,751.1	1,397,607.3	1,397,607.3	1,311,915.0	(85,692.3)	N/A	N/A
Attorney General - Department of Law	17,386.9	23,049.9	23,049.9	23,049.9	0.0	23,049.9	0.0
State Capital Post-Conviction Public Defender Office	690.0	0.0	0.0	0.0	0.0	0.0	0.0
State Board for Charter Schools	734.2	748.1	748.1	748.1	0.0	748.1	0.0
Commerce Authority	31,500.0	31,500.0	31,500.0	31,500.0	0.0	31,500.0	0.0
Arizona Community Colleges	71,176.1	65,942.6	65,942.6	66,605.8	663.2	N/A	N/A
Corporation Commission	596.2	589.1	589.1	589.1	0.0	589.1	0.0
Department of Corrections	953,781.5	956,404.2	956,404.2	965,481.9	9,077.7	N/A	N/A
Arizona State Schools for the Deaf and the Blind	20,803.1	20,586.1	20,586.1	20,586.1	0.0	20,586.1	0.0
Department of Economic Security	576,747.5	612,296.2	627,104.0	699,035.6	86,739.4	N/A	N/A
Department of Education	3,374,706.2	3,496,900.3	3,496,900.3	3,566,598.9	69,698.6	N/A	N/A
Department of Emergency and Military Affairs	6,586.7	8,834.3	8,834.3	9,934.3	1,100.0	9,934.3	1,100.0
Department of Environmental Quality	7,000.0	7,000.0	7,000.0	9,666.7	2,666.7	12,333.4	5,333.4
Governor's Office for Equal Opportunity	191.2	187.1	187.1	187.1	0.0	187.1	0.0
State Board of Equalization	535.4	629.5	629.5	629.5	0.0	629.5	0.0
Board of Executive Clemency	823.8	821.5	821.5	821.5	0.0	821.5	0.0
State Department of Financial Institutions	2,745.1	2,920.8	2,920.8	0.0	(2,920.8)	0.0	(2,920.8)
Department of Fire, Building and Life Safety	1,746.0	1,699.1	1,699.1	575.0	(1,124.1)	575.0	(1,124.1)
State Forester	5,691.0	7,062.4	7,062.4	7,062.4	0.0	7,062.4	0.0
Arizona Geological Survey	876.2	853.6	853.6	853.6	0.0	853.6	0.0
Office of the Governor	6,253.1	6,586.6	6,586.6	8,086.6	1,500.0	6,586.6	0.0
Governor's Office of Strategic Planning and Budgeting	1,789.7	1,871.7	1,871.7	1,871.7	0.0	1,871.7	0.0
Department of Health Services	506,158.9	587,120.7	587,120.7	603,262.5	16,141.8	N/A	N/A
Arizona Historical Society	4,228.8	3,042.1	3,042.1	3,042.1	0.0	3,042.1	0.0
Prescott Historical Society of Arizona	671.5	654.2	654.2	654.2	0.0	654.2	0.0
Independent Redistricting Commission	4,094.0	1,445.3	1,445.3	1,445.3	0.0	1,445.3	0.0
Arizona Commission of Indian Affairs	55.3	53.7	53.7	53.7	0.0	53.7	0.0
Department of Insurance	5,188.0	5,169.6	5,169.6	5,169.6	0.0	5,216.8	47.2
Judiciary	109,890.5	108,596.0	108,596.0	108,713.4	117.4	N/A	N/A
Department of Juvenile Corrections	45,987.4	43,428.4	43,428.4	43,428.4	0.0	N/A	N/A
State Land Department	1,235.5	1,258.6	1,258.6	12,038.1	10,779.5	12,070.2	10,811.6
Law Enforcement Merit System Council	66.2	70.5	70.5	0.0	(70.5)	0.0	(70.5)
Auditor General	13,625.2	17,240.1	17,240.1	17,240.1	0.0	17,240.1	0.0
House of Representatives	12,066.4	13,067.1	13,067.1	13,067.1	0.0	13,067.1	0.0
Joint Legislative Budget Committee	1,968.8	2,418.8	2,418.8	2,418.8	0.0	2,418.8	0.0
Legislative Council	4,329.2	7,884.7	7,884.7	7,884.7	0.0	7,884.7	0.0
Senate	7,323.5	8,036.3	8,036.3	8,036.3	0.0	8,036.3	0.0
State Mine Inspector	1,195.8	1,183.6	1,183.6	1,183.6	0.0	1,183.6	0.0
Arizona Navigable Stream Adjudication Commission	120.9	126.2	126.2	126.2	0.0	126.2	0.0

General Fund Operating Budgets Summary

(Dollars in Thousands)

