

# The Executive Budget

**Fiscal Year 2003**

JANE DEE HULL  
Governor



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**JANE DEE HULL**  
GOVERNOR  
STATE OF ARIZONA

March 21, 2002

To the Citizens of Arizona and the  
Members of the Forty-Fifth Legislature:

This Executive Budget document represents the third time I have submitted a fiscal year 2003 spending plan to the Legislature in the past fifteen months. As our revenue picture has deteriorated, the development of each successive budget has been more challenging and the decisions facing the state and its citizens have become more difficult.

I hold out hope that the recent showing of good will and compromise in solving the fiscal year 2002 budget stalemate will generate momentum as we begin to deal with fiscal year 2003. The task associated with the fiscal year 2003 budget is daunting.

Based on our statutory, voter protected, and court-mandated commitments and revenue estimates for the upcoming year, the State of Arizona faces a deficit approaching \$1.0 billion. The decisions contained in this document impact every citizen of this state. Our economy will get better. Our revenue picture will brighten. However, significant changes must be made in the fiscal year 2003 General Fund budget to bring expenditures back in line with revenues.

As I have stated in the past, the Executive Budget reflects my priorities and fiscal principles as Governor.

1. *No new taxes on the citizens of this state.* As the Arizona economy begins to move into a recovery, new taxes would only hinder any glimpse of new growth. In conjunction with this principle, I believe we need to look at phasing in the impact of federal tax law changes. Historically, the state has always immediately conformed to federal tax law changes; however, I will be exploring other options for this budget.
2. *Minimize the impact on classroom funding for K-12.* Unfortunately, economic circumstances prohibit our ability to avoid reductions in the statutory level of funding for K-12. It does not prohibit us from managing those cuts to minimize the impact on the classroom while protecting the tenets of Proposition 301. Overall K-12 funds increase by \$35.0 million over the current fiscal year 2002 appropriation plus additional Proposition 301 funds. This includes new funding approved by the Legislature last fall regarding bilingual education.

3. *Maintain important public safety programs.* Our prison system is being strained by rapid population growth. Sufficient operational and capital resources must be dedicated to relieve this growing problem. My recommendation includes the authorization to proceed with the construction of the \$200.0 million Tucson II complex, and an increase of \$37.0 million in operating funds for opening new beds.
4. *Sustain important health service programs.* My budget provides millions in new funding to meet the growing demands on the State's Medicaid program, which includes an estimated 180,000 new people being served by Proposition 204. Proposition 204 provided over \$100 million in new funds for behavioral health services to further the efforts in meeting the *Arnold v. Sarn* requirements. Finally, my plan provides \$5.0 million for the continuation of Health Care Group and \$10 million for Premium Sharing Parents, an opportunity to save limited state resources and expand health care coverage for 14,000 people.
5. *Deliver important programs vital to the continued economic health and growth of our state.* To this end, my budget contains \$5.0 million in new resources for securing the relocation of the International Genomics Consortium. This exciting opportunity to secure some of the top scientists involved in this cutting edge research is an opportunity that Arizona must pursue with unrelenting vigor. Additionally, my budget includes \$10.0 million for the state's critical Water Quality Assurance Revolving Fund (WQARF) program. This program's environmental cleanup efforts must continue to move forward regardless of our difficult fiscal constraints.

Similar to the "Red Book," this Executive Budget relies on a combination of proposals to generate almost \$1.0 billion in adjustments.

*Budget Adjustments (\$400.0 million)* - Reductions in agency spending constitute the single largest category in my fiscal year 2003 budget plan, which can be found in the BUDGET IN DETAIL section of this document. To highlight, some of the larger adjustments include \$103.0 million in K-12 soft capital, \$60.0 million in K-12 building maintenance funds, \$50.0 million in various reductions and shifts in Medicaid funding, plus additional reductions of 2.5% to most agencies. (Note the 2.5% is calculated off the FY 2002 base as determined in December during the Second Special Session. If the March Third Special Session changes, specifically the 0.25% reductions, were accounted for in the development of my recommendation, my proposed lump sum reductions in fiscal year 2003 would not exceed 2.25%.)

*Revenue Bonds (\$240.0 million)* - I have maintained my support for the use of revenue bonds during difficult economic times. Given the constraints we currently face the reliance on this instrument to avoid further dramatic reductions while awaiting full economic recovery makes sense.

*Revenue Opportunities (\$145.0 million)* - My budget plan includes three proposals to maximize new revenue opportunities. Allocating Disproportionate Share funds with full implementation of the Health Insurance Flexibility and Accountability (HIFA) waiver is estimated to generate \$80.0 million. Implementation of the Indian Gaming compacts creates an opportunity to generate \$40.0 million. Finally, instituting a Premium Insurance Tax on state Medicaid health

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plans that are currently exempt from the existing tax could result in \$25.0 million in new revenues.

*Fund Transfers (\$90.0 million)* - The FY 2003 Executive Budget identifies \$90.0 million in fund balances that are recommended to be transferred to the General Fund to help deal with the shortfall.

*Budget Stabilization Fund (\$86.0 million)* - The Executive Budget has established a contingency of an additional \$25.0 million for fiscal year 2002 in addition to the \$166.2 million authorized by the Legislature to date. Further, the Executive has assumed that the costs associated with the Alternative Fuel program will not require more than \$130.0 million from the Budget Stabilization Fund. Incorporating all these assumptions, plus the recommendation for the use of \$86.0 million, leaves \$7.9 million in the fund at the end of FY 2003.

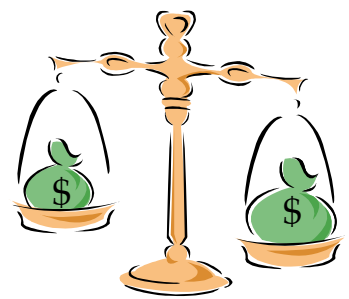
In closing, I urge lawmakers to have a budget on my desk no later than May 15. That is 55 days from now. All efforts should be made to avoid a process that drives the state budget to the edge of the cliff on June 30.

I know that the decisions we face over the next few months are not pleasant. I stand ready to assist the Legislature in addressing these issues in the manner that best benefits the citizens of our great state.

Sincerely

A handwritten signature in cursive script that reads "Jane Dee Hull". The signature is written in black ink and is positioned above the printed name and title.

Jane Dee Hull  
Governor



The Executive Budget  
Fiscal Year 2003

## THE BUDGET SUMMARY

The FY 2003 Executive Budget

**Sources and Uses of Funds**

General Fund (in thousands)

	FY 2003 <u>Recommendation</u>
SOURCES OF FUNDS	
Revenue Estimate	5,998,263.4
Budget Stabilization Fund	86,000.0
Proposed Fund Transfers	89,576.2
Ladewig Case/Tax Conformity	(80,000.0)
Revenue Enhancements	145,000.0
	<hr/>
TOTAL SOURCES OF FUNDS	<u><u>6,238,839.6</u></u>
Operating Budgets	6,440,886.0
Health Insurance	22,300.0
Pay Funding Adjustment	41,316.9
Revenue Bonding	(240,000.0)
Capital Outlay Appropriations	2,342.9
Administrative Adjustments	23,000.0
Revertments	(51,593.1)
	<hr/>
USES OF FUNDS	<u>6,238,252.7</u>
ENDING BALANCE	<hr/> 586.9
TOTAL USES OF FUNDS	<u><u>6,238,839.6</u></u>
RESERVES	
Budget Stabilization Fund	7,859.6
Medical Services Stabilization Fund	0.0
TANF Funds	0.0
	<hr/>
TOTAL RESERVES	<u><u>7,859.6</u></u>

FY 2003 Executive Budget

**Revenue Summary - FY 2001 through FY 2003**

General Fund (in thousands)

	Actual FY 2001	Estimate FY 2002	% Change	Estimate FY 2003	% Change
<b>TAXES</b>					
Corporate Income Tax	548,514.4	345,000.0	-37.10%	365,000.0	5.80%
Individual Income Tax	2,359,771.7	2,237,000.0	-5.20%	2,327,000.0	4.02%
Property Taxes	39,636.4	35,000.0	-11.70%	35,000.0	0.00%
Sales and Use Taxes	2,983,552.2	2,971,000.0	-0.42%	3,122,000.0	5.08%
Luxury Taxes	65,568.8	65,000.0	-0.87%	65,000.0	0.00%
Insurance Premium Taxes	184,461.5	185,000.0	0.29%	193,897.4	4.81%
Vehicle License Taxes	475.0	0.0	-100.00%	0.0	0.00%
Estate Taxes	74,651.8	85,000.0	13.86%	65,000.0	-23.53%
Other Taxes	2,035.0	2,420.0	18.92%	2,420.0	0.00%
<b>TOTAL TAXES</b>	<b>6,258,666.8</b>	<b>5,925,420.0</b>	<b>-5.32%</b>	<b>6,175,317.4</b>	<b>4.22%</b>
<b>OTHER REVENUES</b>					
Licenses, Fees, & Permits	56,408.9	55,000.0	-2.50%	55,000.0	0.00%
Sales & Services	6,025.0	6,000.0	-0.41%	6,000.0	0.00%
Interest	89,747.0	36,000.0	-59.89%	42,000.0	16.67%
Other Misc. Revenues	54,020.3	44,000.0	-18.55%	44,000.0	0.00%
Lottery	21,000.0	21,000.0	0.00%	28,000.0	33.33%
Transfers and Reimbursements	29,430.9	65,000.0	120.86%	35,000.0	-46.15%
Residual Equity Transfers	5,607.2	0.0	-100.00%	0.0	0.00%
<b>TOTAL OTHER REVENUES</b>	<b>262,239.3</b>	<b>227,000.0</b>	<b>-13.44%</b>	<b>210,000.0</b>	<b>-7.49%</b>
<b>TOTAL REVENUE</b>	<b>6,520,906.1</b>	<b>6,152,420.0</b>	<b>-5.65%</b>	<b>6,385,317.4</b>	<b>3.79%</b>
<b>ADJUSTMENTS</b>					
Urban Revenue Sharing	(396,450.0)	(421,876.6)	6.41%	(436,242.9)	3.41%
Disproportionate Share	56,387.0	87,623.9	55.40%	49,188.9	-43.86%
<b>GRAND TOTAL REVENUES</b>	<b>6,180,843.1</b>	<b>5,818,167.3</b>	<b>-5.87%</b>	<b>5,998,263.4</b>	<b>3.10%</b>





## FY 2003 Executive Budget

### Sources and Uses

#### Summary of Major Adjustments

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The BUDGET IN DETAIL section contains information regarding specific agency adjustments and fund transfers. However, a number of significant recommended changes appear solely in "Sources and Uses." Additional information is provided below on each major adjustment.

#### Budget Stabilization Fund

In FY 2003, the Executive recommends an \$86.0 million transfer from the Budget Stabilization Fund (BSF) to the General Fund. This recommended transfer, when combined with alternative fuel and FY 2002 reserve assumptions, results in a FY 2003 ending fund balance of \$7.9 million.

The Executive recommendation includes reserving, for FY 2002, an additional \$25.0 million in BSF monies above the \$166.15 million committed by the Legislature to date. In addition, the Executive recommendation assumes that the BSF costs associated with the Alternative Fuels program will not exceed \$130.0 million. To date, the BSF has reimbursed the General Fund \$94.9 million for tax credits and an additional \$10.0 million for cost recovery.

#### Ladewig/Tax Conformity

The State is currently facing a significant liability associated with a class action lawsuit commonly referred to as the Ladewig case. Attorneys representing the Ladewig estate claimed that the State's treatment of individual

income taxes between 1986 and 1989 was unconstitutional. The Supreme Court ruled that a class could be established for a class action lawsuit. At this point, it is impossible to fully account for the total impact associated with this action or the specific FY 2003 budget ramifications.

Additionally, the federal government has made numerous tax changes during the past several months. If Arizona were to *fully* conform to the changes, the expected impact could exceed \$150.0 million in FY 2003. Major impacts include the following:

- ❑ \$120.0 million over two years for changes made in corporate depreciation laws,
- ❑ \$20.0 million in Estate tax law changes (already incorporated in baseline revenues), and
- ❑ \$13.0 million in Individual Income tax law changes.

It is unclear how the Ladewig case and the federal tax changes will impact the State's budget, however, the Executive recommendation assumes that together the cost will not exceed \$80.0 million. With respect to the federal tax changes, the Executive recommendation assumes that the State will explore options to phase in the State's conformity with federal law to limit the overall impact associated with federal tax law changes.

#### Revenue Enhancements

The Executive recommendation has included \$145.0 million in revenue options based on the following three recommendations.

1. *\$80.0 million Disproportionate Share Funds*—The Executive recommends fully implementing the Health Insurance Flexibility and Accountability (HIFA) waiver that has been negotiated and agreed to by the Center for Medicaid and Medicare Services (CMS). Unspent Title XXI funds would normally revert to other states, however, the waiver allows use of unspent Title XXI funds for two purposes. The first purpose is to cover part of the Proposition 204 population, thus helping the state with overall federal budget neutrality. The second purpose is to implement expanding coverage to 20,000 parents of Title XIX and KidsCare participants.
2. *\$40.0 million in Indian Gaming proceeds*—Based on the compacts negotiated by Governor Hull, and assuming that they become effective by July 1, the Executive recommendation reflects \$40.0 million in Indian Gaming proceeds.
3. *\$25.0 million Premium Insurance Tax*—The FY 2003 Executive recommendation assumes \$25.0 million from a premium insurance tax to be levied on all Medicaid health plans. Currently, these plans are

exempt from payment of these taxes.

### **Health Insurance**

The Executive recommendation contains \$22.3 million to address estimated increases in health insurance premiums. The Department of Administration is currently in negotiations with CIGNA, the state's health insurance provider, to determine what actual premium costs will be for the 2003 plan year. The recommendation assumes the majority of increased premium

costs will be borne by the state and not state employees.

### **Pay Funding**

The costs associated with the new pay plan are calculated by the Executive to be \$65.5 million. Agency budgets include a total of \$24.2 million that offset a portion of the overall cost. The Sources and Uses statement reflects the net impact of these two adjustments.

### **Revenue Bonding**

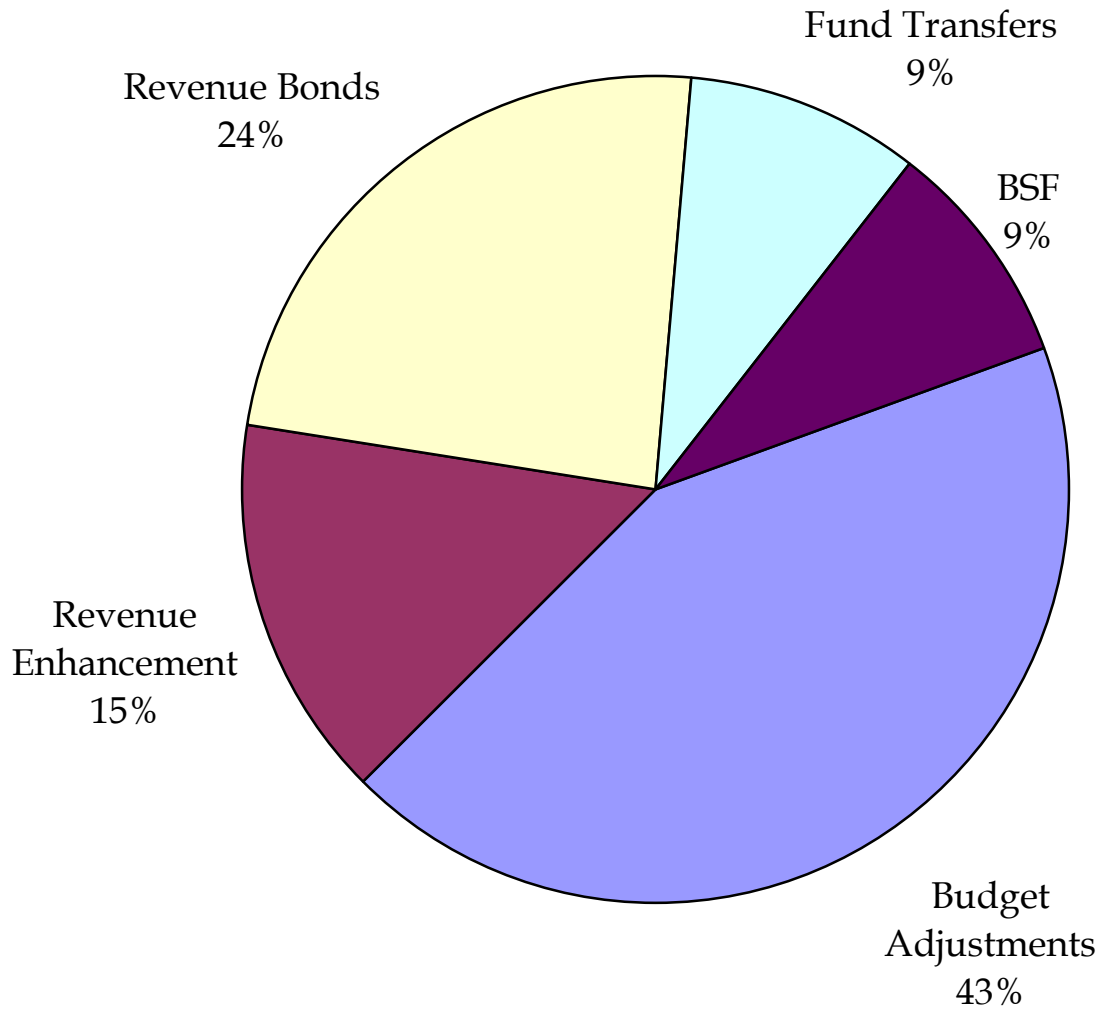
The Executive Budget reflects the issuance of \$240 million in revenue bonds for the construction

of new schools. As recommended in the past, the Executive believes the reliance on revenue bonds for capital expenditures during difficult financial times is an appropriate tool that should be utilized by the State.

### **Capital Outlay**

The Executive Budget reflects the capital outlay funds associated with the certificate of participation payment for the state health lab. This funding has already been authorized and the project is currently proceeding on schedule.●

## FY 2003 General Fund Budget Solution



FY 2003 Executive Budget

**FY 2002 and FY 2003 Comparison**

**General Fund (in thousands)**

	FY 2002 Original	FY 2002 December Special Session	FY 2002 March Special Session	FY 2003 Exec. Rvsd. Rec
Department of Administration	27,339.7	26,177.8	25,938.8	25,498.6
Office of Administrative Hearings	1,263.0	1,206.6	1,191.7	1,176.4
Attorney General	28,027.6	26,253.7	25,934.5	25,597.4
Office of the Auditor General	13,266.9	13,266.9	13,109.6	12,342.1
Department of Commerce	7,555.7	5,766.5	5,711.0	5,622.3
Governor's Office of Equal Opportunity	240.8	240.8	237.8	219.4
State Board of Equalization	649.7	617.5	610.6	602.1
Government Information Technology Agency	0.0	0.0	0.0	0.0
Office of the Governor	6,403.4	6,117.2	6,050.1	5,964.3
Office of Housing Development	78.9	0.0	0.0	0.0
House of Representatives	12,226.4	12,226.4	12,119.3	11,386.6
Joint Legislative Budget Committee	2,496.4	2,496.4	2,463.6	2,275.6
Judicial System	153,991.4	147,084.6	145,782.3	143,445.9
Legislative Council	5,509.8	5,509.8	5,463.3	5,025.3
Department of Library, Archives and Public Records	8,002.4	8,002.4	7,927.2	7,434.2
Arizona Lottery	0.0	0.0	0.0	0.0
Office for Excellence in Government	1,617.2	1,537.4	1,518.6	1,499.0
Governor's Office of Strategic Planning and Budgeting	1,982.1	1,885.0	1,861.2	1,837.9
State Personnel Board	401.9	383.9	381.3	374.3
Arizona State Retirement System	6,300.0	6,300.0	6,300.0	0.0
Department of Revenue	62,648.1	60,365.8	59,739.8	58,856.7
Senate	7,151.0	7,151.0	7,069.6	6,544.5
Secretary of State	3,216.9	3,061.7	3,032.7	5,824.3
State Board of Tax Appeals Board	319.0	304.7	300.9	294.7
Office of Tourism	11,420.8	10,358.4	10,332.4	10,099.2
State Treasurer	5,661.2	5,401.1	5,365.1	5,266.2
Commission on Uniform State Laws	44.9	40.2	40.1	40.2
General Government Total	367,815.2	351,755.8	348,481.5	337,227.2
Arizona Health Care Cost Containment System	557,747.0	537,278.3	537,561.5	656,552.2
Department of Economic Security	471,695.5	464,585.6	458,547.8	455,653.8
Environmental Quality	31,439.6	21,030.5	20,853.7	25,630.7
Department of Health Services	304,148.5	291,094.9	284,115.0	288,439.0
Commission of Indian Affairs	237.2	226.6	224.0	220.9
Arizona Pioneers' Home	2,725.3	61.0	42.6	1,779.7
Arizona Rangers' Pension	11.8	11.8	11.8	12.0
Department of Veterans' Services	2,521.6	2,363.8	2,335.3	2,304.7