	FY 2012 Expenditures	FY 2013 Appropriation	FY 2013 Executive Budget	FY 2014 Executive Budget	FY 2014 Changes and Adjustments	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
Arizona Pioneers' Home	1,635.1	1,604.8	1,604.8	1,604.8	0.0	1,604.8	0.0
Commission for Postsecondary Education	1,396.8	1,396.8	1,396.8	1,396.8	0.0	1,396.8	0.0
Department of Public Safety	19,447.3	45,524.0	45,524.0	52,617.1	7,093.1	59,639.5	14,115.5
Arizona Department of Racing	2,814.8	2,029.5	2,029.5	2,029.5	0.0	2,029.5	0.0
Radiation Regulatory Agency	1,450.6	1,420.8	1,420.8	1,563.5	142.7	1,620.2	199.4
Department of Real Estate	2,626.4	2,902.2	2,902.2	720.4	(2,181.8)	0.0	(2,902.2)
Department of Revenue	45,076.0	45,442.1	45,442.1	46,924.1	1,482.0	47,270.6	1,828.5
School Facilities Board	175,557.3	173,708.3	173,708.3	224,611.4	50,903.1	N/A	N/A
Department of State - Secretary of State	13,120.1	14,923.2	14,923.2	14,923.2	0.0	14,923.2	0.0
State Board of Tax Appeals	256.6	254.8	254.8	254.8	0.0	254.8	0.0
Arizona Office of Tourism	0.0	7,000.0	7,000.0	7,000.0	0.0	7,000.0	0.0
Department of Transportation	50.9	50.5	50.5	50.5	0.0	N/A	N/A
State Treasurer	1,115.1	1,115.1	1,232.0	1,205.1	90.0	1,205.1	90.0
Arizona Board of Regents	16,942.9	16,926.5	16,926.5	16,926.5	0.0	N/A	N/A
ASU - Tempe	247,742.7	259,524.2	259,524.2	288,266.9	28,742.7	N/A	N/A
ASU - Polytechnic	19,076.8	20,927.5	20,927.5	23,165.7	2,238.2	N/A	N/A
ASU - West	33,159.6	33,289.4	33,289.4	33,843.5	554.1	N/A	N/A
Northern Arizona University	108,251.9	105,942.4	105,942.4	116,142.2	10,199.8	N/A	N/A
University of Arizona - Main Campus	226,387.9	209,138.5	209,138.5	218,020.0	8,881.5	N/A	N/A
University of Arizona - Health Sciences Center	56,397.7	61,585.3	61,585.3	69,585.3	8,000.0	N/A	N/A
Department of Veterans' Services	7,155.4	5,212.8	5,212.8	5,212.8	0.0	5,212.8	0.0
Department of Water Resources	5,821.9	12,033.3	12,033.3	9,673.7	(2,359.6)	12,262.6	229.3
Department of Weights and Measures	1,159.6	1,472.5	1,472.5	1,284.0	(188.5)	1,197.5	(275.0)
General Fund Operating Total	8,214,067.2	8,507,276.3	8,522,201.0	8,771,979.1	264,702.8	354,120.0	26,462.3

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2012 Expenditures	FY 2013 Appropriation	FY 2013 Executive Budget	FY 2014 Executive Budget	FY 2014 Changes and Adjustments	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>State Board of Accountancy</u>							
Accountancy Board Fund	1,640.2	1,897.7	1,897.7	1,897.7	0.0	1,897.7	0.0
<u>Acupuncture Board of Examiners</u>							
Acupuncture Board of Examiners Fund	94.2	125.8	125.8	144.6	18.8	144.6	18.8
<u>Arizona Department of Administration</u>							
Personnel Division Fund	15,453.6	14,420.8	14,420.8	13,383.7	(1,037.1)	N/A	N/A
Capital Outlay Stabilization Fund	16,139.8	17,878.7	17,878.7	17,878.7	0.0	N/A	N/A
Corrections Fund	418.8	558.3	558.3	558.3	0.0	N/A	N/A
Information Technology Fund	2,744.1	4,644.5	4,644.5	3,751.2	(893.3)	N/A	N/A
Air Quality Fund	621.8	714.1	714.1	927.1	213.0	N/A	N/A
State Web Portal Fund	183.6	5,850.0	5,850.0	5,425.3	(424.7)	N/A	N/A
Special Employee Health Fund	4,040.3	5,136.7	5,136.7	5,136.7	0.0	N/A	N/A
Motor Pool Revolving Fund	9,469.6	10,041.3	10,041.3	10,041.3	0.0	N/A	N/A
State Surplus Property Fund	2,279.5	2,375.0	2,375.0	2,375.0	0.0	N/A	N/A
Admin - Surplus Property/Federal Fund	91.4	451.6	451.6	100.0	(351.6)	N/A	N/A
Risk Management Fund	84,354.8	91,919.2	101,919.2	92,884.2	965.0	N/A	N/A
Automation Operations Fund	16,600.1	22,930.1	22,930.1	21,669.2	(1,260.9)	N/A	N/A
Telecommunications Fund	1,672.9	1,805.2	1,805.2	1,805.2	0.0	N/A	N/A
Agency Total	154,070.3	178,725.5	188,725.5	175,935.9	(2,789.6)	N/A	N/A
<u>Office of Administrative Hearings</u>							
Healthcare Group Fund	14.5	13.3	13.3	13.3	0.0	13.3	0.0
<u>Arizona Department of Agriculture</u>							
Agriculture Commercial Feed Fund	273.1	0.0	0.0	0.0	0.0	0.0	0.0
Egg inspection Fund	804.3	0.0	0.0	0.0	0.0	0.0	0.0
Pesticide Fund	461.6	0.0	0.0	0.0	0.0	0.0	0.0
Agriculture Dangerous Plants Fund	125.8	0.0	0.0	0.0	0.0	0.0	0.0
Agriculture Seed Law Fund	52.4	0.0	0.0	0.0	0.0	0.0	0.0
Livestock Custody Fund	118.3	0.0	0.0	0.0	0.0	0.0	0.0
Fertilizer Materials Fund	280.8	0.0	0.0	0.0	0.0	0.0	0.0
Citrus, Fruit, and Vegetable Revolving Fund	308.8	0.0	0.0	0.0	0.0	0.0	0.0
Aquaculture Fund	8.8	0.0	0.0	0.0	0.0	0.0	0.0
AZ Protected Native Plant Fund	90.7	0.0	0.0	0.0	0.0	0.0	0.0
Agency Total	2,524.6	0.0	0.0	0.0	0.0	0.0	0.0
<u>Arizona Health Care Cost Containment System</u>							
Tobacco Tax and Health Care Fund	38,295.8	38,295.8	37,657.2	36,177.1	(2,118.7)	N/A	N/A
Tobacco Products Tax Fund	18,957.9	19,222.9	17,692.2	16,979.0	(2,243.9)	N/A	N/A
Children's Health Insurance Program Fund	26,537.5	18,126.4	18,126.4	10,032.6	(8,093.8)	N/A	N/A
Budget Neutrality Compliance Fund	3,161.1	3,221.1	3,221.1	3,285.5	64.4	N/A	N/A
Healthcare Group Fund	1,424.7	2,281.3	2,281.3	1,065.5	(1,215.8)	N/A	N/A
Prescription Drug Rebate Fund	80,489.6	69,950.0	69,950.0	94,182.9	24,232.9	N/A	N/A
Agency Total	168,866.6	151,097.5	148,928.2	161,722.6	10,625.1	N/A	N/A
<u>State Board of Appraisal</u>							
Board of Appraisal Fund	706.7	756.5	756.5	756.5	0.0	756.5	0.0
<u>State Board of Athletic Training</u>							
Athletic Training Fund	104.6	101.8	101.8	101.8	0.0	101.8	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2012 Expenditures	FY 2013 Appropriation	FY 2013 Executive Budget	FY 2014 Executive Budget	FY 2014 Changes and Adjustments	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>Attorney General - Department of Law</u>							
Consumer Protection/Fraud Revolving Fund	2,307.4	3,450.3	3,450.3	3,450.3	0.0	3,450.3	0.0
Attorney General Antitrust Revolving Fund	142.4	242.8	242.8	242.8	0.0	242.8	0.0
Attorney General Collection Enforcement Fund	4,486.1	5,313.9	5,313.9	5,313.9	0.0	5,313.9	0.0
Attorney General Agency Services Fund	12,648.5	13,116.9	13,116.9	13,116.9	0.0	13,116.9	0.0
Victims Rights Fund	3,222.5	3,240.2	3,240.2	3,989.3	749.1	3,749.9	509.7
Risk Management Fund	8,104.9	9,183.5	9,183.5	9,183.5	0.0	9,183.5	0.0
Attorney General Legal Services Cost Allocation Fund	5,625.9	2,026.9	2,026.9	2,026.9	0.0	2,026.9	0.0
Agency Total	36,537.7	36,574.5	36,574.5	37,323.6	749.1	37,084.2	509.7
<u>Automobile Theft Authority</u>							
Automobile Theft Authority Fund	4,140.0	4,274.5	4,274.5	4,274.5	0.0	4,274.5	0.0
<u>Board of Barber Examiners</u>							
Barber Examiners Board Fund	297.6	321.9	321.9	321.9	0.0	321.9	0.0
<u>Board of Behavioral Health Examiners</u>							
Behavioral Health Examiners Fund	1,462.7	1,611.1	1,611.1	1,658.5	47.4	1,632.8	21.7
<u>State Capital Post-Conviction Public Defender Office</u>							
Capital Postconviction Public Defender Office Fund	32.9	0.0	0.0	0.0	0.0	0.0	0.0
<u>State Board of Chiropractic Examiners</u>							
Chiropractic Examiners Board Fund	422.0	454.8	454.8	457.8	3.0	466.8	12.0
<u>Registrar of Contractors</u>							
Registrar of Contractors Fund	7,995.5	12,059.8	12,059.8	12,059.8	0.0	12,059.8	0.0
<u>Corporation Commission</u>							
Utility Regulation Revolving Fund	12,734.2	13,532.7	13,532.7	13,182.7	(350.0)	13,182.7	(350.0)
Security Regulatory and Enforcement Fund	4,372.2	4,625.9	4,625.9	4,625.9	0.0	4,625.9	0.0
Public Access Fund	5,593.6	6,414.2	6,414.2	6,414.2	0.0	6,414.2	0.0
Securities Investment Management Fund	705.2	684.3	684.3	684.3	0.0	684.3	0.0
Arizona Arts Trust Fund	51.2	50.2	50.2	50.2	0.0	50.2	0.0
Agency Total	23,456.4	25,307.3	25,307.3	24,957.3	(350.0)	24,957.3	(350.0)
<u>Department of Corrections</u>							
Corrections Fund	26,699.2	27,517.6	27,517.6	27,517.6	0.0	N/A	N/A
State Education Fund for Correctional Education Fund	499.4	512.1	512.1	512.1	0.0	N/A	N/A
DOC - Alcohol Abuse Treatment Fund	425.2	554.4	554.4	554.4	0.0	N/A	N/A
Transition Program Fund	930.0	3,485.0	3,485.0	1,300.0	(2,185.0)	N/A	N/A
Transition Services Fund	2,459.0	0.0	0.0	0.0	0.0	N/A	N/A
Prison Construction and Operations Fund	13,072.7	11,499.4	11,499.4	13,684.4	2,185.0	N/A	N/A
DOC Building Renewal & Preventive Maintenance Fund				8,000.0		N/A	N/A
Penitentiary Land Earnings Fund	1,728.4	979.2	979.2	979.2	0.0	N/A	N/A
State Charitable, Penal & Reformatory Land Earnings Fund	1,921.2	360.0	360.0	360.0	0.0	N/A	N/A
Agency Total	47,735.0	44,907.7	44,907.7	52,907.7	8,000.0	N/A	N/A