	FY 2002 Original	December Special Session	March Special Session	FY 2003 Exec. Rvsd. Rec
Health and Welfare Total	1,370,526.5	1,316,652.5	1,303,691.7	1,430,593.0
Boxing Commission	82.8	78.8	77.9	76.8
Acupuncture Board of Examiners	0.0	0.0	0.0	0.0
Department of Agriculture	13,135.9	12,142.8	11,999.2	11,814.5
State Banking Department	2,906.6	2,767.8	2,731.9	2,669.6
Department of Building and Fire Safety	3,704.2	3,535.7	3,494.0	3,446.7
Corporation Commission	5,800.0	5,463.3	5,415.9	5,328.4
Department of Insurance	6,493.9	6,177.1	6,101.1	5,966.7
Department of Liquor Licenses and Control	2,611.0	2,493.8	2,464.1	2,431.5
State Mine Inspector	1,263.3	1,199.7	1,188.0	1,147.9
Board of Nursing	134.7	134.0	133.4	130.6
Board of Occupational Therapy Examiners	0.0	0.0	0.0	0.0
OSHA Review Board	7.0	7.0	7.0	5.0
Department of Racing	2,846.2	2,693.5	2,663.5	2,625.7
Radiation Regulatory Agency	1,769.1	1,682.9	1,667.8	1,640.6
Department of Real Estate	3,297.2	3,147.4	3,108.3	3,006.3
Department of Weights and Measures	1,951.6	1,486.9	1,467.1	1,449.5
Inspection and Regulation Total	46,003.5	43,010.7	42,519.2	41,739.8
Arizona Commission on the Arts	4,399.3	2,884.5	2,371.1	1,296.3
State Board for Charter Schools	692.4	656.4	650.3	539.9
State Board of Directors for Community Colleges	139,864.4	134,048.8	133,732.5	128,938.3
Department of Education	2,597,733.5	2,591,074.1	2,610,961.6	2,631,171.3
Arizona Historical Society	4,736.0	4,523.5	4,491.0	4,410.4
Prescott Historical Society	774.5	739.9	730.5	721.4
Board of Medical Student Loans	285.5	284.1	283.4	277.0
Commission for Postsecondary Education	1,725.8	1,648.5	1,643.2	1,607.3
Arizona State Schools for the Deaf and the Blind	17,751.6	17,332.6	17,332.6	16,142.2
School Facilities Board	383,731.5	383,654.0	383,633.5	320,338.9
Board of Regents	7,983.2	7,620.1	7,578.4	7,429.2
Arizona State University - Main Campus	285,100.5	272,147.8	267,617.2	265,383.4
Arizona State University - West Campus	40,286.5	38,436.3	37,924.6	37,475.0
Arizona State University - East Campus	13,784.4	13,155.3	12,943.1	12,826.0
Northern Arizona University	118,783.8	113,393.2	111,751.3	110,586.8
University of Arizona - Main Campus	287,998.0	274,888.2	270,581.5	268,016.0
University of Arizona - Health Sciences Center	59,396.9	56,729.2	55,861.2	55,310.0
Education Total	3,965,027.8	3,913,216.5	3,920,087.0	3,862,469.4
Department of Corrections	580,971.0	556,754.9	548,578.1	586,012.5
Arizona Criminal Justice Commission	2,905.2	2,890.7	2,767.3	1,554.2
Department of Emergency and Military Affairs	12,186.2	11,800.2	11,736.5	11,605.2
Board of Executive Clemency	1,353.9	1,292.4	1,280.8	1,260.1
Department of Juvenile Corrections	68,365.7	65,122.1	64,221.1	62,100.4
Law Enforcement Merit System Council	57.5	57.2	56.5	57.2
Department of Public Safety	77,345.2	59,638.2	48,838.7	45,249.1

	FY 2002 Original	December Special Session	March Special Session	FY 2003 Exec. Rvsd. Rec
Protection and Safety Total	<u>743,184.7</u>	<u>697,555.7</u>	<u>677,479.0</u>	<u>707,838.7</u>
Department of Transportation	<u>7,139.7</u>	<u>3,595.4</u>	<u>3,585.5</u>	<u>69.1</u>
Transportation Total	<u>7,139.7</u>	<u>3,595.4</u>	<u>3,585.5</u>	<u>69.1</u>
Arizona Geological Survey	932.8	890.2	879.9	867.9
State Land Department	15,389.7	14,350.6	14,213.6	13,991.8
Department of Mines and Mineral Resources	774.9	740.9	734.6	721.4
Navigable Stream Adjudication Commission	188.3	179.9	178.5	175.4
Parks	28,131.3	27,569.1	27,478.6	27,282.0
Department of Water Resources	<u>17,508.9</u>	<u>15,850.3</u>	<u>15,687.9</u>	<u>14,910.3</u>
Natural Resources Total	<u>62,925.9</u>	<u>59,581.0</u>	<u>59,173.1</u>	<u>57,948.8</u>
Unallocated Pay Package	<u>                    </u>	<u>                    </u>	<u>4,076.7</u>	<u>                    </u>
	<u><u>6,562,623.3</u></u>	<u><u>6,385,367.6</u></u>	<u><u>6,359,093.7</u></u>	<u><u>6,437,886.0</u></u>

## Agencies with Repealed 2003 Budgets - General Fund

	2002 Orig. Appropriation	2002 Changes	2002 Dec. Appropriation	2003 Change	2003 Exec Rec	Change from 02 Revised	Change From 02 Orig.
<b>General Government</b>							
Department of Administration	27,339.7	(1,161.9)	26,177.8	(679.2)	25,498.6	-2.6%	-6.7%
Office of Administrative Hearings	1,263.0	(56.4)	1,206.6	(30.2)	1,176.4	-2.5%	-6.9%
Attorney General	28,027.6	(1,773.9)	26,253.7	(656.3)	25,597.4	-2.5%	-8.7%
Department of Commerce	7,555.7	(1,789.2)	5,766.5	(144.2)	5,622.3	-2.5%	-25.6%
State Board of Equalization	649.7	(32.2)	617.5	(15.4)	602.1	-2.5%	-7.3%
Office of the Governor	6,403.4	(286.2)	6,117.2	(152.9)	5,964.3	-2.5%	-6.9%
Judicial System	153,991.4	(6,906.8)	147,084.6	(3,638.7)	143,445.9	-2.5%	-6.8%
Office for Excellence in Government	1,617.2	(79.8)	1,537.4	(38.4)	1,499.0	-2.5%	-7.3%
Governor's Office of Strategic Planning and Budgeting	1,982.1	(97.1)	1,885.0	(47.1)	1,837.9	-2.5%	-7.3%
State Personnel Board	401.9	(18.0)	383.9	(9.6)	374.3	-2.5%	-6.9%
Department of Revenue	62,648.1	(2,282.3)	60,365.8	(1,509.1)	58,856.7	-2.5%	-6.1%
Secretary of State	3,216.9	(155.2)	3,061.7	2,762.6	5,824.3	90.2%	81.1%
State Board of Tax Appeals Board	319.0	(14.3)	304.7	(10.0)	294.7	-3.3%	-7.6%
Office of Tourism	11,420.8	(1,062.4)	10,358.4	(259.2)	10,099.2	-2.5%	-11.6%
State Treasurer	5,661.2	(260.1)	5,401.1	(134.9)	5,266.2	-2.5%	-7.0%
Commission on Uniform State Laws /1	44.9	(4.7)	40.2	0.0	40.2	0.0%	-10.5%
General Government Total	312,621.5	(16,059.4)	296,562.1	(4,562.6)	291,999.5	-1.5%	-6.6%
<b>Health and Welfare</b>							
Arizona Health Care Cost Containment System	557,747.0	(20,468.7)	537,278.3	119,273.9	656,552.2	22.2%	17.7%
Department of Economic Security	471,695.5	(7,109.9)	464,585.6	(8,931.8)	455,653.8	-1.9%	-3.4%
Environmental Quality	31,439.6	(10,409.1)	21,030.5	4,600.2	25,630.7	21.9%	-18.5%
Department of Health Services	304,148.5	(13,053.6)	291,094.9	(2,655.9)	288,439.0	-0.9%	-5.2%
Commission of Indian Affairs	237.2	(10.6)	226.6	(5.7)	220.9	-2.5%	-6.9%
Arizona Pioneers' Home /2	2,725.3	(2,664.3)	61.0	1,718.7	1,779.7	2817.5%	-34.7%
Arizona Rangers' Pension	11.8	0.0	11.8	0.2	12.0	1.7%	1.7%
Department of Veterans' Services	2,521.6	(157.8)	2,363.8	(59.1)	2,304.7	-2.5%	-8.6%
Health and Welfare Total	1,370,526.5	(53,874.0)	1,316,652.5	113,940.5	1,430,593.0	8.7%	4.4%
<b>Inspection &amp; Regulation</b>							
Boxing Commission	82.8	(4.0)	78.8	(2.0)	76.8	-2.5%	-7.2%
Department of Agriculture	13,135.9	(993.1)	12,142.8	(328.3)	11,814.5	-2.7%	-10.1%
State Banking Department	2,906.6	(138.8)	2,767.8	(98.2)	2,669.6	-3.5%	-8.2%
Department of Building and Fire Safety	3,704.2	(168.5)	3,535.7	(89.0)	3,446.7	-2.5%	-7.0%
Corporation Commission	5,800.0	(336.7)	5,463.3	(134.9)	5,328.4	-2.5%	-8.1%
Department of Insurance	6,493.9	(316.8)	6,177.1	(210.4)	5,966.7	-3.4%	-8.1%
Department of Liquor Licenses and Control	2,611.0	(117.2)	2,493.8	(62.3)	2,431.5	-2.5%	-6.9%
State Mine Inspector	1,263.3	(63.6)	1,199.7	(51.8)	1,147.9	-4.3%	-9.1%
Board of Nursing	134.7	(0.7)	134.0	(3.4)	130.6	-2.5%	-3.0%
OSHA Review Board	7.0	0.0	7.0	(2.0)	5.0	-28.6%	-28.6%
Department of Racing	2,846.2	(152.7)	2,693.5	(67.8)	2,625.7	-2.5%	-7.7%
Radiation Regulatory Agency	1,769.1	(86.2)	1,682.9	(42.3)	1,640.6	-2.5%	-7.3%
Department of Real Estate	3,297.2	(149.8)	3,147.4	(141.1)	3,006.3	-4.5%	-8.8%
Department of Weights and Measures	1,951.6	(464.7)	1,486.9	(37.4)	1,449.5	-2.5%	-25.7%
Inspection & Regulation Total	46,003.5	(2,992.8)	43,010.7	(1,270.9)	41,739.8	-3.0%	-9.3%
<b>Education</b>							
Arizona Commission on the Arts	4,399.3	(1,514.8)	2,884.5	(1,588.2)	1,296.3	-55.1%	-70.5%
State Board for Charter Schools	692.4	(36.0)	656.4	(116.5)	539.9	-17.7%	-22.0%
State Board of Directors for Community Colleges	139,864.4	(5,815.6)	134,048.8	(5,110.5)	128,938.3	-3.8%	-7.8%
Department of Education	2,597,733.5	(6,659.4)	2,591,074.1	40,097.2	2,631,171.3	1.5%	1.3%

All dollar entries are expressed in thousands.

## Agencies with Repealed 2003 Budgets - General Fund

	2002 Orig. Appropriation	2002 Changes	2002 Dec. Appropriation	2003 Change	2003 Exec Rec	Change from 02 Revised	Change From 02 Orig.
Arizona Historical Society	4,736.0	(212.5)	4,523.5	(113.1)	4,410.4	-2.5%	-6.9%
Prescott Historical Society	774.5	(34.6)	739.9	(18.5)	721.4	-2.5%	-6.9%
Board of Medical Student Loans	285.5	(1.4)	284.1	(7.1)	277.0	-2.5%	-3.0%
Commission for Postsecondary Education	1,725.8	(77.3)	1,648.5	(41.2)	1,607.3	-2.5%	-6.9%
Arizona State Schools for the Deaf and the Blind	17,751.6	(419.0)	17,332.6	(1,190.4)	16,142.2	-6.9%	-9.1%
School Facilities Board	383,731.5	(77.5)	383,654.0	(63,315.1)	320,338.9	-16.5%	-16.5%
Board of Regents	7,983.2	(363.1)	7,620.1	(190.9)	7,429.2	-2.5%	-6.9%
Arizona State University - Main Campus	285,100.5	(12,952.7)	272,147.8	(6,764.4)	265,383.4	-2.5%	-6.9%
Arizona State University - West Campus	40,286.5	(1,850.2)	38,436.3	(961.3)	37,475.0	-2.5%	-7.0%
Arizona State University - East Campus	13,784.4	(629.1)	13,155.3	(329.3)	12,826.0	-2.5%	-7.0%
Northern Arizona University	118,783.8	(5,390.6)	113,393.2	(2,806.4)	110,586.8	-2.5%	-6.9%
University of Arizona - Main Campus	287,998.0	(13,109.8)	274,888.2	(6,872.2)	268,016.0	-2.5%	-6.9%
University of Arizona - Health Sciences Center	59,396.9	(2,667.7)	56,729.2	(1,419.2)	55,310.0	-2.5%	-6.9%
Education Total	3,965,027.8	(51,811.3)	3,913,216.5	(50,747.1)	3,862,469.4	-1.3%	-2.6%
<b>Protection and Safety</b>							
Department of Corrections	580,971.0	(24,216.1)	556,754.9	29,257.6	586,012.5	5.3%	0.9%
Arizona Criminal Justice Commission	2,905.2	(14.5)	2,890.7	(1,336.5)	1,554.2	-46.2%	-46.5%
Department of Emergency and Military Affairs /3	12,186.2	(386.0)	11,800.2	(195.0)	11,605.2	-1.7%	-4.8%
Board of Executive Clemency	1,353.9	(61.5)	1,292.4	(32.3)	1,260.1	-2.5%	-6.9%
Department of Juvenile Corrections	68,365.7	(3,243.6)	65,122.1	(3,021.7)	62,100.4	-4.6%	-9.2%
Law Enforcement Merit System Council	57.5	(0.3)	57.2	0.0	57.2	0.0%	-0.5%
Department of Public Safety	77,345.2	(17,707.0)	59,638.2	(14,389.1)	45,249.1	-24.1%	-41.5%
Protection and Safety Total	743,184.7	(45,629.0)	697,555.7	10,283.0	707,838.7	1.5%	-4.8%
<b>Transportation</b>							
Department of Transportation	7,139.7	(3,544.3)	3,595.4	(3,526.3)	69.1	-98.1%	-99.0%
Transportation Total	7,139.7	(3,544.3)	3,595.4	(3,526.3)	69.1	-98.1%	-99.0%
<b>Natural Resources</b>							
Arizona Geological Survey	932.8	(42.6)	890.2	(22.3)	867.9	-2.5%	-7.0%
State Land Department	15,389.7	(1,039.1)	14,350.6	(358.8)	13,991.8	-2.5%	-9.1%
Department of Mines and Mineral Resources	774.9	(34.0)	740.9	(19.5)	721.4	-2.6%	-6.9%
Navigable Stream Adjudication Commission	188.3	(8.4)	179.9	(4.5)	175.4	-2.5%	-6.9%
Parks /4	28,131.3	(562.2)	27,569.1	(287.1)	27,282.0	-1.0%	-3.0%
Department of Water Resources	17,508.9	(1,658.6)	15,850.3	(940.0)	14,910.3	-5.9%	-14.8%
Natural Resources Total	62,925.9	(3,344.9)	59,581.0	(1,632.2)	57,948.8	-2.7%	-7.9%
General Fund Total	6,507,429.6	(177,255.7)	6,330,173.9	62,484.4	6,392,658.3	1.0%	-1.8%

/1 No adjustment was made to the Commission on Uniform State Laws' operating budget because funds are primarily used for national dues and registration fees. Under the current budget, the commissioners will already be donating some of their time and travel expenses.

/2 The FY 2003 recommendation contains a \$600,000 capital outlay recommendation for plumbing renovations at the Pioneers' Home from the Miner's Fund. Additionally, a one-time fund shift from the General Fund to the Miner's Fund in FY 2002 significantly affects the percent change in FY 2003 from the 2nd Special Session revised FY 2002 appropriation.

/3 The FY 2002 2nd Special Session revised appropriation of \$11,800,200 contains \$4.0 million for Emergency Management funding. The percent change from the FY 2002 revised appropriation is 2.5% when the Emergency Management funding is excluded.

/4 The FY 2002 revised appropriation of \$27,569,100 contains \$20.0 million for Growing Smarter funding. The percent change from the FY 2002 revised appropriation is 2.5% when Growing Smarter funding is excluded.

All dollar entries are expressed in thousands.



## Agencies with Retained 2003 Budgets - General Fund

	<u>2002 Orig.</u> <u>Appropriation</u>	<u>2002 Dec.</u> <u>Appropriation</u>	<u>2003</u> <u>Revised</u>	<u>2003</u> <u>Change</u>	<u>2003 Exec</u> <u>Rec</u>	<u>Change from</u> <u>03 Revised</u>	<u>Change From</u> <u>02 Orig.</u>
<b>General Government</b>							
Office of the Auditor General	13,266.9	13,266.9	14,624.1	(2,282.0)	12,342.1	-15.6%	-7.0%
Governor's Office of Equal Opportunity	240.8	240.8	234.9	(15.5)	219.4	-6.6%	-8.9%
House of Representatives	12,226.4	12,226.4	12,991.5	(1,604.9)	11,386.6	-12.4%	-6.9%
Joint Legislative Budget Committee	2,496.4	2,496.4	2,452.6	(177.0)	2,275.6	-7.2%	-8.8%
Legislative Council	5,509.8	5,509.8	5,773.9	(748.6)	5,025.3	-13.0%	-8.8%
Department of Library, Archives and Public Records	8,002.4	8,002.4	8,182.1	(747.9)	7,434.2	-9.1%	-7.1%
Arizona State Retirement System	6,300.0	6,300.0	0.0	0.0	0.0	0.0%	-100.0%
Senate	7,151.0	7,151.0	7,037.0	(492.5)	6,544.5	-7.0%	-8.5%
General Government Total	<u>55,193.7</u>	<u>55,193.7</u>	<u>51,296.1</u>	<u>(6,068.4)</u>	<u>45,227.7</u>	<u>-11.8%</u>	<u>-18.1%</u>
General Fund Total	55,193.7	55,193.7	51,296.1	(6,068.4)	45,227.7	-11.8%	-18.1%

All dollar entries are expressed in thousands.

## Agencies with Repealed 2003 Budgets - General Fund Detail

	2002 Dec. Appropriation	Technical Issues	Executive Issues	2003 Exec Rec	2002-2003 Change
<b>General Government</b>					
Department of Administration	26,177.8	9.7	(688.9)	25,498.6	-2.59%
Office of Administrative Hearings	1,206.6	3.1	(33.3)	1,176.4	-2.50%
Attorney General	26,253.7	40.4	(696.7)	25,597.4	-2.50%
Department of Commerce	5,766.5	(0.6)	(143.6)	5,622.3	-2.50%
State Board of Equalization	617.5	0.0	(15.4)	602.1	-2.49%
Office of the Governor	6,117.2	12.8	(165.7)	5,964.3	-2.50%
Judicial System	147,084.6	38.4	(3,677.1)	143,445.9	-2.47%
Office for Excellence in Government	1,537.4	3.1	(41.5)	1,499.0	-2.50%
Governor's Office of Strategic Planning and Budgeting	1,885.0	3.3	(50.4)	1,837.9	-2.50%
State Personnel Board	383.9	0.8	(10.4)	374.3	-2.50%
Department of Revenue	60,365.8	(4.9)	(1,504.2)	58,856.7	-2.50%
Secretary of State	3,061.7	5.4	2,757.2	5,824.3	90.23%
State Board of Tax Appeals Board	304.7	0.0	(10.0)	294.7	-3.28%
Office of Tourism	10,358.4	(0.2)	(259.0)	10,099.2	-2.50%
State Treasurer	5,401.1	4.1	(139.0)	5,266.2	-2.50%
Commission on Uniform State Laws	40.2	0.0	0.0	40.2	0.00%
General Government Total	296,562.1	115.4	(4,678.0)	291,999.5	-1.54%
<b>Health and Welfare</b>					
Arizona Health Care Cost Containment System	537,278.3	1.8	119,272.1	656,552.2	22.20%
Department of Economic Security	464,585.6	(118.7)	(8,813.1)	455,653.8	-1.92%
Environmental Quality	21,030.5	1.0	4,599.2	25,630.7	21.87%
Department of Health Services	291,094.9	214.2	(2,870.1)	288,439.0	-0.91%
Commission of Indian Affairs	226.6	0.8	(6.5)	220.9	-2.52%
Arizona Pioneers' Home	61.0	8.2	1,710.5	1,779.7	2817.54%
Arizona Rangers' Pension	11.8	0.0	0.2	12.0	1.69%
Department of Veterans' Services	2,363.8	0.3	(59.4)	2,304.7	-2.50%
Health and Welfare Total	1,316,652.5	107.6	113,832.9	1,430,593.0	8.65%
<b>Inspection &amp; Regulation</b>					
Boxing Commission	78.8	0.2	(2.2)	76.8	-2.54%
Department of Agriculture	12,142.8	34.7	(363.0)	11,814.5	-2.70%
State Banking Department	2,767.8	(29.0)	(69.2)	2,669.6	-3.55%
Department of Building and Fire Safety	3,535.7	(0.6)	(88.4)	3,446.7	-2.52%
Corporation Commission	5,463.3	10.8	(145.7)	5,328.4	-2.47%
Department of Insurance	6,177.1	(50.8)	(159.6)	5,966.7	-3.41%
Department of Liquor Licenses and Control	2,493.8	0.6	(62.9)	2,431.5	-2.50%
State Mine Inspector	1,199.7	1.2	(53.0)	1,147.9	-4.32%
Board of Nursing	134.0	0.0	(3.4)	130.6	-2.54%
OSHA Review Board	7.0	0.0	(2.0)	5.0	-28.57%
Department of Racing	2,693.5	(0.5)	(67.3)	2,625.7	-2.52%
Radiation Regulatory Agency	1,682.9	(0.2)	(42.1)	1,640.6	-2.51%
Department of Real Estate	3,147.4	(38.9)	(102.2)	3,006.3	-4.48%
Department of Weights and Measures	1,486.9	(0.2)	(37.2)	1,449.5	-2.52%
Inspection & Regulation Total	43,010.7	(72.7)	(1,198.2)	41,739.8	-2.95%
<b>Education</b>					
Arizona Commission on the Arts	2,884.5	(88.2)	(1,500.0)	1,296.3	-55.06%
State Board for Charter Schools	656.4	(0.1)	(116.4)	539.9	-17.75%
State Board of Directors for Community Colleges	134,048.8	(0.1)	(5,110.4)	128,938.3	-3.81%
Department of Education	2,591,074.1	17.9	40,079.3	2,631,171.3	1.55%

All dollar entries are expressed in thousands.