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2012 Expenditures	FY 2013 Appropriation	FY 2013 Executive Budget	FY 2014 Executive Budget	FY 2014 Changes and Adjustments	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>Board of Cosmetology</u>							
Cosmetology Board Fund	1,656.5	1,750.3	1,750.3	1,750.3	0.0	1,750.3	0.0
<u>Arizona Criminal Justice Commission</u>							
Criminal Justice Enhancement Fund	628.8	629.1	629.1	629.1	0.0	629.1	0.0
Victim Compensation and Assistance Fund	3,087.2	3,792.5	3,792.5	3,792.5	0.0	3,792.5	0.0
Drug and Gang Prevention Resource Center Fund	219.5	235.5	235.5	235.5	0.0	235.5	0.0
State Aid to County Attorneys Fund	973.6	973.6	973.6	973.6	0.0	973.6	0.0
Agency Total	4,909.1	5,630.7	5,630.7	5,630.7	0.0	5,630.7	0.0
<u>Arizona State Schools for the Deaf and the Blind</u>							
Schools for the Deaf and Blind Fund	13,473.1	13,296.1	13,296.1	13,296.1	0.0	13,296.1	0.0
<u>Commission for the Deaf and the Hard of Hearing</u>							
Telecom for the Deaf Fund	3,220.9	3,749.0	3,749.0	3,749.0	0.0	3,749.0	0.0
<u>State Board of Dental Examiners</u>							
Dental Board Fund	1,109.9	1,189.6	1,189.6	1,189.6	0.0	1,189.6	0.0
<u>Department of Economic Security</u>							
Workforce Investment Grant Fund	44,424.0	56,032.7	56,032.7	56,032.7	0.0	N/A	N/A
Temporary Assistance for Needy Families (TANF) Fund	216,493.4	220,775.8	220,775.8	220,775.8	0.0	N/A	N/A
Child Care and Development Fund	122,373.9	130,567.5	118,026.3	118,026.3	(12,541.2)	N/A	N/A
Special Administration Fund	252.3	1,129.9	1,129.9	2,763.9	1,634.0	N/A	N/A
Child Support Enforcement Administration Fund	11,998.8	16,601.1	12,823.4	13,186.8	(3,414.3)	N/A	N/A
Domestic Violence Shelter Fund	2,220.0	2,220.0	2,220.0	2,220.0	0.0	N/A	N/A
Child Abuse Prevention Fund	0.0	1,459.1	1,459.1	1,363.5	(95.6)	N/A	N/A
Children and Family Services Training Program Fund	57.8	206.6	206.6	206.6	0.0	N/A	N/A
Public Assistance Collections Fund	49.5	427.1	282.1	282.1	(145.0)	N/A	N/A
Department Long-Term Care System Fund	30,522.2	75,075.3	75,075.3	73,469.3	(1,606.0)	N/A	N/A
Spinal and Head Injuries Trust Fund	1,597.7	1,867.6	1,867.6	1,867.6	0.0	N/A	N/A
Indirect Cost Recovery Fund	0.0	1,000.0	1,000.0	1,000.0	0.0	N/A	N/A
Agency Total	429,989.6	507,362.7	490,898.8	491,194.6	(16,168.1)	N/A	N/A
<u>Department of Education</u>							
School Accountability Fund Prop 301 Fund	5,151.9	7,000.0	7,000.0	7,000.0	0.0	N/A	N/A
Teacher Certification Fund	2,117.4	2,292.2	2,292.2	2,292.2	0.0	N/A	N/A
Education Learning and Accountability	4,120.0	1,200.0	1,200.0	1,600.0	400.0	N/A	N/A
Empowerment Scholarship Account Fund	0.0	200.0	200.0	200.0	0.0	N/A	N/A
Public Institution Permanent School Earnings Fund	39,475.5	46,475.5	46,475.5	46,475.5	0.0	N/A	N/A
Agency Total	50,864.8	57,167.7	57,167.7	57,567.7	400.0	N/A	N/A
<u>Department of Emergency and Military Affairs</u>							
Emergency Response Fund	0.0	132.7	132.7	132.7	0.0	132.7	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2012 Expenditures	FY 2013 Appropriation	FY 2013 Executive Budget	FY 2014 Executive Budget	FY 2014 Changes and Adjustments	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>Department of Environmental Quality</u>							
DEQ Emissions Inspection Fund	28,074.6	28,354.3	28,354.3	38,354.3	10,000.0	28,354.3	0.0
Hazardous Waste Management Fund	990.6	1,718.9	1,718.9	1,718.9	0.0	1,718.9	0.0
Air Quality Fund	2,817.6	5,379.1	5,379.1	5,379.1	0.0	5,379.1	0.0
Underground Storage Tank Revolving Fund	0.0	22.0	22.0	22.0	0.0	22.0	0.0
Recycling Fund	0.0	1,200.0	1,200.0	2,200.0	1,000.0	2,200.0	1,000.0
Permit Administration Fund	3,976.6	7,038.8	7,038.8	7,038.8	0.0	7,038.8	0.0
Solid Waste Fee Fund	690.7	1,226.6	1,226.6	1,226.6	0.0	1,226.6	0.0
Used Oil Fund	132.9	138.9	137.8	0.0	(138.9)	0.0	(138.9)
Water Quality Fee Fund	5,413.7	10,393.9	10,393.9	10,393.9	0.0	10,393.9	0.0
Indirect Cost Fund	11,425.3	13,008.7	13,008.7	13,008.7	0.0	13,008.7	0.0
Agency Total	53,522.0	68,481.2	68,480.1	79,342.3	10,861.1	69,342.3	861.1
<u>Arizona Exposition & State Fair</u>							
Arizona Exposition and State Fair Fund	10,379.4	11,131.2	11,131.2	11,131.2	0.0	11,131.2	0.0
<u>State Department of Financial Institutions</u>							
Financial Services Fund	537.6	922.9	922.9	0.0	(922.9)	0.0	(922.9)
Financial Institutions Fund	0.0	0.0	0.0	5,695.1	5,695.1	4,839.1	4,839.1
Agency Total	537.6	922.9	922.9	5,695.1	4,772.2	4,839.1	3,916.2
<u>Department of Fire, Building and Life Safety</u>							
Building and Safety Regulation Fund	0.0	0.0	0.0	1,422.0	1,422.0	1,422.0	1,422.0
<u>State Board of Funeral Directors & Embalmers</u>							
Funeral Directors and Embalmers Fund	289.8	340.6	340.6	340.6	0.0	340.6	0.0
<u>Arizona Game & Fish Department</u>							
Game and Fish Fund	26,143.9	33,277.1	33,277.1	33,342.1	65.0	33,342.1	65.0
Watercraft Licensing Fund	4,003.8	4,504.2	4,504.2	4,510.5	6.3	4,510.5	6.3
Game/Non-game Fund	205.5	338.6	338.6	338.6	0.0	338.6	0.0
Capital Improvement Fund	1,000.0	1,000.0	1,000.0	1,000.0	0.0	1,000.0	0.0
Waterfowl Conservation Fund	14.4	43.4	43.4	80.0	36.6	80.0	36.6
Wildlife Endowment Fund	0.0	16.0	16.0	16.0	0.0	16.0	0.0
Agency Total	31,367.7	39,179.3	39,179.3	39,287.2	107.9	39,287.2	107.9
<u>Department of Gaming</u>							
Lottery Fund	300.0	300.0	300.0	300.0	0.0	300.0	0.0
Permanent Tribal-State Compact Fund	2,033.3	2,003.8	2,003.8	2,003.8	0.0	2,003.8	0.0
Arizona Benefits Fund	9,508.9	9,784.0	9,784.0	10,794.6	1,010.6	11,262.7	1,478.7
Agency Total	11,842.2	12,087.8	12,087.8	13,098.4	1,010.6	13,566.5	1,478.7

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2012 Expenditures	FY 2013 Appropriation	FY 2013 Executive Budget	FY 2014 Executive Budget	FY 2014 Changes and Adjustments	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>Department of Health Services</u>							
Tobacco Tax and Health Care Fund	35,129.2	35,167.0	35,167.0	32,870.1	(2,296.9)	N/A	N/A
Capital Outlay Stabilization Fund	1,244.8	1,146.5	1,146.5	1,146.5	0.0	N/A	N/A
Health Services Licenses Fund	7,983.1	7,904.3	7,904.3	8,616.3	712.0	N/A	N/A
Child Care and Development Fund	834.8	829.4	829.4	829.4	0.0	N/A	N/A
Health Research Fund	1,000.0	1,000.0	1,000.0	1,000.0	0.0	N/A	N/A
Emergency Medical Services Operating Fund	4,188.6	5,044.1	5,044.1	5,044.1	0.0	N/A	N/A
Newborn Screening Program Fund	4,948.5	6,692.6	6,692.6	6,692.6	0.0	N/A	N/A
AZ Long-Term Care System Fund	0.0	1,379.6	1,379.6	0.0	(1,379.6)	N/A	N/A
Substance Abuse Services Fund	2,250.0	2,250.0	2,250.0	2,250.0	0.0	N/A	N/A
Nursing Care Institution Protection Fund	144.4	438.1	438.1	438.1	0.0	N/A	N/A
Prescription Drug Rebate Fund	33,900.0	0.0	0.0	0.0	0.0	N/A	N/A
Environmental Lab License Revolving Fund	749.6	910.8	910.8	910.8	0.0	N/A	N/A
Child Fatality Review Fund	94.8	93.4	93.4	93.4	0.0	N/A	N/A
Vital Records Electronic Systems Fund	2,019.5	3,607.5	3,607.5	3,607.5	0.0	N/A	N/A
Hearing and Speech Professionals Fund	316.6	309.9	309.9	0.0	(309.9)	N/A	N/A
The Arizona State Hospital Fund	9,476.2	12,507.4	12,507.4	12,507.4	0.0	N/A	N/A
DHS State Hospital Land Earnings Fund	1,081.8	650.0	650.0	650.0	0.0	N/A	N/A
DHS - Indirect Cost Fund	7,307.3	8,886.7	8,886.7	8,886.7	0.0	N/A	N/A
Agency Total	112,669.2	88,817.3	88,817.3	85,542.9	(3,274.4)	N/A	N/A
<u>Board of Homeopathic Medical Examiners</u>							
Homeopathic Medical Examiners Fund	107.0	107.6	107.6	98.0	(9.6)	98.0	(9.6)
<u>Arizona Department of Housing</u>							
Housing Trust Fund	905.8	304.6	304.6	304.6	0.0	304.6	0.0
<u>Industrial Commission of Arizona</u>							
Industrial Commission Admin Fund	17,267.6	19,656.4	19,656.4	19,656.4	0.0	19,656.4	0.0
<u>Judiciary</u>							
Supreme Court CJEF Disbursements Fund	6,248.5	9,894.8	9,894.8	9,894.8	0.0	N/A	N/A
Judicial Collection - Enhancement Fund	17,120.0	18,821.5	18,821.5	18,821.5	0.0	N/A	N/A
Defensive Driving Fund	3,551.2	4,123.8	4,123.8	4,123.8	0.0	N/A	N/A
Court Appointed Special Advocate Fund	2,318.7	2,925.8	2,925.8	2,925.8	0.0	N/A	N/A
Confidential Intermediary Fund	402.3	480.5	480.5	480.5	0.0	N/A	N/A
Drug Treatment and Education Fund	487.3	500.0	500.0	500.0	0.0	N/A	N/A
State Aid to Courts Fund	2,728.7	2,944.6	2,944.6	2,944.6	0.0	N/A	N/A
Agency Total	32,856.7	39,691.0	39,691.0	39,691.0	0.0	N/A	N/A
<u>Department of Juvenile Corrections</u>							
Juvenile Corrections CJEF Dist Fund	516.8	530.6	530.6	530.6	0.0	N/A	N/A
State Education Fund for Committed Youth Fund	1,463.3	2,261.7	2,261.7	1,831.9	(429.8)	N/A	N/A
State Charitable, Penal and Reformatory Land Fund	1,113.5	1,098.6	1,098.6	1,098.6	0.0	N/A	N/A
Agency Total	3,093.6	3,890.9	3,890.9	3,461.1	(429.8)	N/A	N/A