## Agencies with Repealed 2003 Budgets - General Fund Detail

	2002 Dec. Appropriation	Technical Issues	Executive Issues	2003 Exec Rec	2002-2003 Change
Arizona Historical Society	4,523.5	3.8	(116.9)	4,410.4	-2.50%
Prescott Historical Society	739.9	0.3	(18.8)	721.4	-2.50%
Board of Medical Student Loans	284.1	0.0	(7.1)	277.0	-2.50%
Commission for Postsecondary Education	1,648.5	0.0	(41.2)	1,607.3	-2.50%
Arizona State Schools for the Deaf and the Blind	17,332.6	12.1	(1,202.5)	16,142.2	-6.87%
School Facilities Board	383,654.0	2.1	(63,317.2)	320,338.9	-16.50%
Board of Regents	7,620.1	(0.3)	(190.6)	7,429.2	-2.51%
Arizona State University - Main Campus	272,147.8	33.4	(6,797.8)	265,383.4	-2.49%
Arizona State University - West Campus	38,436.3	0.0	(961.3)	37,475.0	-2.50%
Arizona State University - East Campus	13,155.3	0.0	(329.3)	12,826.0	-2.50%
Northern Arizona University	113,393.2	26.8	(2,833.2)	110,586.8	-2.47%
University of Arizona - Main Campus	274,888.2	198.9	(7,071.1)	268,016.0	-2.50%
University of Arizona - Health Sciences Center	56,729.2	0.0	(1,419.2)	55,310.0	-2.50%
Education Total	3,913,216.5	206.6	(50,953.7)	3,862,469.4	-1.30%
<b>Protection and Safety</b>					
Department of Corrections	556,754.9	338.4	28,919.2	586,012.5	5.26%
Arizona Criminal Justice Commission	2,890.7	0.0	(1,336.5)	1,554.2	-46.23%
Department of Emergency and Military Affairs	11,800.2	8.8	(203.8)	11,605.2	-1.65%
Board of Executive Clemency	1,292.4	4.6	(36.9)	1,260.1	-2.50%
Department of Juvenile Corrections	65,122.1	68.3	(3,090.0)	62,100.4	-4.64%
Law Enforcement Merit System Council	57.2	0.0	0.0	57.2	0.00%
Department of Public Safety	59,638.2	14.5	(14,403.6)	45,249.1	-24.13%
Protection and Safety Total	697,555.7	434.6	9,848.4	707,838.7	1.47%
<b>Transportation</b>					
Department of Transportation	3,595.4	(0.1)	(3,526.2)	69.1	-98.08%
Transportation Total	3,595.4	(0.1)	(3,526.2)	69.1	-98.08%
<b>Natural Resources</b>					
Arizona Geological Survey	890.2	6.5	(28.8)	867.9	-2.51%
State Land Department	14,350.6	31.2	(390.0)	13,991.8	-2.50%
Department of Mines and Mineral Resources	740.9	17.6	(37.1)	721.4	-2.63%
Navigable Stream Adjudication Commission	179.9	(1.0)	(3.5)	175.4	-2.50%
Parks	27,569.1	5.5	(292.6)	27,282.0	-1.04%
Department of Water Resources	15,850.3	120.2	(1,060.2)	14,910.3	-5.93%
Natural Resources Total	59,581.0	180.0	(1,812.2)	57,948.8	-2.74%
General Fund Total	6,330,173.9	971.4	61,513.0	6,392,658.3	0.99%

All dollar entries are expressed in thousands.

## Agencies with Retained 2003 Budgets - General Fund Detail

	2002 Dec. Appropriation	2003 Revised Appropriation	Technical Issues	Executive Issues	2003 Exec Rec	2002-2003 Change
<b>General Government</b>						
Office of the Auditor General	13,266.9	14,624.1	131.3	(2,413.3)	12,342.1	-6.97%
Governor's Office of Equal Opportunity	240.8	234.9	3.2	(18.7)	219.4	-8.89%
House of Representatives	12,226.4	12,991.5	0.0	(1,604.9)	11,386.6	-6.87%
Joint Legislative Budget Committee	2,496.4	2,452.6	0.0	(177.0)	2,275.6	-8.84%
Legislative Council	5,509.8	5,773.9	0.0	(748.6)	5,025.3	-8.79%
Department of Library, Archives and Public Records	8,002.4	8,182.1	2.0	(749.9)	7,434.2	-7.10%
Arizona State Retirement System	6,300.0	0.0	0.0	0.0	0.0	-100.00%
Senate	7,151.0	7,037.0	0.0	(492.5)	6,544.5	-8.48%
General Government Total	55,193.7	51,296.1	136.5	(6,204.9)	45,227.7	-18.06%
General Fund Total	55,193.7	51,296.1	136.5	(6,204.9)	45,227.7	-18.06%

All dollar entries are expressed in thousands.

## Agencies with Repealed 2003 Budgets - Other Appropriated Funds

	2002 Orig. Appropriation	2002 Changes	2002 Dec. Appropriation	2003 Change	2003 Exec Rec	Change from 02 Revised	Change From 02 Orig.
<b>General Government</b>							
Department of Administration	158,856.6	577.1	159,433.7	7,848.3	167,282.0	4.9%	5.3%
Office of Administrative Hearings	13.8	0.0	13.8	0.0	13.8	0.0%	0.0%
Attorney General	23,697.9	605.0	24,302.9	(349.0)	23,953.9	-1.4%	1.1%
Department of Commerce	3,134.7	305.4	3,440.1	5,324.8	8,764.9	154.8%	179.6%
Government Information Technology Agency	2,647.4	(232.7)	2,414.7	(29.3)	2,385.4	-1.2%	-9.9%
Office of Housing Development	351.7	78.9	430.6	10.5	441.1	2.4%	25.4%
Judicial System	34,149.4	0.0	34,149.4	0.0	34,149.4	0.0%	0.0%
Office for Excellence in Government	25.0	0.0	25.0	0.0	25.0	0.0%	0.0%
Department of Revenue	2,173.1	0.0	2,173.1	0.0	2,173.1	0.0%	0.0%
Office of Tourism	4,000.0	0.0	4,000.0	(2,000.0)	2,000.0	-50.0%	-50.0%
General Government Total	229,049.6	1,333.7	230,383.3	10,805.3	241,188.6	4.7%	5.3%
<b>Health and Welfare</b>							
Arizona Health Care Cost Containment System	91,375.1	5,882.1	97,257.2	13,931.4	111,188.6	14.3%	21.7%
Department of Economic Security	405,496.7	23,038.5	428,535.2	5,683.8	434,219.0	1.3%	7.1%
Environmental Quality	51,653.0	200.0	51,853.0	18,355.4	70,208.4	35.4%	35.9%
Department of Health Services	44,262.2	14,203.6	58,465.8	9,034.3	67,500.1	15.5%	52.5%
Arizona Pioneers' Home	2,706.5	2,664.3	5,370.8	(1,398.6)	3,972.2	-26.0%	46.8%
Department of Veterans' Services	10,420.6	0.0	10,420.6	369.6	10,790.2	3.5%	3.5%
Health and Welfare Total	605,914.1	45,988.5	651,902.6	45,975.9	697,878.5	7.1%	15.2%
<b>Inspection &amp; Regulation</b>							
Acupuncture Board of Examiners	51.8	7.0	58.8	0.3	59.1	0.5%	14.1%
Department of Agriculture	2,593.3	(21.5)	2,571.8	1.7	2,573.5	0.1%	-0.8%
Board of Chiropractic Examiners	349.7	30.0	379.7	(39.5)	340.2	-10.4%	-2.7%
Corporation Commission	16,817.2	0.0	16,817.2	4.7	16,821.9	0.0%	0.0%
Board of Dental Examiners	761.1	0.0	761.1	22.6	783.7	3.0%	3.0%
Board of Medical Examiners	4,600.1	60.0	4,660.1	16.9	4,677.0	0.4%	1.7%
Board of Nursing	2,908.4	0.0	2,908.4	(77.5)	2,830.9	-2.7%	-2.7%
Department of Racing	392.6	0.0	392.6	(0.1)	392.5	0.0%	0.0%
Radiation Regulatory Agency	195.3	0.0	195.3	(0.1)	195.2	-0.1%	-0.1%
Department of Weights and Measures	781.2	371.3	1,152.5	(0.1)	1,152.4	0.0%	47.5%
Inspection & Regulation Total	29,450.7	446.8	29,897.5	(71.1)	29,826.4	-0.2%	1.3%
<b>Education</b>							
State Board of Directors for Community Colleges	169.0	0.0	169.0	(166.8)	2.2	-98.7%	-98.7%
Department of Education	81,792.9	(1,400.0)	80,392.9	(3,935.0)	76,457.9	-4.9%	-6.5%
Board of Medical Student Loans	64.9	0.0	64.9	0.0	64.9	0.0%	0.0%
Commission for Postsecondary Education	2,778.6	0.0	2,778.6	0.0	2,778.6	0.0%	0.0%
Arizona State Schools for the Deaf and the Blind	12,147.8	0.0	12,147.8	0.0	12,147.8	0.0%	0.0%
Arizona State University - Main Campus	101,478.8	0.0	101,478.8	0.0	101,478.8	0.0%	0.0%
Arizona State University - West Campus	2,979.3	0.0	2,979.3	0.0	2,979.3	0.0%	0.0%
Arizona State University - East Campus	5,167.4	0.0	5,167.4	0.0	5,167.4	0.0%	0.0%
Northern Arizona University	27,764.1	(270.0)	27,494.1	0.0	27,494.1	0.0%	-1.0%
University of Arizona - Main Campus	78,791.2	0.0	78,791.2	0.0	78,791.2	0.0%	0.0%
University of Arizona - Health Sciences Center	7,188.5	0.0	7,188.5	0.0	7,188.5	0.0%	0.0%
Education Total	320,322.5	(1,670.0)	318,652.5	(4,101.8)	314,550.7	-1.3%	-1.8%
<b>Protection and Safety</b>							
Department of Corrections	16,200.5	(10,939.4)	5,261.1	26,986.9	32,248.0	513.0%	99.1%
Arizona Criminal Justice Commission	5,976.8	0.0	5,976.8	(0.1)	5,976.7	0.0%	0.0%

All dollar entries are expressed in thousands.

## Agencies with Repealed 2003 Budgets - Other Appropriated Funds

	2002 Orig. Appropriation	2002 Changes	2002 Dec. Appropriation	2003 Change	2003 Exec Rec	Change from 02 Revised	Change From 02 Orig.
Department of Emergency and Military Affairs	132.7	0.0	132.7	0.0	132.7	0.0%	0.0%
Department of Juvenile Corrections	4,774.6	0.0	4,774.6	(130.2)	4,644.4	-2.7%	-2.7%
Department of Public Safety	61,389.8	14,187.8	75,577.6	19,105.0	94,682.6	25.3%	54.2%
Protection and Safety Total	88,474.4	3,248.4	91,722.8	45,961.6	137,684.4	50.1%	55.6%
<b>Transportation</b>							
Department of Transportation	317,555.4	(8,099.0)	309,456.4	(1,194.1)	308,262.3	-0.4%	-2.9%
Transportation Total	317,555.4	(8,099.0)	309,456.4	(1,194.1)	308,262.3	-0.4%	-2.9%
<b>Natural Resources</b>							
State Land Department	675.5	0.0	675.5	0.0	675.5	0.0%	0.0%
Parks	5,668.1	200.0	5,868.1	144.3	6,012.4	2.5%	6.1%
Natural Resources Total	6,343.6	200.0	6,543.6	144.3	6,687.9	2.2%	5.4%
Other Appropriated Funds Total	1,597,110.3	41,448.4	1,638,558.7	97,520.1	1,736,078.8	6.0%	8.7%

All dollar entries are expressed in thousands.

## Agencies with Retained 2003 Budgets - Other Appropriated Funds

	2002 Orig. Appropriation	2002 Changes	2002 Dec. Appropriation	2003 Change	2003 Exec Rec	Change from 02 Revised	Change From 02 Orig.
<b>General Government</b>							
Arizona Exposition and State Fair Board	14,976.7	0.0	14,976.7	21.3	14,998.0	0.1%	0.1%
Department of Library, Archives and Public Records	312.4	0.0	312.4	0.0	312.4	0.0%	0.0%
Arizona Lottery	42,897.2	0.0	42,897.2	751.6	43,648.8	1.8%	1.8%
Arizona State Retirement System	27,557.1	0.0	27,557.1	9.0	27,566.1	0.0%	0.0%
General Government Total	85,743.4	0.0	85,743.4	781.9	86,525.3	0.9%	0.9%
<b>Health and Welfare</b>							
Commission for the Deaf and the Hard of Hearing	5,718.0	0.0	5,718.0	11.0	5,729.0	0.2%	0.2%
Health and Welfare Total	5,718.0	0.0	5,718.0	11.0	5,729.0	0.2%	0.2%
<b>Inspection &amp; Regulation</b>							
Board of Accountancy	2,119.8	0.0	2,119.8	(35.3)	2,084.5	-1.7%	-1.7%
Board of Athletic Trainers	85.4	0.0	85.4	0.0	85.4	0.0%	0.0%
Board of Appraisal	450.3	0.0	450.3	2.8	453.1	0.6%	0.6%
Board of Barber Examiners	196.4	0.0	196.4	1.4	197.8	0.7%	0.7%
Board of Behavioral Health Examiners	673.0	0.0	673.0	3.8	676.8	0.6%	0.6%
Board of Cosmetology	1,611.6	0.0	1,611.6	12.6	1,624.2	0.8%	0.8%
Board of Dispensing Opticians	96.4	0.0	96.4	1.2	97.6	1.2%	1.2%
Board of Funeral Directors and Embalmers	256.2	0.0	256.2	1.9	258.1	0.7%	0.7%
Department of Gaming	5,182.7	0.0	5,182.7	(0.6)	5,182.1	0.0%	0.0%
Board of Homeopathic Medical Examiners	73.5	0.0	73.5	1.0	74.5	1.4%	1.4%
Industrial Commission of Arizona	15,610.7	0.0	15,610.7	13.6	15,624.3	0.1%	0.1%
Naturopathic Physicians Board of Medical Examiners	210.4	0.0	210.4	1.3	211.7	0.6%	0.6%
Board of Examiners of Nursing Care Institution Admini	359.3	0.0	359.3	2.4	361.7	0.7%	0.7%
Board of Occupational Therapy Examiners	127.2	0.0	127.2	0.0	127.2	0.0%	0.0%
Board of Optometry	160.2	0.0	160.2	1.5	161.7	0.9%	0.9%
Board of Osteopathic Examiners	471.7	0.0	471.7	(0.1)	471.6	0.0%	0.0%
Pharmacy Board	1,271.5	0.0	1,271.5	(0.2)	1,271.3	0.0%	0.0%
Board of Physical Therapy Examiners	228.5	0.0	228.5	2.1	230.6	0.9%	0.9%
Board of Podiatry Examiners	96.8	0.0	96.8	1.0	97.8	1.0%	1.0%
State Board for Private Post-Secondary Education	249.1	0.0	249.1	2.0	251.1	0.8%	0.8%
Board of Psychologist Examiners	306.1	0.0	306.1	2.0	308.1	0.7%	0.7%
Registrar of Contractors	9,684.9	0.0	9,684.9	65.8	9,750.7	0.7%	0.7%
Board of Respiratory Care Examiners	172.5	0.0	172.5	1.5	174.0	0.9%	0.9%
Structural Pest Control Commission	1,755.4	0.0	1,755.4	(0.3)	1,755.1	0.0%	0.0%
Board of Technical Registration	1,146.0	0.0	1,146.0	4.0	1,150.0	0.3%	0.3%
Residential Utility Consumer Office	1,084.8	0.0	1,084.8	2.8	1,087.6	0.3%	0.3%
Veterinary Medical Examining Board	374.7	0.0	374.7	2.7	377.4	0.7%	0.7%
Inspection & Regulation Total	44,055.1	0.0	44,055.1	90.9	44,146.0	0.2%	0.2%
<b>Protection and Safety</b>							
Auto Theft Authority	3,890.2	0.0	3,890.2	0.0	3,890.2	0.0%	0.0%
Drug and Gang Prevention Resource Center	5,071.3	0.0	5,071.3	0.0	5,071.3	0.0%	0.0%
Protection and Safety Total	8,961.5	0.0	8,961.5	0.0	8,961.5	0.0%	0.0%
<b>Natural Resources</b>							
Game and Fish Department	23,219.9	0.0	23,219.9	91.9	23,311.8	0.4%	0.4%
Natural Resources Total	23,219.9	0.0	23,219.9	91.9	23,311.8	0.4%	0.4%
Other Appropriated Funds Total	167,697.9	0.0	167,697.9	975.7	168,673.6	0.6%	0.6%

All dollar entries are expressed in thousands.

**SOURCES AND USES  
TOBACCO TAX AND HEALTH CARE FUND & MEDICALLY NEEDY STABILIZATION FUND**

**TOBACCO TAX AND HEALTH CARE FUND**

	FY 2001 Actual	FY 2002 OSP Est.	FY 2003 OSP Est.
Funds Available	109,083,900	107,993,100	106,913,200
<b>MEDICALLY NEEDY ACCOUNT</b>			
Funds Available			
Balance Forward	85,955,100	46,876,800	44,138,600
Transfer In, Interest, & Revertments	<u>85,958,900</u>	<u>78,370,000</u>	<u>88,435,900</u>
Total Funds Available	171,914,000	125,246,800	132,574,500
Allocations	<u>125,037,200</u>	<u>81,108,200</u>	<u>130,313,300</u>
<b>Ending Balance</b>	<b><u>46,876,800</u></b>	<b><u>44,138,600</u></b>	<b><u>2,261,200</u></b>
<b>HEALTH EDUCATION ACCOUNT</b>			
Funds Available			
Balance Forward	39,762,900	30,622,900	3,165,300
Transfer In, Interest, & Revertments	27,421,400	25,365,100	8,733,200
MSSF Transfer Out	0	(25,000,000)	0
Dialysis & Chemotherapy	<u>0</u>	<u>(2,822,700)</u>	<u>0</u>
Total Funds Available	67,184,300	28,165,300	11,898,500
Allocations	36,561,400	25,000,000	10,000,000
<b>Ending Balance</b>	<b><u>30,622,900</u></b>	<b><u>3,165,300</u></b>	<b><u>1,898,500</u></b>
<b>HEALTH RESEARCH ACCOUNT</b>			
Funds Available			
Balance Forward	7,035,800	4,459,500	1,613,900
Transfer In, Interest, & Revertments	<u>5,747,600</u>	<u>5,514,200</u>	<u>5,458,300</u>
Total Funds Available	12,783,400	9,973,700	7,072,200
Allocations	8,323,900	8,359,800	5,739,700
<b>Ending Balance</b>	<b><u>4,459,500</u></b>	<b><u>1,613,900</u></b>	<b><u>1,332,500</u></b>
<b>GENOMICS RESEARCH ACCOUNT</b>			
Funds Available			
Balance Forward	0	0	0
Transfer In, Interest, & Revertments	<u>0</u>	<u>0</u>	<u>5,325,200</u>
Total Funds Available	0	0	5,325,200
Allocations	0	0	5,325,200
<b>Ending Balance</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

**MEDICAL SERVICES STABILIZATION FUND**

	FY 2001 Actual	FY 2002 OSP Est.	FY 2003 OSP Est.
Funds Available			
Balance Forward	72,876,100	25,345,600	0
Transfer In, Interest, & Revetments	4,809,400	30,271,800	0
Total Funds Available	77,685,500	55,617,400	0
Allocations	52,339,900	55,617,400	0
<b>Ending Balance</b>	<b><u>25,345,600</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

\* The Executive recommendation changes the Health Education Account distribution from 23% to 8% for FY 2003 and changes the Medically Needy Account distribution from 70% to 80% for FY 2003.

^ The Executive recommends a 5% distribution to the Genomics Account for FY 2003.