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2012 Expenditures	FY 2013 Appropriation	FY 2013 Executive Budget	FY 2014 Executive Budget	FY 2014 Changes and Adjustments	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>State Land Department</u>							
Environmental Special Plate Fund	173.0	260.0	260.0	152.0	(108.0)	143.0	(117.0)
Due Diligence Fund	0.0	500.0	500.0	500.0	0.0	500.0	0.0
Trust Land Management Fund	1,435.6	3,469.2	3,469.2	3,469.2	0.0	3,469.2	0.0
Risk Management Revolving Fund	9,886.5	10,747.4	10,747.4	0.0	(10,747.4)	0.0	(10,747.4)
Agency Total	11,495.1	14,976.6	14,976.6	4,121.2	(10,855.4)	4,112.2	(10,864.4)
<u>Department of Liquor Licenses and Control</u>							
Liquor Licenses Fund	2,895.6	2,850.4	2,850.4	2,850.4	0.0	2,850.4	0.0
<u>Arizona State Lottery Commission</u>							
Lottery Fund	84,313.2	87,592.6	93,886.2	95,763.1	8,170.5	98,046.2	10,453.6
<u>Arizona Medical Board</u>							
Medical Examiners Board Fund	5,194.0	5,809.4	5,809.4	5,809.4	0.0	5,809.4	0.0
<u>State Mine Inspector</u>							
Aggregate Mining Reclamation Fund	13.6	112.5	112.5	112.5	0.0	112.5	0.0
<u>Naturopathic Physicians Board of Medical Examiners</u>							
Naturopathic Board Fund	604.1	587.5	587.5	587.5	0.0	587.5	0.0
<u>State Board of Nursing</u>							
Nursing Board Fund	4,158.9	4,056.0	4,056.0	4,178.1	122.1	4,173.3	117.3
<u>Nursing Care Ins. Admin. Examiners</u>							
Nursing Care Institution Admin/ACHMC Fund	337.5	426.7	426.7	406.7	(20.0)	406.7	(20.0)
<u>Board of Occupational Therapy Examiners</u>							
Occupational Therapy Fund	167.0	162.7	162.7	167.9	5.2	167.9	5.2
<u>State Board of Dispensing Opticians</u>							
Dispensing Opticians Board Fund	132.7	131.3	131.3	131.3	0.0	131.3	0.0
<u>State Board of Optometry</u>							
Board of Optometry Fund	202.2	197.8	197.8	197.8	0.0	197.8	0.0
<u>Arizona Board of Osteopathic Examiners</u>							
Osteopathic Examiners Board Fund	614.0	699.2	699.2	759.4	60.2	763.1	63.9
<u>State Parks Board</u>							
Reservation Surcharge Revolving Fund	481.6	90.0	90.0	0.0	(90.0)	0.0	(90.0)
Boating Safety Fund	2,431.7	0.0	0.0	0.0	0.0	0.0	0.0
State Parks Revenue Fund	8,652.9	12,559.5	12,559.5	14,559.5	2,000.0	14,559.5	2,000.0
Agency Total	11,566.2	12,649.5	12,649.5	14,559.5	1,910.0	14,559.5	1,910.0
<u>Personnel Board</u>							
Personnel Division Fund	351.4	364.5	364.5	364.5	0.0	364.5	0.0
<u>Office of Pest Management</u>							
Pest Management Fund	1,416.9	1,999.7	1,999.7	1,999.7	0.0	1,999.7	0.0
<u>Arizona State Board of Pharmacy</u>							
Pharmacy Board Fund	1,886.1	1,921.9	1,921.9	2,008.6	86.7	1,946.4	24.5
<u>Board of Physical Therapy Examiners</u>							
Physical Therapy Fund	346.8	365.9	365.9	424.8	58.9	404.1	38.2