**SOURCES AND USES  
MEDICALLY NEEDED ACCOUNT**

	FY 2001 Actual	FY 2002 OSP Est.	FY 2003 OSP Est.
<b>TOBACCO TAX &amp; HEALTH CARE FUND</b>			
Total Funds Available	109,083,900	107,993,100	106,913,200

	FY 2001 Actual	FY 2002 OSP Est.	FY 2003 OSP Est.
<b>MEDICALLY NEEDED ACCOUNT</b>			
Funds Available			
Balance Forward	85,955,100	46,876,800	44,138,600
Transfer In - Tobacco Tax and Health Care Fund	76,087,700	75,315,200	85,202,400
Interest & Revertments	<u>9,871,200</u>	<u>3,054,800</u>	<u>3,233,500</u>
Total Funds Available	171,914,000	125,246,800	132,574,500

Allocations			
AHCCCS State Match	0	20,195,800	31,445,300
Offset Loss in Federal Funding	350,000	0	0
Phase-Down of Quick Pay Discount	8,506,700	0	0
\$10 M DEEP Discount & Medical Inflation	10,000,000	10,000,000	10,000,000
Medical Inflation	7,390,500	0	0
Maternity Length of Stay	5,315,500	4,402,000	4,552,400
AIDS Treatment	384,600	1,349,600	1,349,600
Freedom to Work ( <i>Ticket to Work</i> )	0	91,000	0
Transplants	801,400	400,000	309,400
Prescription Drug Coverage	0	0	0
Transfer to AHCCCS - Stabilization Fund	0	0	0
One-time Transfer for AHCCCS Shortfall	29,809,400	0	0
Transfer to DES Aging and Adult Administration	500,000	500,000	500,000
KidsCare ( <i>includes FY 2002 &amp; FY 2003 supplemental</i> )	19,833,700	13,813,800	22,500,000
HIFA - KidsCare parents ( <i>from PSP allocation</i> )	0	0	0
Transfers to DHS - Governor's Health Crisis Fund	960,000	1,000,000	1,000,000
Transfer - Premium Sharing	0	0	10,500,000
Transfer to Healthcare Group	0	0	5,000,000
AHCCCS Allocations	<u>83,851,800</u>	<u>51,752,200</u>	<u>87,156,700</u>

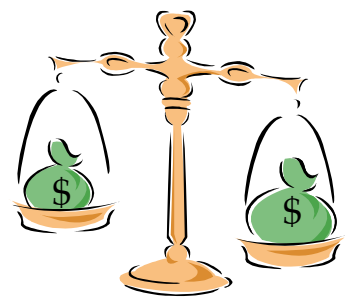
	FY 2001 OSP Est.	FY 2002 OSP Est.	FY 2003 OSP Est.
<b>DHS MEDICALLY NEEDED ACCOUNT</b>			
Allocations			
Mental Health Grant (36-3414)	5,200,000	3,120,000	3,120,000
Primary Care (36-2907)	6,240,000	5,740,000	5,740,000
Qualifying Community Health Centers (36-2907.06)	5,200,000	4,700,000	4,929,600
Detox Pilot (Ch 256)	0	390,000	390,000
Telemedicine Pilot	0	485,000	260,000
End Stage Renal Disease	260,000	260,000	260,000
Basic Children's Medical Services/Hospitals (36-2907.08)	0	0	0
Capital Project Grants: Rural/Med Underserved	0	0	0
Primary Care - Ajo	0	0	0
Education & Information Programs (Ch123)	0	0	0
Medically Underserved Areas: HB 2039	111,200	111,200	111,200
HIV/AIDS Medication (ADAP Program)	1,000,000	1,000,000	1,000,000
Perinatal Substance Abuse - Integrated Models (Ch 176)	0	0	0
Non-Renal Transplants (Ch 256)	208,000	72,800	72,800
KidsCare Direct Svcs: Qualifying Health Centers (36-2907.06)	0	0	0
KidsCare Direct Svcs	1,000,000	0	0
Psychotropic Medications	16,600,000	10,790,000	10,790,000
Community Health Centers	4,000,000	1,000,000	0
AZ Statewide Immunization Info. System	0	477,000	477,000
Nursing Care Incentive Grants	0	100,000	0
Special Health Districts	0	0	156,000
County Public Health	0	200,000	200,000
Childrens Behavioral Health - Non-Title XIX	0	0	0
Emergency Vaccines	1,000,000	0	0
TCE Cleanup	0	260,000	0
Hepatitis C	0	350,000	350,000
DHS Evaluation Costs (Ch 257)	366,200	300,000	300,000
Behavioral Health Fund Shift	0	0	15,000,000
DHS Allocations	<u>41,185,400</u>	<u>29,356,000</u>	<u>43,156,600</u>
<b>Medically Needy Account Total Allocations</b>	<u>125,037,200</u>	<u>81,108,200</u>	<u>130,313,300</u>
<b>Medically Needy Account Balance Forward</b>	<u>46,876,800</u>	<u>44,138,600</u>	<u>2,261,200</u>

**SOURCES AND USES  
CORRECTIONS FUND (AFTER ENACTMENT OF LAWS 2002, THIRD SPECIAL SESSION)**

**CORRECTIONS FUND**

	FY 2001	FY 2002	FY 2003
<b>Revenue</b>			
Beginning Balance	23,938,600	44,338,337	531,876
Corrections Fund Revenue	25,511,500	26,000,000	26,500,000
Sale of Arizona Center for Women			1,500,000
Transfer from Arizona Correctional Industries Fund		1,000,000	
Transfer from Special Services Fund		1,000,000	
Funds Available	<u>49,450,100</u>	<u>72,338,337</u>	<u>28,531,876</u>
<b>Expenditures</b>			
DOA Construction Staff	553,629	574,700	571,600
Apache Cnty 20-Year Lease	1,052,480	1,000,000	1,000,000
DOA Projects - Current Year and Continuing Appropriations*			
Lewis Complex	1,747,529	1,648,578	
High Security Juvenile Unit - DJC	1,926	0	
2nd-200 Beds at Buckeye - DJC	235,961	0	
800 Beds at Yuma	200,113	441,275	
Douglas Wastewater	266,670	491,112	
Globe Prison	8,234	0	
Perryville Security Improvements	54,462	30,720	
Tucson II Prison Planning and Siting - Laws 1998, 4th SS, Ch. 7 plus a transfer	10,487	613,292	
Tucson II Prison Design and Construction - Laws 1999, 1st SS, Ch. 2	980,272	3,257,284	30,069,700
Building Renewal - DOC		2,759,400	
Safety Improvements - DOC		1,379,400	
Lock Replacement - DOC		600,000	
Close Fort Grant Landfill - DOC		555,300	
Building Renewal - DJC		220,400	
Medical Unit - DJC		185,000	
HVAC - DJC		50,000	
Transfer to General Fund - 2001 Regular Session		15,000,000	
Transfer to General Fund - 2001, 2nd Special Session		30,000,000	
New Issues			
Cash Transfer to General Fund - 3rd Special Session, HB 2003		4,500,000	
DOC Operating Appropriation - 3rd Special Session, HB 2003		4,500,000	
Executive Recommendation for Additional DOC Operating Appropriation		4,000,000	
Ex-Appropriate FY 2003 Tucson II Construction Funding			(30,069,700)
COP Funding for Tucson II and Safford: Tonto 250 Beds, 15 years at 5%			19,869,100
DOC Operating Expenditures - Lewis: Rast 350 Beds			6,817,800
Total Expenditures	<u>5,111,763</u>	<u>71,806,461</u>	<u>28,258,500</u>
<b>Ending Balance</b>	<u>44,338,337</u>	<u>531,876</u>	<u>273,376</u>

\* DOA expenditure amounts for FY 2001 and FY 2002 are remaining spending authority as calculated by Construction Services on 1-16-02 and modified on 2-12-02 and 3-20-02.



The Executive Budget  
Fiscal Year 2003

**THE BUDGET IN DETAIL**



## Assumptions & Methodology

### Building a Budget

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

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#### The budget call

Governor Hull issued a call on September 18, 2001 for a legislative special session to make adjustments to the FY 2002 and FY 2003 budgets in an effort to balance the State budget due to revenue shortfalls.

On November 5, Governor Hull forwarded her *Executive Mid-Biennium Update for Fiscal Years 2002 and 2003* to delineate a balanced budget plan.

On December 14, the Legislature transmitted a budget for Governor Hull's signature. On December 17, the Governor signed the revised FY 2002 General Appropriations Act, while exercising her line item veto. Since a fiscal year 2003 budget was not adopted as recommended by the Governor during the Second Special session of the 45<sup>th</sup> Legislature, the Governor and Legislature would be required to address the FY 2003 budget issue during the 2002 spring regular session.

#### Repealed Budgets v. Retained Budgets

During the November Second Special session, agency budgets were either repealed or retained from the original General Appropriations Act (Laws 2001, Chapter 236). Generally, an agency budget was repealed if it is supported by General Funds and retained if it is supported solely by

other appropriated funds. There were a few exceptions to this general rule.

*Agency Appropriations that were retained instead of repealed.* All legislative agencies which include the House; Senate; Office of the Auditor General; Joint Legislative Budget Committee; Legislative Council, which includes the Advocate for Private Property Rights; and the Department of Library, Archives, and Public Records retained their FY 2003 appropriations. Additionally, a line-item veto resulted in retaining the FY 2003 appropriation of the Governor's Office of Equal Opportunity.

*Agency Appropriations that were repealed instead of retained.* In a few instances, agency budgets like the Acupuncture Board and the Board of Chiropractic Examiners whose budgets consist of solely other appropriated funds were repealed because they had FY 2002 supplemental issues that needed to be addressed during the Second Special Session.

Due to the fact that some agency budgets were repealed and others retained, the development of the FY 2003 budget requires the use of two different appropriation bases. The revised FY 2003 appropriation is used as the beginning base for agencies that retained their appropriation. It is referred to as the "revised" FY 2003 approp-

riation since several FY 2003 technical adjustments (e.g., salary and health adjustments, classification maintenance reviews, state-owned rent, pro-rata adjustments) were repealed. The FY 2002 revised appropriation is used for all agencies that had their appropriation repealed.

#### Standard Adjustments

As mentioned, since the FY 2003 budgets were repealed for most agencies so were the technical adjustments associated with salary adjustments, health insurance adjustments, classification maintenance reviews, state-owned space rental adjustments, and pro-rata adjustments. Even FY 2003 appropriations that were retained were affected by the elimination of the technical adjustments and, as such, their FY 2003 appropriations had to be revised accordingly.

Technical adjustments are being addressed either globally in the sources and uses statement or in individual agency budgets. The salary and health adjustments are addressed in the sources and uses statement while other adjustments were handled as follows:

Adjustment	Retained budgets	Repealed Budgets
Classification Maintenance Reviews (CMRs)	Add to <i>FY 2003 revised</i> appropriation— The CMR for FY 2003 was repealed in Laws 2001, 2 <sup>nd</sup> Special Session, Chapter 5. It needed to be added back into retained agency's budgets.	No change— The amount of the CMR, effective January 1, was exactly the same in FY 2003 as it was in FY 2002. The CMR is included in the FY 2002 revised appropriation for repealed agency budgets.
Rent— State Owned Space	Add to <i>FY 2003 revised</i> appropriation— Since FY 2003 rent was repealed from the original General Appropriations, the incremental change between FY 2002 and FY 2003 needed to be addressed.	Add to <i>FY 2002 revised</i> appropriation— Since FY 2003 rent was repealed from the original General Appropriations, the incremental change between FY 2002 and FY 2003 needed to be addressed.
Rent— Certificates of Participation	No change— Since the budget was retained, the incremental change between FY 2002 and FY 2003 was already provided for in the original appropriation.	Add to <i>FY 2002 revised</i> appropriation — Since the budget was repealed, the incremental change between FY 2002 and FY 2003 needed to be addressed.
Rent— Private Lease	No change— Since the budget was retained, the incremental change between FY 2002 and FY 2003 was already provided for in the original appropriation.	Add to <i>FY 2002 revised</i> appropriation— Since the budget was repealed, the incremental change between FY 2002 and FY 2003 needed to be addressed.
Rent— Privatized Lease to Own	Recommendation to be provided at a later date	Same as retained budgets
Risk Management	No change— Since the budget was retained, the incremental change between FY 2002 and FY 2003 was already provided for in the original appropriation.	Add— Since the budget was repealed, the incremental change between FY 2002 and FY 2003 needed to be addressed.
Pro Rata	Technically speaking, the incremental change between FY 2002 and FY 2003 should be added to the <i>FY 2003 revised</i> appropriation. Although, the Executive supports the rate increase, additional funding is not being recommended.	Same as retained budgets

The individual agency issue write-ups do not specifically address each standard adjustment even though they were built into each agency budget. As mentioned, the pro rata adjustment was not included in the Executive recommendation and rent associated with the Privatized Lease to Own (PLTO) project will be addressed at a later date.

The pro rata assessment is a rate that is charged against agencies' personal services to defray the cost of the Department of Administration (DOA) Personnel Division. This assessment is scheduled to increase from 0.95% of personal services in FY 2002 to 1.04% in FY 2003. The total

assessment for all General Fund agencies in FY 2003 is \$1,201,700. Although the Executive supports the rate increase, additional funding for FY 2003 is not being recommended.

With respect to PLTO, the Department of Administration has entered into a contract that allows the State to both consolidate operations and reduce expenditures for costly private lease space by leasing space for a 25-year term and taking ownership at the end of the term. The rent amounts for agencies affected by the PLTO project will be addressed at a later date.

### Lump Sum Reductions

The Executive budget provides for a 2.5% reduction in most agencies. In some instances, these reductions have been offset by the costs of servicing statutorily driven caseloads. Upon close examination of an individual agency issue write-up, it may be noted that reductions exceed 2.5% of the revised FY 2002 appropriation. This is attributed to the fact that several standard adjustments were funded. As a result, the lump sum reduction issue had to be increased by the same amount of the funded standard adjustments to ensure an overall 2.5% reduction to the agency's appropriation.

While the above is true for repealed agency budgets a different scenario exists for retained agency budgets. The Executive has recommended that the majority of "other fund" agencies be exempt from the 2.5% reduction.

### **3<sup>rd</sup> Special Session Lump Sum Reductions**

The Executive recommendation was built following the actions of the 2<sup>nd</sup> Special Session. This means that the FY 2002 revised appropriation base, which is the starting point for the FY 2003 Executive recommendation, incor-

porates 4½. percent lump sum reductions for most agencies. In the 3<sup>rd</sup> Special Session the Legislature reduced FY 2002 budgets by an additional quarter percent.

While the FY 2003 Executive recommendation includes lump sum reductions of 2½. percent, this position was taken prior to the passage of the additional quarter percent for FY 2002. The net impact of this is if the Executive had more time prior to the release of the Executive FY 2003 recommendation, the Executive recommendation only would have incorporated a 2¼ percent reduc-

tion instead of the 2½. percent incorporated within.

### **Capital Outlay**

In lieu of a specific capital outlay section in this year's Executive Budget recommendation, capital outlay issues are addressed within each agency's individual write-ups. There are only two capital issues that are being recommended. One affects the Department of Corrections and the other affects the Pioneers' Home.●

# General Government

## Department of Administration

	FY 2003
<b>Water Quality Appeals Board Expenses</b>	(5.0)
Water Quality Appeals Board funding is used to cover board member stipends and travel costs, court reporter fees, and various other operating expenses. Based on the projected number of cases to be heard by the Board, expenses are expected to be less than originally anticipated. The Executive recommends a General Fund reduction of (\$5,000) in FY 2003.	
General Fund	(5.0)
<b>Allocation of Director's Office Expenses</b>	(8.7)
In an effort to address budget shortfalls in FY 2003, the Executive recommends allocating the Director's Office expenses across the agency's various other funding sources. In order to implement this recommendation, the other funds will require an increase in appropriation authority.	
General Fund	(283.5)
Personnel Division Fund	30.5
Capital Outlay Stabilization	22.3
Corrections Fund	3.3
Special Employee Health	13.1
Technology & Telecommunications Fund	135.5
Admin - Motor Pool Revolving	25.6
State Surplus Materials Property	17.0
Risk Management Fund	27.5
<b>Consulting Costs</b>	(10.0)
In an effort to address budget shortfalls in FY 2003, the Executive recommends reducing consulting costs in the Strategic Administrative Services Division.	
General Fund	(10.0)
<b>PIPP Funding</b>	(150.0)
Laws 1998, Chapter 292 provided non-lapsing funding for the Performance Based Incentive Pilot Program (PIPP). Of the \$200,000 originally appropriated, \$150,000 is unspent. The Executive recommends the reversion of the remaining funds. Changes in session law are required to implement this recommendation.	
General Fund	(150.0)
<b>Equal Opportunity Office</b>	(60.0)
Laws 2001, 2nd Special Session, Chapter 5 attempted to repeal the funding for the Governor's Office of Equal Employment Opportunity (EEO) and transfer the duties, and partial funding, to the Department. The repeal of EEO was line-item vetoed, however the increased funding in FY 2003 to the Department remains in the department's budget. The Executive recommends a reduction of (\$60,000).	
General Fund	(60.0)
<b>Unoccupied Lease Purchase Expenses</b>	257.5
The Executive recommends funding for the costs of unoccupied lease-purchase space resulting from the Privatized Lease to Own project (PLTO). This issue was previously approved as part of the original FY 2003 budget.	
Capital Outlay Stabilization	257.5
<b>Data Center Charges - HRMS</b>	212.9
The Executive recommends funding for increased data center charges associated with operating the state's Human Resource Management System (HRMS). This issue was previously approved as part of the original FY 2003 budget.	
Personnel Division Fund	212.9

	FY 2003
<b>Eliminate Administrative Assistant Position</b>	(15.5)
In order to address budget shortfalls in FY 2003, the Executive recommends freezing a vacant Administrative Assistant position within the Director's office.	
General Fund	(15.5)
<b>Eliminate Accounting Manager Position</b>	(73.2)
In order to address budget shortfalls in FY 2003, the Executive recommends eliminating an accounting manager position within the General Accounting Office.	
General Fund	(73.2)
<b>Reduce Travel and Other Operating Expenses-MSD</b>	(26.0)
In order to address budget shortfalls in FY 2003, the Executive recommends a reduction in funding for travel expenses, other operating expenses, and non-capital equipment within the Management Services Division (MSD).	
General Fund	(26.0)
<b>Reduce Professional and Outside Service Expenses-SPO</b>	(36.0)
In order to address budget shortfalls in FY 2003, the Executive recommends a reduction in funding for professional and outside service expenses within the State Procurement Office (SPO).	
General Fund	(36.0)
<b>Eliminate Strategic Management Consultant-SAS</b>	(53.7)
In order to address budget shortfalls in FY 2003, the Executive recommends eliminating a strategic management consultant position in the Strategic Administrative Services Division.	
General Fund	(53.7)
<b>Eliminate Director's Office Travel Expenses</b>	(3.8)
In order to address budget shortfalls in FY 2003, the Executive recommends a reduction in out-of-state travel funding for the Director's office.	
General Fund	(3.8)
<b>Replacement Equipment-Information Services Division</b>	1,373.0
The Executive recommends funding for equipment purchases associated with the operation of the State's data center. This issue was previously approved as part of the original FY 2003 budget.	
Technology & Telecommunications Fund	1,373.0
<b>Data Center Charges - General Accounting Office</b>	28.4
In FY 2003, the Executive recommends funding for increased data center charges associated with the operation of the state's accounting system, the Arizona Financial Information System (AFIS). This issue was previously approved as part of the original FY 2003 budget.	
General Fund	28.4
<b>Worker's Compensation Losses</b>	2,146.8
In FY 2003, the Executive recommends an increase for estimated worker's compensation claims. This issue was previously approved as part of the original FY 2003 budget.	
Risk Management Fund	2,146.8
<b>ENSCO Payment Reduction</b>	(0.6)
The Executive recommends a reduction in funding in FY 2003 due to decreased ENSCO payment costs.	
General Fund	(0.6)
<b>One-time Equipment Funding</b>	(123.0)
In FY 2003, the Executive recommends the elimination of one-time funding provided in FY 2002 for equipment.	
Corrections Fund	(4.0)
Technology & Telecommunications Fund	(67.6)
Risk Management Fund	(51.4)

All dollar entries are expressed in thousands.

	FY 2003
<b>Replacement Equipment - ATS</b>	765.0
The Executive recommends funding in FY 2003 for replacement equipment associated with operating the Arizona Telecommunications System (ATS). This issue was previously approved as part of the original FY 2003 budget.	
Technology & Telecommunications Fund	765.0
<b>Risk Management Losses</b>	449.0
In FY 2003, the Executive recommends an additional \$449,000 for estimated risk management losses. This issue was previously approved as part of the original FY 2003 budget.	
Risk Management Fund	449.0
<b>COP Properties Payoff</b>	0.0
The final payment on seven State buildings purchased through the issuance of Certificates of Participation (COP) will be made in FY 2002. Agency tenants have previously been appropriated dollars to support the State's COP payments and for the operations and maintenance of the buildings. Beginning in FY 2003, tenant agencies will begin paying the current state lease rate of \$15.50 into the Capital Outlay Stabilization Fund (COSF). In FY 2003, the Executive recommends that funding for the 15.0 FTE positions associated with operating and maintaining the facilities be appropriated from the COSF, and that following the administrative adjustment period, any remaining monies in the COP Operations and Maintenance Fund be transferred to the COSF. This issue was previously approved as part of the original FY 2003 budget.	
Lease-Purchase Building Operating and Maintenance Fun	(1,367.8)
Capital Outlay Stabilization	1,367.8
<b>HRMS Replacement</b>	2,400.0
The Executive recommends continued funding for the replacement of the Human Resource Management System (HRMS). This issue was previously approved as part of the original FY 2003 budget.	
Personnel Division Fund	2,400.0
<b>Office of Administrative Hearings</b>	
	FY 2003
<b>Lump Sum Reduction</b>	(33.3)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The agency will keep two positions vacant.	
General Fund	(33.3)
<b>Attorney General</b>	
	FY 2003
<b>Lump Sum Reduction</b>	(696.7)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent.	
General Fund	(696.7)
<b>Bulletproof Vests</b>	(100.0)
The Executive recommends elimination of the one-time FY 2002 appropriation for bulletproof vests.	
Attorney General Anti-Racketeering	(100.0)
<b>Anti-Trust Revolving Fund</b>	(249.0)
The Executive recommends a reduction in the appropriation from the Anti-trust Revolving Fund because the fund's cash balance cannot support the current appropriation.	
Attorney General Antitrust Revolving	(249.0)

<b>Office of the Auditor General</b>	
	FY 2003
<b>Convert FY 2002 Reversions to Appropriation Reductions</b>	(608.3)
Laws 2001, Ch. 5 (HB 2018) provided for a reversion of the Auditor General's FY 2002 appropriation. The Executive recommends that the reversion be a reduction to the appropriation to ensure consistent treatment of Executive and Legislative agencies.	
General Fund	(608.3)
<b>Lump Sum Reduction</b>	(1,805.0)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction to ensure consistent treatment of Executive and Legislative agencies and to ensure that limited resources are dedicated toward education and the preservation of health and safety. The FY 2003 original appropriations for Legislative agencies were not repealed as part of the November 2001 budget special session. As such, FY 2003 Legislative budgets allow for newly funded issues beyond that afforded to Executive agencies. In addition to eliminating FY 2003 increases, the recommended decrease includes a 2.5% reduction applied to all agencies.	
General Fund	(1,805.0)

<b>Department of Commerce</b>	
	FY 2003
<b>Funding for Genomics Project</b>	5,325.2

The Executive recommends \$5.0 million from the Tobacco Tax and Health Care Fund in FY 2003, and each fiscal year thereafter through FY 2007, to help develop the health-related infrastructure that is needed to support Arizona's biomedical industry and to stimulate innovative diagnostics and targeted disease treatments. In the 1994 General Election, Arizona voters approved Proposition 200 to enhance the revenues collected from tobacco products and required that these new receipts be deposited into the newly created Tobacco Tax and Health Care Fund (THCF). In addition to increasing revenues from tobacco products, the provisions of Proposition 200 directed that the additional collections be used for health care, education, and research related activities.

Arizona's public universities have established the Arizona Bioscience and Biomedical Institute (ABBI). The ABBI is a collaborative, non-profit public/private organization designed to pool resources, provide the organizational framework to coordinate health research underway, and to attract world-class medical institutions to Arizona, such as the targeted relocation of the International Genomics Consortium (IGC). This recommended funding supports the IGC as it is a unique opportunity to commit resources for health infrastructure development, biotechnology, and medicine.

Tobacco Tax & Health Care Fund	5,325.2
<b>Lump Sum Reduction</b>	(143.6)
In order to address budget shortfalls in FY 2003, the Executive recommends a reduction of two and one-half percent. This recommendation will require the elimination of positions from the Motion Picture Development special line item for a savings of (\$143,600).	
General Fund	(143.6)
<b>Governor's Office of Equal Opportunity</b>	
	FY 2003
<b>Four-Percent Lump Sum Reduction</b>	(9.6)
In order to address budget shortfalls in FY 2002-2003, the Governor directed cabinet agencies to reduce their General Fund base budget by 4% annually. The Office proposed a reduction of (\$9,600) in FY 2002 which was to be achieved through vacancy savings. Due to a line-item veto affecting the Office this reduction did not take place. Therefore, for FY 2003, the Executive recommends the four-percent reduction of (\$9,600).	
General Fund	(9.6)

All dollar entries are expressed in thousands.



	FY 2003
<b>Lump Sum Reduction</b>	(9.1)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The office can comply to this recommendation by keeping one position vacant.	
General Fund	(9.1)

### State Board of Equalization

	FY 2003
<b>Lump Sum Reduction</b>	(15.4)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. In order to achieve this recommendation, the Board would delay continued implementation of a information technology project which could negatively impact the processing of tax appeals.	
General Fund	(15.4)

### Government Information Technology Agency

	FY 2003
<b>One-time Equipment Funding</b>	(32.5)
In FY 2003, the Executive recommends a reduction of (\$32,500) for one-time equipment funding.	
Information Technology Fund	(32.5)

### Office of the Governor

	FY 2003
<b>Lump Sum Reduction</b>	(165.7)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent.	
General Fund	(165.7)

### House of Representatives

	FY 2003
<b>Lump Sum Reduction</b>	(1,057.1)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction to ensure consistent treatment of Executive and Legislative agencies and to ensure that limited resources are dedicated toward education and the preservation of health and safety. The FY 2003 original appropriations for Legislative agencies were not repealed as part of the November 2001 budget special session. As such, FY 2003 Legislative budgets allow for newly funded issues beyond that afforded to Executive agencies. In addition to eliminating FY 2003 increases, the recommended decrease includes a 2.5% reduction applied to all agencies.	
General Fund	(1,057.1)

<b>Convert FY 2002 Reversions to Appropriation Reductions</b>	(547.8)
Laws 2001, Ch. 5 (HB 2018) provided for a reversion of the House's FY 2002 appropriation. The Executive recommends that the reversion be a reduction to the appropriation to ensure consistent treatment of Executive and Legislative agencies.	
General Fund	(547.8)

### Joint Legislative Budget Committee

	FY 2003
<b>Lump Sum Reduction</b>	(59.5)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction to ensure consistent treatment of Executive and Legislative agencies and to ensure that limited resources are dedicated toward education and the preservation of health and safety. The FY 2003 original appropriations for Legislative agencies were not repealed as part of the November 2001 budget special session. As such, FY 2003 Legislative budgets allow for newly funded issues beyond that afforded to Executive agencies. In addition to eliminating FY 2003 increases, the recommended decrease includes a 2.5% reduction applied to all agencies.	
General Fund	(59.5)

	FY 2003
<b>Convert FY 2002 Reversions to Appropriation Reductions</b>	(117.5)
Laws 2001, Ch. 5 (HB 2018) provided for a reversion of the Joint Legislative Budget Committee Staff's FY 2002 appropriation. The Executive recommends that the reversion be a reduction to the appropriation to ensure consistent treatment of Executive and Legislative agencies.	
General Fund	(117.5)

### Judicial System

	FY 2003
<b>Lump Sum Reduction</b>	(3,677.1)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of (\$862,300) for the Judiciary. The Executive also recommends shifting \$2,814,800 of the cost for probation services to the counties. The counties currently pay a significant share of the probation costs. The lump sum reduction and the cost shift represent a two and one-half percent reduction to the Judiciary's budget.	
General Fund	(3,677.1)

### Legislative Council

	FY 2003
<b>Lump Sum Reduction</b>	(393.0)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction to ensure consistent treatment of Executive and Legislative agencies and to ensure that limited resources are dedicated toward education and the preservation of health and safety. The FY 2003 original appropriations for Legislative agencies were not repealed as part of the November 2001 budget special session. As such, FY 2003 Legislative budgets allow for newly funded issues beyond that afforded to Executive agencies. In addition to eliminating FY 2003 increases, the recommended decrease includes a 2.5% reduction applied to all agencies.	
General Fund	(393.0)

<b>Convert FY 2002 Reversions to Appropriation Reductions</b>	(355.6)
Laws 2001, Ch. 5 (HB 2018) provided for a reversion of the Legislative Council's FY 2002 appropriation. The Executive recommends that the reversion be a reduction to the appropriation to ensure consistent treatment of Executive and Legislative agencies.	
General Fund	(355.6)

### Department of Library, Archives and Public Records

	FY 2003
<b>Lump Sum Reduction</b>	(372.3)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction to ensure consistent treatment of Executive and Legislative agencies and to ensure that limited resources are dedicated toward education and the preservation of health and safety. The FY 2003 original appropriations for Legislative agencies were not repealed as part of the November 2001 budget special session. As such, FY 2003 Legislative budgets allow for newly funded issues beyond that afforded to Executive agencies. In addition to eliminating FY 2003 increases, the recommended decrease includes a 2.5% reduction applied to all agencies.	
General Fund	(372.3)

<b>Convert FY 2002 Reversions to Appropriation Reductions</b>	(377.6)
Laws 2001, Ch. 5 (HB 2018) provided for a reversion of the Department's FY 2002 appropriation. The Executive recommends that the reversion be a reduction to the appropriation to ensure consistent treatment of Executive and Legislative agencies.	
General Fund	(377.6)

All dollar entries are expressed in thousands.

**Arizona Lottery**

FY 2003

**Telecommunications Funding**

723.9

For FY 2003, the Executive recommends an increase for expenses associated with the Lottery's telecommunications contract. The change represents an increase in the on-going costs associated with the telecommunications system.

Lottery Fund 723.9

**Office for Excellence in Government**

FY 2003

**Lump Sum Reduction**

(41.5)

In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent.

General Fund (41.5)

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

FY 2003

**Lump Sum Reduction**

(50.4)

In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. To achieve this reduction, the office will have to hold one position vacant.

General Fund (50.4)

**State Personnel Board**

FY 2003

**Lump Sum Reduction**

(10.4)

In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent.

General Fund (10.4)

**Department of Revenue**

FY 2003

**Defer Equipment Replacement**

(268.1)

In order to address budget shortfalls in FY 2003, the Executive recommends that the Department defer equipment replacement and remodeling costs.

General Fund (268.1)

**Data Center Charges**

(797.8)

In order to address budget shortfalls in FY 2003, the Executive recommends a reduction to the Department's Data Center Consolidation funding. The Department was appropriated funding for FY 2002 for administration of the system. The recommended decrease in funding is due partly to anticipated savings from the current amount the Department expends on an individual system and partly to a reversion of additional funding approved in FY 2002 for on-going costs.

General Fund (797.8)

**Alternative Fuels Program Funding Reduction**

(109.7)

In order to address budget shortfalls in FY 2003, the Executive recommends a reduction of the alternative fuels tax credit special line item. The Department was appropriated \$573,700 for FY 2003. This amount is more than the projected cost for the year of \$464,000.

General Fund (109.7)

**Reduce Toll-Free Calls**

(53.6)

In order to address budget shortfalls in FY 2003, the Executive recommends eliminating toll-free calls for out-of-state taxpayers. If coupled with a decrease in temporary staff, this could increase customer service telephone wait times.

General Fund (53.6)

**LAN Financing & Telephony On-Going Costs**

(275.0)

In order to address budget shortfalls in FY 2003, the Executive recommends a reduction to the department's Local Area Network (LAN) financing funding as a result of the decrease in the final year's payment for the LAN system.

All dollar entries are expressed in thousands.

FY 2003

General Fund

(275.0)

**Senate**

FY 2003

**Lump Sum Reduction**

(170.7)

In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction to ensure consistent treatment of Executive and Legislative agencies and to ensure that limited resources are dedicated toward education and the preservation of health and safety. The FY 2003 original appropriations for Legislative agencies were not repealed as part of the November 2001 budget special session. As such, FY 2003 Legislative budgets allow for newly funded issues beyond that afforded to Executive agencies. In addition to eliminating FY 2003 increases, the recommended decrease includes a 2.5% reduction applied to all agencies.

General Fund (170.7)

**Convert FY 2002 Reversions to Appropriation Reductions**

(321.8)

Laws 2001, Ch. 5 (HB 2018) provided for a reversion of the Senate's FY 2002 appropriation. The Executive recommends that the reversion be a reduction to the appropriation to ensure consistent treatment of Executive and Legislative agencies.

General Fund (321.8)

**Secretary of State**

FY 2003

**Lump Sum Reduction**

(76.6)

In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The Department will have to hold 3.0 FTE positions vacant to compensate for this reduction.

General Fund (76.6)

**Election Adjustment**

2,833.8

The Executive recommends an increase of \$2.8 million for Election Services to cover the costs associated with the 2002 Primary and General Elections.

General Fund 2,833.8

**State Board of Tax Appeals Board**

FY 2003

**Lump Sum Reduction**

(7.6)

In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The Board would eliminate a position whose duties would be transferred to an existing position.

General Fund (7.6)

**Replacement Equipment - PCs and software**

(2.4)

For FY 2002, the Board was appropriated funding to replace two personal computers. This would reduce the funding for the one-time expense.

General Fund (2.4)

**Office of Tourism**

FY 2003

**Lump Sum Reduction**

(259.0)

In order to address budget shortfall in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The recommendation will generate a General Fund savings of (\$259,000).

General Fund (259.0)

FY 2003

**Statutory Funding Adjustments**

1,032.8

The Executive recommendation includes statutory adjustments that are required under A.R.S. § 5-839 and § 42-5029. A.R.S. § 5-839 provides a \$200,000 increase above the FY 2002 funding to account for 5% annual growth. Also included in these statutory adjustments is \$832,800 to reflect the receipts that are projected to be collected and transferred to the Tourism Fund under A.R.S. § 42-5029. In FY 2003, the Executive is recommending that these funding increases be directed to the State General Fund to help offset budget shortfalls.

General Fund	832.8
Tourism Fund	200.0

**Defer Statutory Funding Increase** (1,032.8)

The Executive recommends deferring approximately (\$1.0 million) from the statutory funding provided for Tourism Promotion under A.R.S. § 5-835 and § 42-5029, and redirecting these monies to offset the FY 2003 General Fund shortfall.

General Fund	(832.8)
Tourism Fund	(200.0)

**Reduce Transfer Amount to the TSA** (2,000.0)

The Executive recommends a (\$2.0 million) reduction in the amount of funds scheduled to be transferred to the Tourism and Sports Authority (TSA) in FY 2003. A.R.S. § 5-835 provides for the transfer of \$4.0 million per year and allows for a 5% over the transfer amount from the preceding year. In FY 2002, \$4.0 million was transferred to the TSA. In FY 2003, the Executive recommendation would transfer an additional \$2.0 million to the TSA.

In order to carry out this recommendation, session law language would be needed to redirect the \$2.0 million to the State General Fund.

Laws 2000, Chapter 372, and the approval of Proposition 302 by Arizona's voters in November 2000, established the Maricopa Tourism and Sports Authority and required that a portion of the monies collected from the increased bed tax and car-rental surcharge be transferred to the Tourism Fund to promote tourism within the Maricopa County.

Tourism Fund	(2,000.0)
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**State Treasurer**

FY 2003

**Lump Sum Reduction**

(139.0)

In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The Office would eliminate funding out of their professional & outside services and other operating expenditure lines.

General Fund	(139.0)
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# Health and Welfare

## Arizona Health Care Cost Containment System

	FY 2003
<b>Lump Sum Reduction</b>	(2,101.1)
<p>In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. This reduction does not apply to entitlement programs, such as the AHCCCS acute care or long-term care programs. The Agency will have to hold vacant 35.0 FTE positions, reduce capital equipment expenditures and delay implementation of system changes to compensate for this reduction.</p>	
General Fund	(2,101.1)
<b>Acute Care Capitation</b>	48,231.3
<p>In FY 2003, the Executive recommends an increase of \$48.2 million in General Fund above the revised FY 2002 appropriation to address caseload growth in the AHCCCS acute care program. In FY 2001 Acute Care caseloads grew approximately 12%, in FY 2002 21% growth is expected. The recommended amount reflects an anticipated 14% growth in FY 2003.</p>	
General Fund	48,231.3
<b>Acute Care Fee for Service</b>	10,715.8
<p>In FY 2003, the Executive recommends an increase of \$10.7 million General Fund for fee-for-service expenditures for Indian Health Services (IHS) referrals. This amount reflects growth in expenditures for Indian Health Service (IHS) cases that are referred to a provider contracted with an IHS facility.</p>	
General Fund	10,715.8
<b>Acute Care Reinsurance</b>	1,824.6
<p>In FY 2003, the Executive recommends an increase of approximately \$1.8 million General Fund above the revised FY 2002 appropriation to address growth in reinsurance expenditures. Reinsurance is a stop-loss mechanism by which AHCCCS covers expenditures at a 75% coinsurance rate once the cost of a catastrophic case reaches a contractually-determined deductible level. The supplemental requirement is attributed to the growth in member months above the appropriated level.</p>	
General Fund	1,824.6
<b>Acute Care Medicare Premiums</b>	2,652.5
<p>In FY 2003, the Executive recommends an increase of approximately \$2.6 million General Fund above the revised FY 2002 appropriation. AHCCCS pays Medicare Part A and Part B premiums for Medicare-eligible Title XIX recipients and certain low-income Medicare beneficiaries (known as Qualified Medicare Beneficiaries [QMB]) and Specified Low-Income Medicare Beneficiaries (SLMB); and deductibles and coinsurance payments for QMBs. The amount reflects growth in the number of individuals eligible for various Medicare buy-in programs.</p>	
General Fund	2,652.5
<b>Acute Care Disproportionate Share</b>	(1,342.7)
<p>In FY 2003, the Executive recommends a reduction of (\$1.3 million) in General Fund for the savings associated with the increase to the Federal Fiscal Year (FFY) 2003 Federal Medical Assistance Percentage (FMAP). The federal DSH program was authorized to compensate health care providers that serve a disproportionate share of indigent patients. This savings reflects the decrease in the state's FMAP.</p>	
General Fund	(1,342.7)

## Acute Care - Third Party Liability

FY 2003

96.8

AHCCCS contracts with a private collection agency to recover third-party payer reimbursements that are used to offset the General Fund budget for acute care services. Third-Party collections have decreased over the last several years and are expected to decrease further. In FY 2003, the Executive recommends an increase of \$96,800 General Fund to offset the decrease in Third Party Liability revenue.

General Fund	96.8
<b>Proposition 204 Adjustment</b>	66,762.9
<p>Proposition 204 enables thousands of Arizonans to receive health care coverage from AHCCCS. While Proposition 204 identified Tobacco Settlement revenue as the source of funds for providing the state match, the program still requires additional funding from the General Fund.</p>	
General Fund	66,762.9
<b>DOC Inmate Medical Coverage</b>	250.0
<p>The Department of Corrections will expend approximately \$15.0 million this year for inmate inpatient care. In FY 2003, the Executive recommends an increase of \$250,000 for AHCCCS to pursue medical coverage of inpatient care of Department of Corrections inmates.</p>	
General Fund	250.0
<b>Long-term Care Services</b>	13,624.2
<p>In FY 2003, the Executive recommends a General Fund increase of \$13.6 million to address caseload growth beyond the appropriated level. The original FY 2003 appropriation assumed annual caseload growth of 6%. However, caseloads actually grew by nearly 9%. The recommended amount includes a (\$193,700) savings due to FMAP changes in FY 2002.</p>	
General Fund	13,624.2
<b>Medical Services Stabilization Fund Offset</b>	37,035.6
<p>In FY 2002, the Medical Services Stabilization Fund (MSSF) is used to offset a portion of the General Fund obligation for the AHCCCS budget. In FY 2003, this option will not be available because the balance of the MSSF will be exhausted. The Executive recommends the restoration of previously offset General Fund to the AHCCCS budget. The Executive recommends use of the entire available fund balance to offset the shortfall.</p>	
General Fund	37,035.6
<b>State Emergency Services (SES) Funding</b>	13,244.6
<p>The Executive recommends, pursuant to Laws 2001, First Special Session, Chapter 1, Section 9, an appropriation of \$13.2 million for the provisions of the SES program.</p>	
General Fund	13,244.6
<b>Disproportionate Uncompensated Care Funding</b>	3,500.0
<p>The Executive recommends, pursuant to Laws 2001, Chapter 344, Section 124, an appropriation of \$3.5 million for Disproportionate Uncompensated Care (DUC) payments.</p>	
General Fund	3,500.0
<b>Tobacco Tax State Match Offset</b>	0.0
<p>In FY 2003, the Executive recommends using an additional \$10 million in Tobacco tax for match funding of the State's Medicaid program. This proposal would offset the General Fund requirement and result in a savings to the General Fund.</p>	
General Fund	(10,000.0)
Tobacco Tax & Health Care Fund	10,000.0

All dollar entries are expressed in thousands.

	FY 2003
<b>Premium Sharing Parents / HIFA II</b>	(10,000.0)
Pursuant to the stipulations of the Health Insurance Flexibility Act (HIFA) waiver II, the Executive recommends the repeal of the Premium Sharing Program. Under HIFA II, the State can provide coverage to 20,000 individuals instead of 6,000 in Premium Sharing at almost half the cost. This recommendation works in concert with the Executive recommendation to pass the HIFA II waiver and realize the savings of enhanced match federal funding.	
Tobacco Tax & Health Care Fund	(10,000.0)
<b>Non-Categorical Capitation Rate Savings</b>	(8,000.0)
Each population in AHCCCS has a capitation rate determined actuarially. The rapid growth of Proposition 204 enrollees is driving the corresponding capitation rate lower. The Executive recommends adopting a lower capitation rate for non-categorically linked enrollees effective April 1, 2002.	
General Fund	(8,000.0)
<b>Enhanced Match/HIFA II Savings</b>	(10,000.0)
The passage of the Health Insurance and Flexibility Act (HIFA) waiver II will enable the State to realize \$10.0 million in savings. The 10% additional enhanced match of federal funds under the arrangements of the waiver means less is required for the State match. These federal funds will be used to reduce the State share of expenditures related to Proposition 204 enrollees.	
General Fund	(10,000.0)
<b>ALTCS County Subsidy</b>	(12,453.0)
The Arizona Long-Term Care System (ALTCS) is funded predominantly by the counties, however, the State shares in 50% of the growth in ALTCS program expenditures. The State also absorbs the costs for counties whose contributions are increasing, due to a shift in contribution amounts determined by a statutory funding methodology to determine costs. In FY 2003, the Executive recommends a freeze in the state subsidy for county costs associated with the AHCCCS Long-Term Care program.	
General Fund	(12,453.0)
<b>County DUC Pool for State Match</b>	(6,500.0)
In FY 2003, the Executive recommends converting the county share of the Disproportionate Uncompensated Care (DUC) pool to state matching funds for the Acute Care program.	
General Fund	(6,500.0)
<b>State DUC Pool Elimination</b>	(3,500.0)
In FY 2003, the Executive recommends the \$3.5 million appropriated for Disproportionate Uncompensated Care (DUC) funding be eliminated.	
General Fund	(3,500.0)
<b>State Emergency Services</b>	(10,000.0)
The State Emergency Services is a state-only funded program. The Executive recommends the elimination of payments to hospitals. The Executive also recommends that the private disproportionate share pool be increased.	
General Fund	(10,000.0)
<b>MSSF Repayment Deferral</b>	(5,467.0)
The Executive recommends repealing Laws 2001, First Special Session, Chapter 1, Section 12, thereby requiring the repayment of \$5.4 million to the Medical Services Stabilization Fund from the General Fund.	
General Fund	(5,467.0)

	FY 2003
<b>Acute Care Graduate Medical Education</b>	(3,254.3)
The Graduate Medical Education program compensates hospitals that have medical education programs. The amount funded is adjusted annually by the increase or decrease in the Data Resources Incorporated hospital market index for prospective hospital reimbursements.	
In FY 2003, the Executive recommends the reduction of (\$3.2 million) in the Graduate Medical Education program.	
General Fund	(3,254.3)
<b>Children's Health Insurance Program Administration</b>	2,749.6
Federal law allows AHCCCS to use up to 10% of the total cost of the program for administration and outreach. Accordingly, in FY 2003, the Executive recommends an appropriation in the amount \$2.7 million from the Children's Health Insurance Program Fund for administrative expenditures associated with caseload growth in the Kids Care program.	
Children's Health Insurance Program	2,749.6
<b>Benefit Package Changes</b>	(1,500.0)
In FY 2003, the Executive recommends that AHCCCS eliminate coverage of adult emergency dental expenses and circumcisions of newborn males.	
General Fund	(1,500.0)
<b>County Net Loss</b>	(4,424.7)
The Executive recommends, pursuant to Laws 2001, Chapter 344, Section 119, providing funding for counties' net loss in revenue due to the implementation of Proposition 204. The amount required in FY 2003 is lower than in FY 2002 resulting in a FY 2003 recommended savings. The recommendation would not provide funds to counties with populations that are greater than 750,000.	
General Fund	(4,424.7)
<b>Freedom to Work</b>	(123.4)
The Ticket to Work Incentives Act of 1999 is federal legislation that improves access to employment training and placement services for people with disabilities who want to work. The act created two Title XIX eligibility groups that states may opt to cover in their Medicaid programs. Arizona elected an income eligibility limit of 250% of the Federal Poverty Level (FPL) for the program. In FY 2003, the Executive recommends the elimination of funding for this program.	
General Fund	(123.4)
<b>Children's Health Insurance Program Services</b>	11,178.9
The KidsCare program is a Federal Title XXI program administered by AHCCCS. The tremendous caseload growth in previous years has begun to stabilize. In FY 2003, the Executive recommends \$11.2 million to address anticipated caseload growth of approximately 14% above the FY 2002 forecast. The total tobacco tax committed to this program in FY 2003 is \$22.1 million.	
Children's Health Insurance Program	11,178.9
<b>Department of Economic Security</b>	
	FY 2003
<b>Long-term Care Match Surplus</b>	3,672.0
The revised FY 2003 recommendation assumes a 10% placed member month growth and a capitation rate increase of 0% on October 1, 2002. The savings is also associated with an increase in the Federal Medical Assistance Percentage (FMAP) for FFY 2003, which decreases the amount that the State must provide in match monies.	
General Fund	3,672.0
<b>Developmental Disabilities HCBS</b>	(3,131.7)
In FY 2003, the Executive recommends a reduction of (\$3.1 million) for Developmental Disabilities Home and Community-Based Services.	
General Fund	(3,131.7)

All dollar entries are expressed in thousands.