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2012 Expenditures	FY 2013 Appropriation	FY 2013 Executive Budget	FY 2014 Executive Budget	FY 2014 Changes and Adjustments	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>Arizona Pioneers' Home</u>							
Pioneers' Home State Charitable Earnings Fund	2,820.8	3,099.2	3,099.2	2,523.7	(575.5)	2,523.5	(575.7)
Pioneers' Home Miners' Hospital Fund	1,512.0	1,501.5	1,501.5	2,106.5	605.0	2,106.7	605.2
Agency Total	4,332.8	4,600.7	4,600.7	4,630.2	29.5	4,630.2	29.5
<u>State Board of Podiatry Examiners</u>							
Podiatry Examiners Board Fund	127.6	143.0	143.0	143.0	0.0	143.0	0.0
<u>Commission for Postsecondary Education</u>							
Postsecondary Education Fund	1,464.9	1,742.7	1,528.8	1,426.1	(316.6)	1,426.1	(316.6)
<u>State Board for Private Postsecondary Education</u>							
Private Postsecondary Education Fund	334.2	327.5	327.5	628.5	301.0	382.9	55.4
<u>State Board of Psychologist Examiners</u>							
Psychologist Examiners Board Fund	335.9	344.9	344.9	344.9	0.0	344.9	0.0
<u>Department of Public Safety</u>							
Temp Trans Privilege and Use Tax - 1% Fund	27,698.0	0.0	0.0	0.0	0.0	0.0	0.0
State Highway Fund	0.0	6,780.0	6,780.0	6,780.0	0.0	6,780.0	0.0
Arizona Highway Patrol Fund	18,585.9	19,282.5	19,282.5	19,282.5	0.0	19,282.5	0.0
Safety Enforcement and Transportation Infrastructure Fund	1,551.5	1,510.2	1,510.2	1,510.2	0.0	1,510.2	0.0
Crime Laboratory Assessment Fund	882.6	870.3	870.3	870.3	0.0	870.3	0.0
Auto Fingerprint Identification Fund	2,915.8	3,009.7	3,009.7	3,009.7	0.0	2,843.2	(166.5)
DNA Identification System Fund	3,985.4	5,470.8	5,470.8	6,320.8	850.0	6,320.8	850.0
Public Safety Equipment Fund	1,244.4	2,390.0	2,390.0	4,718.3	2,328.3	3,736.2	1,346.2
Crime Laboratory Operations Fund	10,486.9	14,702.1	14,702.1	14,702.1	0.0	14,702.1	0.0
Gang and Immigraton Intelligence Team Enforcement Mission Fund	2,913.0	2,390.0	2,390.0	2,390.0	0.0	2,390.0	0.0
Motorcycle Safety Fund	205.0	205.0	205.0	205.0	0.0	205.0	0.0
Parity Compensation Fund	1,873.2	1,819.3	1,819.3	1,819.3	0.0	1,819.3	0.0
Highway User Revenue Fund	123,118.6	119,961.0	119,961.0	119,961.0	0.0	119,961.0	0.0
DPS Criminal Justice Enhancement Fund	2,786.5	2,872.2	2,872.2	2,872.2	0.0	2,872.2	0.0
Risk Management Fund	1,493.9	1,452.3	1,452.3	1,452.3	0.0	1,452.3	0.0
Agency Total	199,740.7	182,715.4	182,715.4	185,893.7	3,178.3	184,745.1	2,029.7
<u>Arizona Department of Racing</u>							
Racing Regulation Fund	889.6	2,831.2	2,831.2	2,831.2	0.0	2,831.2	0.0
<u>Radiation Regulatory Agency</u>							
State Radiologic Technologist Certification Fund	266.5	266.0	266.0	266.0	0.0	266.0	0.0
Radiation Regulatory Fee Fund	499.9	563.8	563.8	563.8	0.0	623.6	59.8
Agency Total	766.4	829.8	829.8	829.8	0.0	889.6	59.8
<u>Department of Real Estate</u>							
Real Estate Fund	0.0	0.0	0.0	2,181.8	2,181.8	2,902.2	2,902.2
<u>Residential Utility Consumer Office</u>							
Residential Utility Consumer Office Revolving Fund	1,054.0	1,299.9	1,299.9	1,299.9	0.0	1,299.9	0.0
<u>Board of Respiratory Care Examiners</u>							
Board of Respiratory Care Examiners Fund	309.3	257.6	273.1	262.4	4.8	262.4	4.8

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2012 Expenditures	FY 2013 Appropriation	FY 2013 Executive Budget	FY 2014 Executive Budget	FY 2014 Changes and Adjustments	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>Arizona State Arizona Retirement System</u>							
Retirement System Appropriated Fund	21,680.7	21,216.5	21,216.5	22,359.5	1,143.0	22,884.5	1,668.0
LTD Trust Fund	2,721.6	2,800.0	2,800.0	2,800.0	0.0	2,800.0	0.0
Agency Total	24,402.3	24,016.5	24,016.5	25,159.5	1,143.0	25,684.5	1,668.0
<u>Department of Revenue</u>							
Tobacco Tax and Health Care Fund	679.4	671.2	671.2	671.2	0.0	671.2	0.0
Department of Revenue Administrative Fund	21,609.1	24,990.7	24,990.7	24,990.7	0.0	24,990.7	0.0
DOR Liability Setoff Fund	342.5	1,080.1	1,080.1	390.1	(690.0)	390.1	(690.0)
Agency Total	22,631.0	26,742.0	26,742.0	26,052.0	(690.0)	26,052.0	(690.0)
<u>Department of State - Secretary of State</u>							
Election Systems Improvement Fund	832.6	2,934.5	2,934.5	2,934.5	0.0	2,934.5	0.0
Records Services Fund	581.5	572.9	572.9	719.0	146.1	719.0	146.1
Agency Total	1,414.1	3,507.4	3,507.4	3,653.5	146.1	3,653.5	146.1
<u>State Boards Office</u>							
Special Services Fund	219.3	212.5	212.5	212.5	0.0	212.5	0.0
<u>State Board of Technical Registration</u>							
Technical Registration Board Fund	1,715.6	2,028.3	2,028.3	2,028.3	0.0	2,028.3	0.0
<u>Department of Transportation</u>							
State Aviation Fund	1,603.3	1,585.6	1,585.6	1,585.6	0.0	N/A	N/A
State Highway Fund	239,773.5	326,163.6	326,163.6	332,207.8	6,044.2	N/A	N/A
Transportation Department Equipment Fund	16,318.7	26,702.2	26,702.2	26,702.2	0.0	N/A	N/A
Safety Enforcement and Transportation Infrastructure Fund	1,895.9	1,868.9	1,868.9	1,868.9	0.0	N/A	N/A
Air Quality Fund	51.2	72.8	72.8	72.8	0.0	N/A	N/A
Vehicle Inspection and Title Enforcement Fund	1,473.4	1,444.3	1,444.3	1,444.3	0.0	N/A	N/A
Motor Vehicle Liability Insurance Enforcement Fund	1,089.3	1,060.6	1,060.6	1,060.6	0.0	N/A	N/A
Driving Under Influence Abatement Fund	146.4	148.0	148.0	148.0	0.0	N/A	N/A
Highway User Revenue Fund	88,576.2	625.6	625.6	625.6	0.0	N/A	N/A
Agency Total	350,928.0	359,671.6	359,671.6	365,715.8	6,044.2	N/A	N/A
<u>State Treasurer</u>							
Boating Safety Fund	0.0	2,183.8	2,183.8	2,183.8	0.0	2,183.8	0.0
State Treasurer's Operating Fund	2,548.5	2,493.0	2,493.0	2,493.0	0.0	2,493.0	0.0
State Treasurer's Management Fund	92.3	198.0	198.0	198.0	0.0	198.0	0.0
Agency Total	2,640.8	4,874.8	4,874.8	4,874.8	0.0	4,874.8	0.0
<u>ASU - Tempe</u>							
ASU Collections - Appropriated Fund	425,560.9	452,685.0	452,685.0	452,685.0	0.0	N/A	N/A
<u>ASU - Polytechnic</u>							
ASU Collections - Appropriated Fund	38,607.4	35,590.9	35,590.9	35,590.9	0.0	N/A	N/A
Technology and Research Initiative Fund	2,000.0	2,000.0	2,000.0	2,000.0	0.0	N/A	N/A
Agency Total	40,607.4	37,590.9	37,590.9	37,590.9	0.0	N/A	N/A