	FY 2003
<b>DDD State-Funded Long Term Care Services Growth</b>	871.2
For FY 2003, the Executive recommends additional expenditure authority for the Long-term Care System Fund to address the growth in non-General Fund revenue.	
Dept Long-Term Care System	871.2
<b>DDD Infrastructure Concerns</b>	(354.0)
In FY 2003, the Executive recommends a reduction of (\$354,000) for one-time equipment costs incurred in FY 2002.	
General Fund	(354.0)
<b>Administration Costs</b>	(1,853.8)
For FY 2003, the recommendation includes a reduction of (\$1.6 million) from the General Fund and (\$259,000) from the TANF Block Grant for administration costs. This is one of the issues the Department identified in response to the Governor's request for budget reduction options.	
General Fund	(1,594.8)
Temporary Assistance for Needy Families (TANF)	(259.0)
<b>Lease-Purchase Equipment</b>	(108.0)
For FY 2003, the recommendation includes a reduction of (\$108,000) from the General Fund for reductions in lease-purchase payments.	
General Fund	(108.0)
<b>Statewide Cost Allocation Plan (SWCAP) Fund Shift</b>	0.0
For FY 2003, the recommendation increases the appropriation from the General Fund by \$2.0 million. There is a corresponding reduction of (\$2.0 million) SWCAP. This recommendation reverses a one-time SWCAP fund shift in FY 2002.	
General Fund	2,000.0
Statewide Cost Allocation Plan Fund	(2,000.0)
<b>Adoption Services</b>	2,121.6
For FY 2003, the recommendation includes an additional \$2.1 million from the General Fund for adoption services. The Executive anticipates an 11% increase in the caseload in FY 2003. The appropriation would provide services to an average of 6,540 children at a General Fund cost of \$296 per child per month.	
General Fund	2,121.6
<b>Children Services</b>	(6,981.1)
For FY 2003, the Executive recommends a reduction of (\$7.0 million) from the General Fund for children services. The General Fund monies would be replaced by TANF funds that would be transferred to the Social Services Block Grant (SSBG).	
General Fund	(6,981.1)
<b>TANF Transfer to SSBG</b>	4,331.7
For FY 2003, the recommendation includes an increase of \$4.3 million from the TANF Block Grant. These funds would be transferred to SSBG and spent in children services.	
Temporary Assistance for Needy Families (TANF)	4,331.7
<b>Intensive Family Services</b>	(1,050.0)
For FY 2003, the recommendation includes a reduction of (\$1.1 million) from the General Fund for intensive family services. This is one of the issues the Department identified in response to the Governor's request for budget reduction options.	
General Fund	(1,050.0)
<b>CMDP Cost Shift</b>	(572.9)
For FY 2003, the recommendation reduces the General Fund appropriation for the comprehensive medical and dental program (CMDP) by (\$572,900). The Department is currently spending 100% General Fund monies on clients who are eligible for federal Title XIX funds. This is one of the issues the Department identified in response to the Governor's request for budget reduction options.	
General Fund	(572.9)

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	FY 2003
<b>Substance Abuse Treatment</b>	(333.3)
For FY 2003, the recommendation includes a reduction of (\$333,300) from the TANF Block Grant for substance abuse treatment. The reduction would eliminate the program. The Executive has proposed a statutory change that would repeal the statutes for this program.	
Temporary Assistance for Needy Families (TANF)	(333.3)
<b>Out-of-School Programs</b>	(500.0)
For FY 2003, the recommendation would eliminate the entire appropriation for out-of-school programs. The reduction is (\$500,000) from the TANF Block Grant. The Executive has proposed a statutory change that would repeal the statutes for this program.	
Temporary Assistance for Needy Families (TANF)	(500.0)
<b>Healthy Families</b>	250.0
For FY 2003, the recommendation includes a \$250,000 appropriation from the Child Abuse Prevention Fund to the division of children, youth and families for healthy families.	
Child Abuse Prevention & Treatment	250.0
<b>Equipment</b>	(2,904.7)
For FY 2003, the recommendation includes a reduction of (\$2.9 million) TANF from the operating budget in the division of children, youth and families. These one-time equipment funds were appropriated for child protective services (CPS) case managers, the CPS training academy and adoption case managers.	
Temporary Assistance for Needy Families (TANF)	(2,904.7)
<b>TANF Cash Benefits</b>	21,941.4
For FY 2003, the recommendation includes a \$21.9 million TANF increase for TANF cash benefits. The Executive expects that the Department will see a 14% increase in the caseload in FY 2003. The recommendation would provide an average of \$107 per month to an average of 121,600 non Navajo-Hopi recipients.	
Temporary Assistance for Needy Families (TANF)	21,941.4
<b>Tribal Welfare Reform</b>	(1,000.0)
For FY 2003, the recommendation eliminates the entire (\$1.0 million) TANF appropriation for tribal welfare reform. This is one of the issues the Department identified in response to the Governor's request for budget reduction options.	
Temporary Assistance for Needy Families (TANF)	(1,000.0)
<b>Previously Appropriated Legislation</b>	(424.3)
For FY 2003, there is an appropriation of \$868,500 from the TANF Block Grant for Arizona Works incentives that was not repealed. The FY 2002 appropriation is \$1.3 million.	
Temporary Assistance for Needy Families (TANF)	(424.3)
<b>Arizona Works</b>	(868.5)
For FY 2003, the recommendation eliminates the entire appropriation for Arizona Works incentives. The reduction is (\$868,500) from the TANF Block Grant. The Executive has proposed a statutory change that would repeal the statutes for this program.	
Temporary Assistance for Needy Families (TANF)	(868.5)
<b>Hopi Tribe Start-Up Costs</b>	(398.0)
For FY 2003, the recommendation includes a reduction of (\$398,000) from the TANF Block Grant for the Hopi Tribe's start-up costs. The FY 2002 funding is a one-time appropriation that is available for use in both FY 2002 and FY 2003.	
Temporary Assistance for Needy Families (TANF)	(398.0)
<b>DBME Operating Budget Reduction</b>	(200.0)
For FY 2003, the recommendation would reduce the TANF Block Grant appropriation to the operating budget in the division of benefits and medical eligibility by (\$200,000). The Department suggested this TANF reduction so that additional funds would be available for cash assistance caseloads.	

	FY 2003
Temporary Assistance for Needy Families (TANF)	(200.0)
<b>Outreach and Naturalization</b>	<b>(85.0)</b>
For FY 2003, the recommendation reduces the General Fund appropriation by (\$85,000) and eliminates the entire appropriation for outreach and naturalization. This is one of the issues the Department identified in response to the Governor's request for budget reduction options.	
General Fund	(85.0)
<b>Food Stamp Outreach</b>	<b>(50.0)</b>
For FY 2003, the recommendation includes a reduction of (\$50,000) from the TANF Block Grant. The cut would eliminate the entire appropriation for food stamp outreach. This is one of the issues the Department identified in response to the Governor's request for budget reduction options.	
Temporary Assistance for Needy Families (TANF)	(50.0)
<b>Child Care</b>	<b>(195.7)</b>
For FY 2003, the recommendation includes a reduction of (\$195,700) from the Child Care and Development Fund. In order to address dramatic increases in cash assistance caseloads, the recommendation funds child care rates at FY 2001 levels. The recommendation also adjusts the caseloads for each of the three child care programs.	
Child Care Development Fund	(195.7)
<b>Job Opportunities and Basic Skills (JOBS)</b>	<b>(6,000.0)</b>
For FY 2003, the recommendation includes a (\$6.0 million) decrease in the TANF Block Grant appropriation to the JOBS special line item. The Department suggested this TANF reduction so that additional funds would be available for cash assistance caseloads.	
Temporary Assistance for Needy Families (TANF)	(6,000.0)
<b>Summer Youth Employment and Training</b>	<b>(1,000.0)</b>
For FY 2003, the recommendation includes a reduction of (\$1.0 million) from the General Fund for summer youth employment and training. The reduction would eliminate the program. The Executive has also proposed a statutory change that would repeal the statutes for this program. This is one of the issues the Department identified in response to the Governor's request for budget reduction options.	
General Fund	(1,000.0)
<b>Employment Support Services</b>	<b>(500.0)</b>
For FY 2003, the recommendation includes a reduction of (\$500,000) from the General Fund for employment support services. There will be no changes in services provided because there will be an increase in the number of clients who are eligible for federal Title XIX funding. This is one of the issues the Department identified in response to the Governor's request for budget reduction options.	
General Fund	(500.0)
<b>Special Administration Fund Shift</b>	<b>0.0</b>
For FY 2003, the recommendation increases the General Fund appropriation to the JOBS special line item by \$2.0 million, and there is a corresponding reduction of (\$2.0 million) from the Special Administration Fund. There would be no change in either the total amount of funding or the services provided through JOBS.	
General Fund	2,000.0
Economic Security Special Administration	(2,000.0)
<b>Remote Initial Claims</b>	<b>(3,578.0)</b>
In FY 2002, the employment security administration is implementing a new system for claims filing using advanced telephone technology. In-person filing in thirty-one local offices would be replaced with two call centers, one in Phoenix and one in Tucson. For FY 2003, the recommendation includes a reduction of (\$3.6 million) of one-time Reed Act funds.	
Reed Act Fund	(3,578.0)

	FY 2003
<b>Non-Medical Home &amp; Community-Based Services</b>	<b>(3,700.0)</b>
For FY 2003, the recommendation includes a reduction of (\$3.7 million) from the General Fund for non-medical home and community-based services. This is one of the issues the Department identified in response to the Governor's request for budget reduction options.	
General Fund	(3,700.0)
<b>Councils of Government (COGs)</b>	<b>(1,038.9)</b>
For FY 2003, the recommendation reduces the TANF appropriation for the COGs by (\$1.0 million). This is one of the issues the Department identified in response to the Governor's request for budget reduction options.	
Temporary Assistance for Needy Families (TANF)	(1,038.9)
<b>Supplemental Payments</b>	<b>(306.0)</b>
For FY 2003, the Executive recommends a reduction of (\$306,000) from the General Fund for supplemental payments. This is one of the issues the Department identified in response to the Governor's request for budget reduction options.	
General Fund	(306.0)
<b>Coordinated Hunger</b>	<b>(500.0)</b>
For FY 2003, the recommendation reduces the TANF appropriation for coordinated hunger by (\$500,000). This is one of the issues the Department identified in response to the Governor's request for budget reduction options.	
Temporary Assistance for Needy Families (TANF)	(500.0)
<b>Older Americans Act State Match</b>	<b>49.0</b>
The federal Older Americans Act requires a state match for program funds. The current state appropriation will not allow the division of aging and community services to use the maximum amount of funds available to Arizona. For FY 2003, the Executive recommends an additional \$49,000 from the General Fund.	
General Fund	49.0
<b>Domestic Violence Fund Shift to TANF</b>	<b>0.0</b>
For FY 2003, the recommendation reduces the General Fund appropriation for domestic violence by (\$250,000). There is a corresponding increase of \$250,000 from the TANF Block Grant. This is one of the issues the Department identified in response to the Governor's request for budget reduction options.	
General Fund	(250.0)
Temporary Assistance for Needy Families (TANF)	250.0
<b>Adult Protective Services</b>	<b>(20.7)</b>
For FY 2003, the recommendation includes a reduction of (\$20,700) from the General Fund for one-time equipment expenses.	
General Fund	(20.7)
<b>Aging FTE Position</b>	<b>(1.5)</b>
For FY 2003, the recommendation annualizes a FY 2002 reduction for 1.0 FTE position in the division of aging and community services. The cut of (\$1,500) is from the General Fund. This is one of the issues the Department identified in response to the Governor's request for budget reduction options.	
General Fund	(1.5)
<b>Cochise County Child Support Privatization</b>	<b>206.9</b>
For FY 2003, the recommendation includes an increase of \$206,900 from the Child Support Enforcement Administration Fund to privatize child support enforcement services in Cochise County effective October 1, 2002. Cochise County will operate its own child support program until September 30, 2002.	
Economic Security DCSE Administration	206.9

All dollar entries are expressed in thousands.

	FY 2003
<b>Child Support County Participation</b>	123.1
For FY 2003, the Executive recommends an increase of \$123,100 from the Child Support Enforcement Administration Fund to cover increases in funding passed through to the counties. The counties receive more of the state share of retained earnings, federal incentives and fees as their collections increase.	
Economic Security DCSE Administration	123.1
<b>Pima County Child Support</b>	1,000.0
For FY 2003, the recommendation includes an increase of \$1.0 million from the General Fund for child support enforcement services in Pima County. The Executive will consider privatizing child support enforcement in Pima County.	
General Fund	1,000.0
<b>Environmental Quality</b>	
	FY 2003
<b>Forced Vacancy Savings</b>	(100.0)
In order to address budget shortfalls in FY 2003, the Executive recommends extending the hiring freeze to generate a reduction of (\$100,000) from vacancy savings. This recommendation will require that the Department keep open a minimum of 2.0 FTE positions in addition to other imposed vacancies.	
General Fund	(100.0)
<b>Reduce Clean Water Match</b>	(300.8)
In order to help offset budget shortfall in FY 2003, the Executive recommends a decrease of (\$300,800) from the pass-through matching funds to the Water Infrastructure Finance Authority (WIFA). It is also recommended that this reduction in matching funds be offset by an equal amount from other monies available to the WIFA. The State should still have the ability to meet the match requirement.	
General Fund	(300.8)
<b>FY 2002 Brown Cloud Projects</b>	(1,325.0)
The Executive recommends a decrease of (\$1.3 million) to comply with Laws 2001, Chapter 371, which in FY 2002 allocated monies from the Arizona Clean Air Fund to support several air quality improvement projects.	
Air Quality Fund	(1,325.0)
<b>Air Quality Program</b>	(65.0)
The Executive recommendation includes a decrease of (\$65,000) to adjust for the FY 2003 projected transfer amount from the Air Quality Fee Fund to Pima County. In 2001, the Legislature approved to transfer \$230,000 in FY 2002 and \$165,000 in FY 2003 from existing Air Quality Programs to this newly created line item. The recommended funding for FY 2003 will enable Pima County to establish air quality public outreach activities to minimize exposure to particulate matter concentrations.	
Air Quality Fund	(65.0)
<b>Water Quality Assurance Transfer</b>	5,000.0
The Executive recommends an increase of \$5.0 million to the FY 2002 base for the Water Quality Assurance Revolving Fund (WQARF) program. In order to mitigate any adverse impacts on the program's viability and on-going clean-up sites, it is recommended that Section 22 of Laws 2001, Second Special Session, Chapter 5 be amended to specify that no less than \$10 million will be transferred to WQARF in FY 2003. The program is partially funded through an annual \$15.0 million transfer from the Corporate Income Tax as required in A.R.S. § 49-282. Additionally, the WQARF collects receipts from various license and registration fees as provided in Arizona law. The Water Quality Assurance Revolving Fund program is the State Superfund, similar to the federal program in that it monitors, contains, and restores natural resources through investigation and remediation of soil and groundwater sites that have been contaminated with hazardous substances.	
General Fund	5,000.0

	FY 2003
<b>PC Lease and Replacement Equipment</b>	115.8
The Executive recommendation provides \$115,800 in FY 2003 to enable the Department to replace and upgrade information technology equipment including personal computers and to cover leasing costs of equipment that are being handled under a Government Information Technology Agency-approved statewide contract. This policy issue was approved as apart of the original FY 2003 budget.	
Air Quality Fund	6.9
Permit Administration	15.9
Indirect Cost Recovery Fund	93.0
<b>Emission Control - Annualization</b>	15,869.8
In FY 2003, the Executive recommends an increase of \$15.9 million to annualize the adjustment to the expenditure authority of the Vehicle Emission Inspection Fund to enable the Department to comply with A.R.S. § 49-544, and meet its contractual requirements.	
In FY 2003, the recommendation provides a total expenditure authority of \$35.7 million, including a downward adjustment of (\$3.6 million) to reflect the elimination of the program subsidies from the Arizona Clean Air Fund.	
The recommendation increase is necessary to align business practices with the legal requirements and to ensure proper revenue collection and disbursement. It is also recommended that the increased authority be established as a special line item to provide visibility and to be distinguished from the program's operating budget expenditures.	
DEQ Emissions Inspection	15,869.8
<b>Information Technology Security/Standards</b>	109.8
The recommendation provides \$109,800 in FY 2003 to enable the Department to obtain information technology security enhancements, protect its information systems from internal and external risk exposure, and to comply with state standards in the areas of security, hardware and software standardization. This policy issue was approved as part of the original FY 2003 budget. Without a secured and compatible information technology infrastructure, the Department and the State would assume significant risk exposure as harm and misuse could be perpetrated. The Government Information Technology Agency has reviewed and approved this initiative.	
DEQ Emissions Inspection	10.8
Hazardous Waste Management	8.0
Air Quality Fund	11.0
Recycling Fund	7.0
Permit Administration	16.0
Solid Waste Fee Fund	8.0
Water Quality Fee Fund	8.0
Indirect Cost Recovery Fund	41.0
<b>Previously Appropriated Legislation</b>	3,650.0
Laws 2001, Chapter 371 included several statutory changes and provided funding to implement key measures recommended by the Governor's Brown Cloud Summit. These projects were designed to reduce the brown cloud in the urbanized areas of the state, including imposing diesel engine idling restrictions in Area A of the state. In FY 2003, Chapter 371 includes \$3.6 million from the Arizona Clean Air Fund for deposits in the Air Quality Fee Fund for the purpose of funding a number of air quality improvement initiatives.	
Air Quality Fund	3,650.0

All dollar entries are expressed in thousands.



**Department of Health Services**

	FY 2003
<b>Lump Sum Reduction</b>	(4,835.3)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent, or (\$4,835,300) for the Department of Health Services.	
General Fund	(4,835.3)
<b>Arizona State Hospital - New Facilities</b>	2,000.0
The opening of the new facilities at the Arizona State Hospital will require additional staff to adequately support operating two separate areas, the original and new buildings. Accordingly, the Executive recommends \$2.0 million and 16.0 FTE positions.	
General Fund	2,000.0
<b>Children's Behavioral Health Title XIX</b>	3,630.2
The Executive recommends \$3.6 million of state match for Children's Behavioral Health Title XIX. This increase assumes enrollment for FY 2003 is 12% greater than FY 2002. The Executive assumes no capitation rate changes.	
General Fund	3,630.2
<b>Seriously Mentally Ill Title XIX</b>	5,085.2
The Executive recommends \$5.1 million of state match for Seriously Mentally Ill Title XIX. This increase assumes enrollment for FY 2003 is 12% greater than FY 2002. The Executive assumes no capitation rate changes.	
General Fund	5,085.2
<b>General Mental Health &amp; Substance Abuse Title XIX</b>	1,028.6
In FY 2003, the Executive recommends \$1.0 million of state match for Children's Behavioral Health Title XIX. This increase assumes enrollment for FY 2003 is 12% greater than FY 2002. The Executive assumes no capitation rate changes.	
General Fund	1,028.6
<b>Children's Rehabilitative Services Title XIX</b>	1,611.2
The shift to a capitated system for the Children's Rehabilitative Services Title XIX population has encouraged providers to more accurately reflect the Title XIX population. A significant increase in eligibles reflects more accurate record keeping rather than a real population increase and is expected to require an additional \$1.6 million in state funds.	
General Fund	1,611.2
<b>MSSF FY 2002 Fund Shift</b>	8,000.0
For FY 2002, the Legislature appropriated \$8.0 million of Medical Services Stabilization Fund monies for behavioral health. The Executive recommends offsetting this one-time expenditure with \$8.0 million of General Fund for FY 2003.	
General Fund	8,000.0
<b>Tobacco Tax Funding Offset</b>	0.0
For FY 2003, the Executive recommends changing the distributions to the Tobacco Tax Medically Needy and Education Accounts and supports legislation to implement the change. Presently, the Medically Needy Account receives 70% of the assessed tax; under the Executive proposal, the distribution would increase to 80%. Correspondingly, the current 23% Education Account distribution would be reduced to 8%. For FY 2003, the change would enable a \$15.5 million offset to the General Fund.	
General Fund	(15,500.0)
Tobacco Tax & Health Care Fund	15,500.0
<b>Arizona State Hospital Land Fund Shift</b>	0.0
The Executive recommends increasing the Arizona State Hospital Land Fund Shift appropriation from \$400,000 to \$650,000 in FY 2003 to offset a corresponding General Fund decrease. There is a \$0 net impact to the Department.	
General Fund	(250.0)

All dollar entries are expressed in thousands.

	FY 2003
DHS State Hospital Land Earnings	250.0
<b>Substance Abuse Services Fund Shift</b>	0.0
The Executive recommends increasing the Substance Abuse Services Fund appropriation from \$1.85 million to \$3.35 million in FY 2003 to offset a corresponding General Fund decrease. There is a \$0 net impact to the Department.	
General Fund	(1,500.0)
Substance Abuse Services Fund	1,500.0
<b>Serious Mentally Ill Services Fund</b>	0.0
In FY 2003, the Executive recommends offsetting behavioral health expenditures with \$2.0 million of interest from the SMI Services Fund and supports Legislation enabling this fund shift. The recommendation does not affect the principal. There is a \$0 net impact to the Department.	
General Fund	(2,000.0)
Serious Mental Illness Services Fund	2,000.0
<b>Mental Health Research Institute</b>	(2,500.0)
For FY 2003, the Executive recommends eliminating the \$2.5 million Medical Services Stabilization Fund appropriation for the Mental Health Research Institute and supports legislation to implement the recommendation.	
Medical Services Stabilization Fund	(2,500.0)
<b>TANF Technical Adjustment</b>	(7.5)
Special line items in the Department's budget funded by Temporary Assistance to Needy Families grants were line-item vetoed during the 2001, 2nd Special Session, but "back of the bill" funding remains. To completely remove all Temporary Assistance to Needy Families (TANF) funds from the Department's budget, the Executive recommends a (\$7,500) technical adjustment.	
Temporary Assistance for Needy Families (TANF)	(7.5)
<b>Final Year Appropriation</b>	(2,000.0)
Laws 1998, Chapter 237 appropriated \$5.0 million in FY 1999, \$2.0 million in FY 2000, \$2.0 million in FY 2001, and \$1.0 million in FY 2002 from the Tobacco Tax, Health Research Account for anticancer drug research. The Executive recommends a (\$1.0 million) reduction to conform with the legislation. Additionally, Laws 2001, Chapter 236, the original feed bill, provided \$1.0 million in FY 2002 and \$0 in FY 2003 of Tobacco Tax, Medically Needy Account monies for Community Health Centers. The Executive recommends a (\$1.0 million) decrease to align the FY 2003 base with the original legislation. Combined, these two issues reflect a (\$2.0 million) reduction.	
Tobacco Tax & Health Care Fund	(2,000.0)
<b>One-Time Appropriation</b>	(4,300.0)
Laws 2001, Second Special Session, Chapter 1 appropriated \$1.3 million of Emergency Medical Services Operating Fund and \$3.0 million of Spinal and Head Injuries Trust Fund monies to the Department to be distributed to trauma centers. Because of the one-time nature of the funding, the Executive recommends eliminating these appropriations from the base.	
Emergency Medical Operating Services	(1,300.0)
Spinal and Head Injuries Trust Fund	(3,000.0)
<b>Previously Appropriated Legislation</b>	(1,840.0)
Each year, a number of appropriations beyond those contained in the General Appropriations Act increase base budgets. Legislation passed during the 2001, Second Special Session affected some of these appropriations, and consequently, technical adjustments must be made for FY 2003. The Executive recommends reducing the Tobacco Tax, Medically Needy Account by (\$200,000), the Emergency Medical Services Operating Fund funding by (\$1.5 million), and the General Fund by (\$140,000) to conform to the Special Session changes.	

	FY 2003
General Fund	(140.0)
Tobacco Tax & Health Care Fund	(200.0)
Emergency Medical Operating Services	(1,500.0)

### Commission of Indian Affairs

	FY 2003
<b>Lump Sum Reduction</b>	(6.5)

In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The Commission will reduce or eliminate all discretionary spending.

General Fund	(6.5)
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### Arizona Pioneers' Home

	FY 2003
<b>Elimination of One-Time Equipment Funding</b>	(234.3)

For FY 2003, the Executive recommends the reduction of (\$234,300) for the elimination of one-time equipment funding.

Pioneers' Home Miners' Hospital	(234.3)
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<b>Lump Sum Reduction</b>	(53.8)
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In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The Agency can comply with this recommendation by reducing its staff by one to two nurse positions.

General Fund	(53.8)
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<b>Plumbing Renovations to Pioneers' Home</b>	600.0
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For FY 2003, the Executive recommends \$600,000 for plumbing renovations to the Pioneers' Home. For FY 2002, the Department of Administration was appropriated \$325,000 for the plumbing project. Thus far, the projected construction costs for the project are approximately \$1.4 million. The Executive recommends that the remainder of the costs for the plumbing project, \$500,000, be shifted to FY 2004. Since the estimated time-frame of the project is 18 months, the costs of the project can be spread over multiple years.

Pioneers' Home Miners' Hospital	600.0
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<b>Replace Miners' Fund</b>	0.0
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For FY 2003, the Executive recommends that the General Fund costs of \$1.8 million shifted to the Pioneers' Home Miners' Hospital Fund in FY 2002 shift back to the General Fund.

General Fund	1,764.3
Pioneers' Home Miners' Hospital	(1,764.3)

### Arizona Rangers' Pension

	FY 2003
<b>Inflation Adjustment</b>	0.2

In FY 2003, the recommendation includes an additional \$200 increase due to the expected 1.7% annual change in the Gross Domestic Product (GDP) price deflator.

General Fund	0.2
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### Department of Veterans' Services

	FY 2003
<b>Southern Arizona Veterans' Cemetery</b>	231.8

For FY 2003, the Executive recommends full funding for the first full-year operation of the Southern Arizona Veterans' Cemetery. The FY 2002 adjusted appropriation provided phase-in funding for the facility of \$110,200 from the General Fund.

General Fund	231.8
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<b>Delay Opening of Veterans' Cemetery</b>	(35.1)
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In order to address budget shortfalls in FY 2003, the Executive recommends a delay in the opening of the cemetery which would result in a General Fund savings in FY 2003. Due to recent delays in construction and contract awards, a November 1, 2002 opening is anticipated.

	FY 2003
General Fund	(35.1)

<b>Shift Part of Operating Cost to Cemetery Fund</b>	0.0
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Laws 2001, First Regular Session, Chapter 348 created the State Veterans' Cemetery Fund to acquire property and establish state veterans' cemeteries. The Executive recommends a one-time appropriation of funding in FY 2003 to assist the department with the opening and first year operations of Southern Arizona Veterans' Cemetery. Sufficient resources remain in this fund to cover the level of funding recommended by the Executive.

General Fund	(214.2)
State Veterans' Cemetery Fund	214.2

<b>Move Director's Office</b>	(24.0)
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In order to address budget shortfalls in FY 2003, the Executive recommends that the Director's Office move from private rental space to the Arizona State Veterans' Home. This move is expected to save the agency an estimated \$24,000 in General Fund each year.

General Fund	(24.0)
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<b>Fiduciary Division Rent</b>	0.0
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For FY 2003, the Executive recommends that General Fund support phase-out for the fair market value rent paid by the Fiduciary Division to the Veterans' Home. The Executive recommends an increase of \$17,900 cost to the State Veterans' Conservatorship Fund and a \$17,900 reduction to the General Fund.

General Fund	(17.9)
Veterans' Conservatorship Fund	17.9

<b>Veterans' Home Adult Day Care</b>	70.0
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In FY 2003, the Executive recommendation provides full year funding for the Adult Day Health Care program initiated in FY 2002. The program is expected to receive certification and begin operation by April 1, 2002. The program will provide services for 25 recipients when fully operational.

State Home for Veterans Trust	70.0
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<b>Veterans' Home Equipment</b>	57.3
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The Executive recommends the addition of \$57,300 in one-time equipment purchases to retrofit mattresses in the residents' rooms with specialized head and body entrapment safeguards. Recent concerns raised by the U.S. Department of Veterans' Affairs regarding possible injury to residents has made this specialized purchase necessary to ensure the health and safety of the Home's patients.

State Home for Veterans Trust	57.3
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## Inspection & Regulation

### Board of Accountancy

	FY 2003
<b>Elimination of One-time Equipment Funding</b>	(35.2)
For FY 2003, the Executive recommends a (\$35,200) reduction for the purchase of one-time equipment.	
Accountancy Board	(35.2)

### Boxing Commission

	FY 2003
<b>Lump Sum Reduction</b>	(2.2)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The Agency can comply to this recommendation by reducing its other operating expenses.	
General Fund	(2.2)

### Acupuncture Board of Examiners

	FY 2003
<b>State Boards Office Adjustment</b>	0.3
In FY 2003, the Executive recommends an increase of \$300 for State Board Office charges that were not included in the Board's budget last year.	
Acupuncture Board of Examiners	0.3

### Department of Agriculture

	FY 2003
<b>Livestock Program Reform</b>	(246.2)
In order to address budget shortfalls in FY 2003, the Executive recommends that the FY 2002 reductions in the Livestock program be annualized for the entire year for FY 2003.	
General Fund	(246.2)

<b>Red Imported Fire Ant</b>	(116.8)
In order to address budget shortfalls in FY 2003, the Executive recommends that the FY 2002 reductions in the Red Imported Fire Ant Special Line Item be annualized for the entire year of FY 2003.	
General Fund	(116.8)

### State Banking Department

	FY 2003
<b>Lump Sum Reduction</b>	(69.2)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The Agency will have hold one position vacant to compensate for this reduction.	
General Fund	(69.2)

### Department of Building and Fire Safety

	FY 2003
<b>Lump Sum Reduction</b>	(88.4)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The Agency can comply to this recommendation by reducing its staff by 2.0 to 3.0 FTE positions.	
General Fund	(88.4)

### Board of Chiropractic Examiners

	FY 2003
<b>Equipment</b>	(9.5)
For FY 2003, the Executive recommends a (\$12,900) reduction for the elimination of one-time equipment funding and an increase of \$3,400 for the purchase of a modular workstation and additional board room audience chairs.	
Chiropractic Examiners Board	(9.5)

FY 2003

<b>Assistant Attorney General</b>	(30.0)
For FY 2003, the Executive recommends the reduction of (\$30,000) for the one-time additional assistant attorney general services funding.	
Chiropractic Examiners Board	(30.0)

### Corporation Commission

	FY 2003
<b>Proposition 103</b>	399.3

Proposition 103 added two additional commissioners to the Commission. For FY 2003, the Executive recommends 6.0 FTE positions, \$375,300 from the General Fund and \$24,000 from the Utility Regulation Revolving Fund to cover salaries and related expenses for the two new commissioners, two commissioners' aides and two executive assistants.

General Fund	375.3
Utility Regulation Revolving	24.0

### Securities Division Internet Fraud Investigation

For FY 2003, the recommendation includes \$99,500 from the Securities Regulatory & Enforcement Fund to continue the one-time, non-lapsing appropriation in Laws 2000, Chapter 197. This funding will cover salaries and related expenses for 2.0 FTE positions and allow the Commission to continue its Internet-based securities fraud investigations.

Securities Regulatory & Enforcement	99.5
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### Risk Management Fund Shift

For FY 2003, the Commission will shift their entire (\$175,200) General Fund appropriation for risk management to other fund sources. This is one of the issues the Commission identified in response to the Governor's request for budget reduction options.

General Fund	(175.2)
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### Corporations & Securities Personnel

For FY 2003, the Commission will reduce expenditures in their corporations and securities divisions. This is one of the issues the Commission identified in response to the Governor's request for budget reduction options.

General Fund	(101.0)
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### Securities FTE Fund Shift

For FY 2003, the recommendation includes a reduction of (\$96,500) from the General Fund and a corresponding increase in the Securities Regulatory & Enforcement Fund. The Commission will be able to use Securities Regulatory & Enforcement Fund monies for 2.0 FTE positions in the securities division that are currently paid with General Fund monies.

General Fund	(96.5)
Securities Regulatory & Enforcement	96.5

### Rent Fund Shift

For FY 2003, the Commission will shift \$85,400 of their General Fund appropriation for rent to other fund sources. This is one of the issues the Commission identified in response to the Governor's request for budget reduction options.

General Fund	(85.4)
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### Annualization of FY 2002 Reductions

For FY 2003, the recommendation annualizes the Commission's FY 2002 General Fund reductions for an additional savings of (\$62,900).

General Fund	(62.9)
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### Equipment

For FY 2003, the recommendation reduces one-time equipment appropriations from the Utility Regulation Revolving Fund and the Pipeline Safety Revolving Fund. The recommendation also increases the appropriation from the Securities Regulatory & Enforcement Fund for one-time equipment expenditures.

All dollar entries are expressed in thousands.

	FY 2003
Utility Regulation Revolving	(221.9)
Pipeline Safety Revolving	(73.0)
Securities Regulatory & Enforcement	61.5

### Board of Dental Examiners

	FY 2003
<b>Contract Investigator Funding</b>	15.0

In FY 2003, the Executive recommends increased funding of \$15,000 for the Chief of Investigations position. Caseloads have grown approximately 9% annually, compelling the agency to create this position to supervise and coordinate the activities of investigators contracted by the Board.

Dental Board Fund	15.0
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### Internet Access Funding

The Executive recommends funding \$2,300 in FY 2003 to restore the agency's Internet access. The move to privately leased office space compelled the agency to acquire a private Internet service provider.

Dental Board Fund	2.3
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### Department of Insurance

	FY 2003
<b>Lump Sum Reduction</b>	(154.4)

In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The Department would reduce seven positions to cover the cost of the reduction which will impact processing of consumer complaints and inquires, licensing or fraud investigations.

General Fund	(154.4)
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### Replacement Equipment - One-time funding reduction

For FY 2002, the Department was appropriated funding to replace two laser printers. This would reduce the funding for the one-time expense.

General Fund	(5.2)
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### Department of Liquor Licenses and Control

	FY 2003
<b>Lump Sum Reduction</b>	(62.9)

In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. This recommendation would result in 2.0 FTE positions, a Liquor Special Investigator and an Administrative Assistant, being held vacant.

General Fund	(62.9)
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### Board of Medical Examiners

	FY 2003
<b>Legal Fees</b>	13.6

For FY 2003, the Executive recommends \$13,600 for increased legal fees.

Medical Examiners Board	13.6
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### Elimination of One-Time Funding

For FY 2003, the Executive recommends an (\$18,000) reduction for one-time costs associated with establishing temporary investigative aide positions in FY 2002.

Medical Examiners Board	(18.0)
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### Web Host

For FY 2003, the Executive recommends \$18,000 for monthly management and developmental fees of the Board's web site.

Medical Examiners Board	18.0
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### State Mine Inspector

	FY 2003
<b>Lump Sum Reduction</b>	(30.0)

In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The Agency will have to hold vacant 1.5 FTE positions to compensate for this reduction.

General Fund	(30.0)
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### Database Conversion

In FY 2002, the Agency was provided \$23,000 to convert agency data to a new system. The Executive recommends reducing the FY 2003 appropriation by the amount of this one-time expenditure.

General Fund	(23.0)
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### Board of Nursing

	FY 2003
<b>Lump Sum Reduction</b>	(3.4)

In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent.

General Fund	(3.4)
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### Investigators

In FY 2001, the Nursing Board utilized monies set aside for unanticipated costs and hired seven temporary investigators and two permanent investigators in order to reduce the number of open cases. The Nursing Board anticipated that the number of open cases would be significantly reduced by the end of FY 2002. However, there continues to be a large number of open cases that warrant funding the temporary positions in FY 2003. For FY 2003, the Executive recommends funding the temporary positions and a (\$77,700) reduction for the decrease in costs associated with the positions.

Nursing Board	(77.7)
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### Elimination of One-Time Equipment Funding

For FY 2003, the Executive recommends the reduction of (\$44,800) for the elimination of one-time equipment funding.

Nursing Board	(44.8)
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### Assistant Attorney General

For FY 2003, the Executive recommends an increase of \$2,900 in Professional and Outside Services for Assistant Attorney General services.

Nursing Board	2.9
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### Network and Software Reduction

For FY 2003, the Executive recommends a reduction of (\$5,500) for the elimination of one-time Information Technology funding.

Nursing Board	(5.5)
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### Board Member Compensation Increase

For FY 2003, the Executive recommends a \$26,400 increase for Board per diem costs. The projected per diem increase is from \$100 per day to \$200 per day.

Nursing Board	26.4
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### Interstate Compact Dues

For FY 2003, the Executive recommends \$3,000 for the interstate compact dues.

Nursing Board	3.0
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### OSHA Review Board

	FY 2003
<b>Lump Sum Reduction</b>	(2.0)

The Executive recommends a (\$2,000) reduction in FY 2003. The Board's FY 2001 actual expenditures were lower than expected, leaving the board with more expenditure authority than projected.

General Fund	(2.0)
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## Department of Racing

FY 2003

### Drug Testing Contracts (39.0)

For FY 2003, the Executive recommends reducing the Department's budget by (\$39,000) to reflect savings associated with renegotiated drug testing contracts.

General Fund (39.0)

### Forced Vacancy Savings (28.3)

The Executive recommends keeping a 1.0 FTE administrative support staff position vacant and reducing the Department's budget by (\$28,300).

General Fund (28.3)

## Radiation Regulatory Agency

FY 2003

### Lump Sum Reduction (42.1)

In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The Agency will need to reduce inspection activities and turn in two assigned vehicles to compensate for this reduction.

General Fund (42.1)

## Department of Real Estate

FY 2003

### Lump Sum Reduction (78.7)

In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The Agency can comply to this recommendation with vacancy savings and/or retirements as well as revised expenditure priorities. This recommendation requires a statutory change.

General Fund (78.7)

### One-time lease purchase (23.5)

For FY 2003, the Executive recommends a (\$23,500) reduction for the elimination of its one-time lease purchase. This includes a (\$300) reduction for the interest amount paid on the agreement.

General Fund (23.5)

## Department of Weights and Measures

FY 2003

### Lump Sum Reduction (37.2)

In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. This reduction equates to (1.5) FTE positions being held vacant.

General Fund (37.2)

# Education

## Arizona Commission on the Arts

	FY 2003
<b>Community Service Projects</b>	(1,000.0)
The Executive recommends reducing the General Fund distribution to the Community Service Projects special-line item by (\$1,000,000) from \$1,775,000 to \$775,000 for FY 2003. Funds are used to provide matching grants for arts projects, organizational development, and discount tickets.	
General Fund	(1,000.0)
<b>Arts Trust Fund</b>	(500.0)
Laws 2001, 2nd Special Session, Chapter 2 reduced the \$2.0 million distribution to the Arts Endowment Fund to \$500,000 for FY 2002 and \$0 for FY 2003. The Executive supports this adjustment.	
General Fund	(500.0)

## State Board for Charter Schools

	FY 2003
<b>Lump Sum Reduction</b>	(16.4)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. As such, the State Board for Charter Schools' FY 2003 budget is decreased by (\$16,400). The agency has identified two main areas in which reductions can be recognized: a) renegotiation of a vendor contract to perform audits of charter financial statements and, b) decrease in supplies, printing and staff training costs, and in-state travel.	
General Fund	(16.4)
<b>Eliminate Charter School Parental Surveys</b>	(75.0)
For FY 2003, the Executive recommends a reduction of (\$75,000) from the Board's base budget to eliminate charter school parent surveys. The legislative footnote, which requires that all charter school parents and employees rate the quality of their respective schools, must be removed in order to enact this change.	
General Fund	(75.0)
<b>Eliminate Charter School Employee Surveys</b>	(25.0)
For FY 2003, the Executive recommends a reduction of (\$25,000) from the Board's base budget to eliminate charter school employee surveys. The legislative footnote, which requires that all charter school parents and employees rate the quality of their respective schools, must be removed in order to enact this change.	
General Fund	(25.0)

## State Board of Directors for Community Colleges

	FY 2003
<b>Lump Sum Reduction</b>	(3,351.2)
In order to address the budget shortfall for FY 2003, the Executive recommends a lump-sum reduction of two and one-half percent.	
General Fund	(3,351.2)
<b>Dual Enrollment</b>	(1,759.2)
The Executive recommends funding dual enrollment at 20% of the current operating and capital outlay state aid formulas beginning in FY 2003. The funding formula allows the community college districts to cover costs associated with their administrative duties for the program. The total annual reduction in aid by district is as follows: Cochise (\$38,100); Coconino (\$11,700); Graham; (\$264,200); Maricopa (\$1,147,000); Navajo (\$165,800); Pima (\$77,000); Pinal (\$46,300); and Yavapai (\$9,100).	
General Fund	(1,759.2)
<b>Eliminate Certification Fund</b>	(166.8)
The Executive recommendation includes a reduction of (\$166,800) from the Certification Fund for FY 2003. Upon conclusion of FY 2002, all instructor certification authority will rest with the individual community college districts.	

All dollar entries are expressed in thousands.