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2012 Expenditures	FY 2013 Appropriation	FY 2013 Executive Budget	FY 2014 Executive Budget	FY 2014 Changes and Adjustments	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>ASU - West</u>							
ASU Collections - Appropriated Fund	33,920.2	40,390.2	40,390.2	40,390.2	0.0	N/A	N/A
Technology and Research Initiative Fund	1,600.0	1,600.0	1,600.0	1,600.0	0.0	N/A	N/A
Agency Total	35,520.2	41,990.2	41,990.2	41,990.2	0.0	N/A	N/A
<u>Northern Arizona University</u>							
NAU Collections - Appropriated Fund	97,738.9	107,409.1	107,409.1	107,409.1	0.0	N/A	N/A
<u>University of Arizona - Main Campus</u>							
U of A Main Campus - Collections - Appropriated Fund	250,194.0	269,918.0	269,918.0	269,918.0	0.0	N/A	N/A
<u>University of Arizona - Health Sciences Center</u>							
U of A Main Campus - Collections - Appropriated Fund	41,205.5	43,920.4	43,920.4	43,920.4	0.0	N/A	N/A
<u>Department of Veterans' Services</u>							
Veterans' Conservatorship Fund	697.4	884.1	884.1	884.1	0.0	884.1	0.0
State Home for Veterans Trust Fund	16,513.9	27,614.7	27,614.7	27,614.7	0.0	27,614.7	0.0
Agency Total	17,211.3	28,498.8	28,498.8	28,498.8	0.0	28,498.8	0.0
<u>State Veterinary Medical Examining Board</u>							
Veterinary Medical Examiners Board Fund	428.7	456.6	456.6	470.6	14.0	496.5	39.9
<u>Department of Water Resources</u>							
Water Resources Fund	5,105.4	140.4	140.4	2,500.0	2,359.6	140.4	0.0
Assured and Adequate Water Supply Administration Fund	268.2	266.8	266.8	266.8	0.0	266.8	0.0
Agency Total	5,373.6	407.2	407.2	2,766.8	2,359.6	407.2	0.0
<u>Department of Weights and Measures</u>							
Air Quality Fund	1,297.8	1,419.1	1,419.1	1,440.0	20.9	1,419.1	0.0
Motor Vehicle Liability Insurance Enforcement Fund	320.5	319.2	319.2	319.2	0.0	319.2	0.0
Agency Total	1,618.3	1,738.3	1,738.3	1,759.2	20.9	1,738.3	0.0
Other Appropriated Funds Operating Total	2,884,624.7	3,068,783.8	3,066,244.7	3,097,734.3	28,950.5	3,097,734.3	28,950.5

The Following Resources Are Available at the [OSPB Website](#)

Budget

- FY 2014 and FY 2015 Executive Budget – Summary
- FY 2014 and FY 2015 Executive Budget – State Agency Budgets
- FY 2014 and FY 2015 Executive Budget - Sources and Uses of State Funds and Appendix
- Statement of Federal Funds for Fiscal Years 2013 through 2015
- Calculation of the Appropriation Limit for Fiscal Years 2012 and 2013

Strategic Planning

- Five-year Plans for State Agencies
- Master List of State Government Programs, with goals and performance measures for Fiscal Years 2012 through 2015

Fee Commission

- 2012 Report

Historical Perspective

- Revenue Data since 1971
- Expenditure Data since 1979
- Historical Enrollment Data for Major Populations such as Students, Medicaid Clients, Prisoners, and Unemployment

Monthly Updates

- New Caseload Enrollment Data, updated on the 15th of each month
- Year-to-Date Revenue Collections
- Agency Cash Flow Statements and Projections for Every Fund
- Agency Reports of Appropriated Expenditures and Projections

State Agency Technical Resources

- Instructions for Developing and Presenting Budget and Planning Requests and Information
- Managing for Results, Arizona's Strategic Planning Handbook (recognized by the Council of State Governments as an Exemplary State Management Program)

Other Links

- Arizona's Official Website
- Governor's Website
- State Agencies' Websites
- Searchable data base of the State accounting system (Openbooks)
- Arizona Employment and Population Statistics
- FY 2013 Appropriations Report

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<i>Director</i>	John Arnold
<i>Assistant Directors</i>	Bret Cloninger Bill Greeney
<i>Capital Manager</i>	Ed Boot
<i>Budget and Project Managers</i>	Brandon Nee Kris Okazaki
<i>Senior Budget Analysts</i>	Whitney Chapa Jill Hall Illya Riske Scott Selin
<i>Budget Analysts</i>	Tim Grubbs Leah Koestner Ken Matthews Michael Williams
<i>Budget and Operations Analyst</i>	Richard Greene
<i>Economist and Budget Analyst</i>	Duong Nguyen
<i>Systems Analyst</i>	Joy Su
<i>Office Manager</i>	Pamela Ray