Community College Board	FY 2003 (166.8)
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## Department of Education

	FY 2003
<b>Lump Sum Reduction</b>	(372.0)
In order to address the budget shortfall in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. By using the General Services Administration and State Board of Education budgets as a base, the 2.5% decrease yields approximately \$372,000.	
General Fund	(372.0)
<b>Basic State Aid Entitlement</b>	120,725.3
For FY 2003, the Executive anticipates a General Fund increase of \$125.8 million for Basic State Aid, which includes the 2% inflation factor. This amount is based upon the following student growth assumptions: Preschool Disabled, 3.00%; Elementary, 1.21%; High School, 3.47%; Group B, 5.00%; and Net Assessed Value (NAV), 7.25%. In addition, the recommendation assumes a 17.35% growth in board sponsored charters and 2.81% increase in district sponsored charters. Lease and interest earnings from the Permanent Common School Land Trust fund are used to offset the General Fund obligation of funding K-12. In FY 2003, the Executive recommends a reduction of \$5.035 million to set the available amount at the FY 2001 level as required by Education 2000 and to account for debt service payments for Qualified Zone Academy Bonds.	
General Fund	125,760.3
Public Institutions Permanent School Earnings	(5,035.0)
<b>Previously Appropriated Legislation</b>	12,388.0
As part of the final judgement in Flores v. State of Arizona, the Court required that the State address inadequacies in program funding for limited English proficient K-12 pupils. In addition to the Group B weight increase, the Legislature created several grant programs to assist schools in educating non-English speaking students. The additional \$12.4 million identified in FY 2003 includes a \$2.6 million incremental increase to the Compensatory Instruction Fund and for the 4.5 FTE positions for the Arizona Department of Education/English Acquisition Unit. In FY 2003, \$4.5 million was added for the Teacher Training Fund, \$1.5 million for Instructional Materials, \$3.1 million in Classroom Personnel Bonuses, and \$750,000 for a K-3 literacy pilot program.	
General Fund	12,388.0
<b>Flores v State: Group B weight increase</b>	28,887.2
Laws 2001, Chapter 9 increased the Group B weight for English Learners to .115 from .060. The cost for this weight increase was estimated at \$28,887.0 million.	
General Fund	28,887.2
<b>Assistance to School Districts</b>	1.7
A.R.S. §15-976 provides financial assistance to school districts for educating children whose parents or legal guardians are employed by and domiciled near certain state institutions: The State Hospital, Arizona School for the Deaf and Blind, mental retardation centers, port-of-entry inspections stations and facilities maintained by the Department of Corrections (prisons). The combined amount of tuition and equalization aid per student may not exceed \$7,500. For FY 2003, the Executive recommends an increase of \$1,700 to fully fund the cost of this program.	
General Fund	1.7
<b>Additional State Aid to Schools</b>	31,213.1
For FY 2003, the Executive recommends an increase of \$31.3 million based on an assumption of 9% growth in Class Three property values and no growth in school districts' primary tax rates.	
General Fund	31,213.1

	FY 2003
<b>Permanent Special Ed. Institutional Voucher Fund</b>	1,725.2
The Permanent Special Education Institutional Voucher program funds the costs of special education students who are placed in the Arizona School for the Deaf and Blind and its regional cooperative programs, as well as the Arizona State Hospital. For FY 2003, the Executive recommends an increase of \$1.725 million to meet the anticipated cost of the Permanent Institutional Voucher program.	
General Fund	1,725.2
<b>Special Education Placement &amp; Residential</b>	693.6
In cases in which children require private residential special education institutionalization, the State contributes (based on a formula) toward the educational costs during the placement period. Minors are placed in these facilities by either of the following state agencies: a) Department of Economic Security, b) Department of Health Services, c) Department of Juvenile Corrections, or d) Administrative Office of the Courts. For FY 2003, the Executive recommends an increase of \$693,600 to meet the anticipated cost of the residential placement voucher program.	
General Fund	693.6
<b>Shift Achievement Testing to Prop 301/Fund Shift</b>	0.0
Proposition 301 authorized the distribution of up to \$7.0 million of the revenues generated from the 6/10th transaction privilege tax for the school accountability program (subject to legislative appropriation). The FY 2002 appropriation of approximately \$5.8 million was used to fund 6.0 FTE positions to produce achievement profiles and 8.0 FTE positions for the maintenance of the Student Accountability Information System (SAIS), in addition to funding to directly support the SAIS connectivity and related technical costs for school districts. In FY 2003, the Executive recommends the continuation of the annualized costs of these FTE positions (\$567,600), as well as \$3.9 million for Solutions Teams. The Executive also recommends an increase of \$1.1 million to partially support the costs of administering the Stanford 9 assessment, currently estimated at \$1.9 million. Accordingly, the General Fund appropriation for this program will be reduced by (\$1.1 million). The Arizona Department of Education will use the data compiled from Stanford 9 test results to establish Measures for Academic Progress (MAP) benchmarks for individual students. Aggregate MAP statistics are then used to create one component on which school achievement profiles are based for accountability purposes.	
General Fund	(1,100.0)
School Accountability Fund	1,100.0
<b>Reduce Soft Capital Allocation</b>	(118,000.0)
The Equalization Aid formula consists of three major components: Revenue Control Limit, Capital Outlay Revenue Limit and Soft Capital Allocation. The first two are used mainly to offset maintenance and operations of schools, while the soft capital allocation, which is disbursed on a per-pupil basis (currently set at \$194.30, adjusted upward for small and isolated schools), is used for textbooks, equipment and school buses. Charter schools, the Arizona Department of Juvenile Correction (DJC), the Arizona Department of Corrections (DOC), and the Arizona School for the Deaf and the Blind (ASDB) also receive soft capital funding through their respective funding formulas. For FY2003, the average per-pupil district cost (with appropriate adjustments and weights) is estimated at approximately \$226. The Executive's recommendation of \$118 million includes a reduction to school district funding by approximately 58% and applies the average per-pupil reduction of \$131 to additional assistance for charter schools, and capital per-pupil funding for DJC, DOC and ASDB. Statutory changes are needed to enact this recommendation.	
General Fund	(118,000.0)

	FY 2003
<b>Modify QTR for K-8 v. 9-12</b>	(15,800.0)
Currently, the total qualified tax levy of \$4.12 is split equally between K-8 and 9-12 grade levels for unified districts. When calculating the state equalization aid, 50% of the revenues generated from the levy is applied to K-8 and 50% to 9-12. This proposal would modify the 50/50 split to 70/30 – 70% of the QTR to the K-8 grades and 30% to the 9-12 grades. This would have the effect of reducing the state aid obligation to K-8 formula costs. Under this scenario, the portion of QTR left unused for 9-12 for non-state aid districts can shift to cover more costs in the K-8 levels. This also applies to high school districts and the elementary districts that feed into them. A statutory change to A.R.S. § 41-1276 would be needed to enact this change.	
General Fund	(15,800.0)
<b>Truth in Taxation: Cap at FY 2002 level</b>	(25,317.8)
Laws 1998, Chapter 153 requires an annual adjustment of the Qualifying Tax Rate (QTR) and the County Equalization "local share" tax rates in order to compensate for changes in property values for existing properties. The adjustments require increases to the Basic State Aid entitlement formula because the State is required to absorb the local share funding which would be lost because of a lower QTR or county equalization rate. In FY 2003, The Executive recommends that the QTR of \$2.0647/\$4.1294 and the county equalization rate of \$0.4974 remain constant for FY 2003. This will yield approximately \$25.3 million in General Fund savings in FY 2003. A notwithstanding clause is needed to A.R.S. § 41-1276 to enact this change.	
General Fund	(25,317.8)
<b>Cap Desegregation Expenditures at FY 2002 level</b>	0.0
Pursuant to A.R.S. § 15-910, districts may budget for expenses required or permitted by a federal court order of desegregation or administrative agreement with the United States Office of Civil Rights. Currently, 19 school districts in Arizona budget for desegregation costs. Three districts -- Tucson Unified, Phoenix Union and Phoenix Elementary -- are under court orders, and the remaining districts have administrative agreements. In FY 2002, budgeted desegregation expenditures are estimated at \$194.1 million.	
For FY 2003, the Executive proposes a cap on desegregation expenditures at the FY 2002 level. This proposal is consistent with the Governor's Taskforce on Efficiency and Accountability in K-12 Education report, "Improving Student Achievement in Arizona - A Call to Action," which recommends that school desegregation expenditures should be maintained at their current levels for two years. During this two-year period, the report advocates that the State conduct a comprehensive programmatic review of desegregation programs statewide. To enact this change, the Executive proposes statutory changes identical to the language contained in the House Engrossed version of HB2550 and SB1213 (strike-everything amended) introduced as part of the 2002 2nd Regular Session.	
General Fund	0.0
<b>Arizona Historical Society</b>	
	FY 2003
<b>Lump Sum Reduction</b>	(116.9)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. This reduction would have an impact on projected salary savings and limit the Agency's ability to handle any unanticipated expenses.	
General Fund	(116.9)

All dollar entries are expressed in thousands.

**Prescott Historical Society**

	FY 2003
<b>Lump Sum Reduction</b>	(18.8)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The Agency can comply to this recommendation by decreasing its staff by 1.0 FTE position.	
General Fund	(18.8)

**Board of Medical Student Loans**

	FY 2003
<b>Lump Sum Reduction</b>	(7.1)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. Because there are no administrative expenses associated with this budget, reductions directly affect student loan distributions.	
General Fund	(7.1)

**Commission for Postsecondary Education**

	FY 2003
<b>Lump Sum Reduction</b>	(41.2)
In order to address the budget shortfall for FY 2003, the Executive recommends a lump-sum reduction of two and one-half percent.	
General Fund	(41.2)

**Arizona State Schools for the Deaf and the Blind**

	FY 2003
<b>One-Time Equipment Costs Decrease</b>	(709.7)
In FY 2002, ASDB was appropriated \$709,700 for a coach bus, bus repairs and upgrades, upgrades to the agency's LAN/WAN system, educational and non-educational equipment and a new audio system. Since these are one-time costs in FY 2002, the agency's FY 2003 budget reflects a (\$709,700) decrease.	
General Fund	(709.7)

**Medicaid Reimbursement/GF Offset**

	(582.0)
Under the federal Medicaid in Public Schools (MIPS) program, all local education agencies, such as school districts, charter schools, and the Arizona School for the Deaf and Blind (ASDB) are qualified to receive reimbursement for up to 65% of expenditures for authorized medical and therapeutic services provided for Medicaid eligible students between the ages of 3-22. The covered services include speech, occupational, and physical therapies, nursing and behavioral health services, and eligible transportation costs. ASDB estimates that the annual reimbursement will yield approximately \$582,000. Therefore, in FY 2003, the Executive recommends a base budget reduction to the agency's General Fund appropriation of (\$582,000).	
General Fund	(582.0)

**Shift Security Funding to School Safety**

	(247.7)
In FY 2002, \$247,700 and 10.4 FTE were appropriated for security guards at the Tucson and Phoenix campuses. In FY 2003, the Executive proposes that this General Fund appropriation be eliminated in lieu of an equivalent allocation from the school safety program. Pursuant to A.R.S. § 15-154, a public school district can apply to participate in the school safety program, provided that the school district submit a detailed plan related to school safety needs, implementation of a law related education program, and the use of trained school resource officers or juvenile probation officers. The Executive plans to work in cooperation with the School Safety Program Oversight Committee and the State Board of Education to ensure that the administrative details related to the application process are submitted in proper form.	
General Fund	(247.7)

FY 2003

**Prop 301/GF Offset**

	(13.0)
In the November 2001 Special Session, ASDB was included as a recipient to the Proposition 301 Classroom Site Fund. The JLBC estimated that in FY 2002, ASDB would receive \$362,000. The agency's General Fund appropriation was reduced to offset this new revenue source. In FY 2003, the Executive estimates that the ASDB allocation from the Classroom Site Fund will increase by \$13,000 and therefore recommends that the agency's General Fund appropriation be reduced by (\$13,000).	
General Fund	(13.0)

**Extra School Days**

	84.9
As part of the Proposition 301 initiative passed by voters in November 2000, one extra school day was added every year for the next five years. Proposition 301 included a set-aside amount for all educational institutions affected by the increased school days mandate. However, due to ASDB's lower student-teacher ratio, a General Fund enhancement of \$84,900 is required.	
General Fund	84.9

**Replacement Buses**

	265.0
In the original FY 2002 - 2003 budget, ASDB received an appropriation of \$572,000 for three new minibuses, bus repairs, upgrades for the agency's LAN/WAN system, and educational and non-educational equipment. In light of the FY 2003 budget shortfall, the Executive recommends only \$225,000 for the three new buses and \$40,000 for repairs to existing buses.	
General Fund	265.0

**School Facilities Board****Lump Sum Reduction**

	FY 2003
	(9,591.3)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. As such, the School Facilities Board's FY 2003 budget is decreased by (\$9.5 million). The Executive proposes that a decrease in the Building Renewal allocation reflect the entirety of this reduction. The Executive further recommends that small and poor districts should be held harmless against this decrease in funding.	
General Fund	(9,591.3)

**Building Renewal Formula Adjustment**

	(3,725.9)
The School Facilities Board's FY 2002 base budget currently includes \$132 million for Building Renewal. In January 2002, the Board revised the FY 2003 preliminary estimate downward to \$128.3 million. Therefore, the Executive recommends a reduction of (\$3.7) million from the agency's base budget. It should be noted that in the November 2001 Special Session, \$25.6 million was transferred from the Building Renewal Fund, however, the agency's base was not altered.	
General Fund	(3,725.9)

**Reduce Building Renewal**

	(50,000.0)
The Executive recommends a reduction of (\$50.0 million) in the Building Renewal allocation that the School Facilities Board distributes to school districts.	
General Fund	(50,000.0)

All dollar entries are expressed in thousands.



FY 2003

0.0

**Statutory Changes**

The Executive recommends the following statutory changes for the School Facilities Board:

Deficiencies Corrections - Eliminate the repeal provision for the Deficiencies Corrections program. The School Facilities Board reports that on their current course, they will not complete the deficiencies corrections by June 30, 2003. In addition, the School Facilities Board anticipates that they may have to use portions of the fund to support the costs of litigation against contractors who do not complete the agreed upon work or perform shoddy construction.

New School Construction – a) Allow the School Facilities Board to deny a high school to a unified district, b) Leasing of school district buildings and c) Prohibit school districts from modifying existing grade configurations of schools, d) Provide the Board with authority to delay new construction of projects up to six months if necessary.

General Fund 0.0

**Board of Regents**

FY 2003

**Lump Sum Reduction** (190.6)

In order to address the budget shortfall for FY 2003, the Executive recommends a lump-sum reduction of two and one-half percent.

General Fund (190.6)

**Arizona State University - Main Campus**

FY 2003

**Lump Sum Reduction** (6,797.8)

In order to address the budget shortfall for FY 2003, the Executive recommends a lump-sum reduction of two and one-half percent.

General Fund (6,797.8)

**Arizona State University - West Campus**

FY 2003

**Lump Sum Reduction** (961.3)

In order to address the budget shortfall for FY 2003, the Executive recommends a lump-sum reduction of two and one-half percent.

General Fund (961.3)

**Arizona State University - East Campus**

FY 2003

**Lump Sum Reduction** (329.3)

In order to address the budget shortfall for FY 2003, the Executive recommends a lump-sum reduction of two and one-half percent.

General Fund (329.3)

**Northern Arizona University**

FY 2003

**Lump Sum Reduction** (2,833.2)

In order to address the budget shortfall for FY 2003, the Executive recommends a lump-sum reduction of two and one-half percent.

General Fund (2,833.2)

**University of Arizona - Main Campus**

FY 2003

**Lump Sum Reduction** (7,071.1)

In order to address the budget shortfall for FY 2003, the Executive recommends a lump-sum reduction of two and one-half percent.

General Fund (7,071.1)

**University of Arizona - Health Sciences Center**

FY 2003

**Lump Sum Reduction** (1,419.2)

In order to address the budget shortfall for FY 2003, the Executive recommends a lump-sum reduction of two and one-half percent.

General Fund (1,419.2)

# Protection and Safety

## Department of Corrections

FY 2003

2,415.7

### Inmate Population

FY 2003

9,344.8

The Executive recommends an increase of \$9.3 million to provide for an estimated average daily population in FY 2003 of 29,325, an increase of 2,647 over the funded level of 27,642 in FY 2002. The annual marginal cost of each additional inmate is \$3,531.

This recommendation is based on population growth of 200 inmates per month during March 2002 through September 2002 and 118 per month thereafter. The growth rate during 1990-1998 averaged 114 inmates per month followed by a dip in growth from May 1999 through October 2001, averaging 39 per month. Since October 2001 inmate population has grown at the rate of 202 per month. The slowdown during 1999, 2000, and 2001 was due, in large part, to a backlog at the Superior Courts which is now being alleviated with the addition of new judges, prosecutors, and public defenders. As the backlog is reduced, the state prisons experience a larger-than-normal increase in the number of inmates entering the prisons. The Executive long-term growth estimate is 118 inmates per month with a one-year, high-growth period of 200 per month through September 2002.

General Fund 9,344.8

### Criminal Code - Credit for Jail Time (2,450.5)

The Executive recommends changing the criminal code to give inmates credit for good-time served while incarcerated in county jails before their transfer to a state prison. Currently, time spent in county jails prior to transfer to DOC is not counted. The Department estimates this change would affect 694 currently-incarcerated inmates. In the event that the recommended change is not adopted there would be additional expenditures required to house 694 inmates. At an average annual per-capita marginal cost of \$3,531, the operational cost would equal \$2.4 million. In addition, the additional 694 inmates would require facilities and staffing for housing the inmates amounting to approximately \$14.8 million per year for operations and one-time expenditures of \$34.7 million for construction of facilities.

General Fund (2,450.5)

### Criminal Code - Sentence Length (953.4)

The recommendation would reverse a change made to the criminal code during a major rewrite in 1987 and provides that all sentences for incarceration of less than one year in length be served in jails and all longer sentences would be served in prisons, but only in counties with populations greater than 750,000. This would continue the intent of the pre-1987 practice.

According to the Department, 1,094 currently incarcerated inmates would be affected by this change. However, this change would not affect these inmates, but would be implemented for new sentences. In the event that the recommended change is not adopted there would be additional expenditures required to house 1,094 inmates. The annual effect of having 1,094 offenders housed in prisons rather than jails would cost the state approximately \$3.9 million in annual marginal cost for inmate food, clothing, and health care. In addition, there would be annual expenditures of about \$23.4 million for staffing and operational expenditures and one-time costs of \$54.7 million to build another 1,094 beds.

Note that the marginal cost savings in FY 2003 amounts to (\$953,370) rather than the annual expected savings of (\$3.9 million), due to the implementation of the code change during the first year.

General Fund (953.4)

### Private: 250 Beds

The Executive recommends the immediate purchase of 250 private prison beds to help manage an expected bed deficit. The Executive believes a bed deficit of 2,500 is the limit of safe management of the prison system. With the implementation of the Executive recommendations for criminal code changes and the addition of 250 private beds and 229 temporary jail beds (see below), the bed deficit is estimated to be 2,427 at the end of July 2002. The recommended beds are available for a two-year period at a per-capita daily cost of \$26.47, considerably below the normal rate of about \$40.

General Fund 2,415.7

### Temporary Jail Beds 2,066.2

The Executive recommends \$2.1 million for payments to counties for use of an additional 229 jail beds at an average daily cost of \$49.44. The availability of jail beds is possible because of a current surplus. If the Executive recommendation to change the criminal code to remand offenders with sentences of less than one year to jails rather than prisons is enacted the available surplus of beds would probably be reduced. Therefore, the recommended funding for 229 jail beds covers the period from July 1, 2002 through February 1, 2002. If the recommendation for the criminal code change is not enacted, the Executive would recommend full-year funding for the temporary 229 jail beds.

General Fund 2,066.2

### Lewis: 400 DJC Beds 8,127.2

As part of the Executive recommendation for the Department of Juvenile Corrections, the Buckeye facilities are not required by DJC to house juveniles. The Executive recommends \$8.1 million and 225.0 FTE positions for DOC to use these 400 beds for level 2 and level 3 offenders. Of the \$8.1 million, \$3.0 million provides for start-up expenses: \$1.2 million for staff training, \$515,000 to upgrade security fencing, and \$1.3 million for equipment. The remaining \$5.1 million covers operational expenditures beginning December 1, 2002 at an average daily per-capita rate of \$60.00.

General Fund 8,127.2

### Lewis: Rast 350 Beds 6,817.8

The recommendation provides \$6.8 million and 195.0 FTE positions to open the last unit of the Lewis Prison Complex, Rast, in August 2002. The average daily per-capita cost at full operation of the additional 350 level-4 beds is \$60.66.

Corrections Fund 6,817.8

### Private: 400 Beds 669.2

The recommendation of \$669,200 and 4.0 FTE positions provides for the purchase of the 400 private beds on June 1, 2003. The recommended funding is at the daily per-capita rate of \$55.00.

General Fund 669.2

### Health Care 10,000.0

The Executive recommends \$10.0 million to cover the additional costs of health care at the prisons. The quantity and quality of health care of inmates in a state prison is a constitutional mandate. As health-care costs rise and as treatments mature for newly treated diseases, like HIV and Hepatitis C, the state is required to provide the community standard of care.

The total cost of health care at the Department has risen from \$50.0 million in FY 1997 to an estimated \$84.9 million in FY 2003. During the same period no additional funding has been appropriated for this purpose.

The Executive is also pursuing coverage for in-patient care of inmates through Federal Medicaid funding, amounting to approximately \$10.0 million per year. The Executive continues to support supplemental funding for health care issues in FY 2002.

General Fund 10,000.0

All dollar entries are expressed in thousands.

**Capital Plan for Prisons**

The Executive recommends the completion of the Tucson II prison complex and the buildout of the Tonto Unit at the Safford Prison. Prison population is expected to grow at a long-term growth rate of 118 inmates per month with a one-year, high-growth period of 200 per month through September 2002. Prison inmate population grew at a fairly consistent rate of about 114 per month from 1990-1998, but plunged to a rate of 39 per month from May 1999 through October 2001. Since October 2001 inmate population has grown at the rate of 202 per month. The slowdown during 1999, 2000, and 2001 was due, in large part, to a backlog at the Superior Courts which is now being alleviated with the addition of new judges, prosecutors, and public defenders. As the backlog is reduced, the state prisons experience a larger-than-normal increase in the number of inmates entering the prisons.

The Executive plan also contains two changes to the criminal code. First, providing credit for good-time served in jail before an inmate is transferred to a state prison. Second, requiring that offenders sentenced to less than one year of incarceration serve their time at a jail rather than a prison, but only in counties with populations greater than 750,000.

With inmate population continuing to grow, the Executive recommends the following new beds for the Department of Corrections, scheduled to open when the bed deficit exceeds 2,500:

- Private Prison - 250 Beds - July 2002
- Temporary Jail Beds - 229 Beds - July 2002
- Lewis: Rast - 350 Beds - August 2002
- Buckeye DJC Facility - 400 Beds - December 2002
- Private Prison - 400 Beds - June 2003
- Private Prison - 1,000 Beds - October 2003
- Safford: Tonto - 250 Beds - June 2004
- Tucson II: 1st Unit - 1,100 - October 2004

The 250 beds at the private prison and the 229 beds at county jails are immediately available.

The 350 beds of the Rast Unit are the last unopened beds at the Lewis Prison Complex.

The 400 beds currently being used by the Department of Juvenile Corrections are not needed for juveniles because of a declining population that is expected to continue with little change. The Executive recommends that DOC use these beds. Only slight modifications are needed to accommodate adults rather than juveniles, amounting to \$515,000. Funding for these modifications is included in the DOC operating budget recommendation.

The 400 and 1,000 private beds were originally funded in the FY 2000 and FY 2001 appropriations, but have been delayed because of slower than projected growth during FY 2000.

The Tonto Unit at the Safford prison is a partially completed unit. Addition of the 250 beds would complete a section. Much of the infrastructure was build as part of the original construction and the remaining 250 can be added at a cost of \$12.7 million, or \$50,700 per bed.

The Tucson II complex was originally funded in FY 1999 and FY 2000, but was delayed during FY 2000. The Executive recommends resuming timely construction to provide the first 1,100 beds when needed. At a total cost of \$229.0 million, the average bed will cost \$52,000. Included in that amount is a contingency amount of \$6.0 million to cover the possible cost of land currently in condemnation proceedings.

Corrections Fund 0.0

**Tucson II COP**

The Executive is recommending lease-purchase funding for the construction of Tucson II and the Tonto Unit in Safford. The total cost of the projects is \$241.7 million, but the COP amount is reduced by \$42.0 million because of the availability of Federal Truth-In-Sentencing money. The COP is calculated for \$199.7 million at a rate of 5% for 15 years with annual payments of \$19.2 million to be paid from the Corrections Fund. Annual COP payments are included in the DOC operating budget. The \$19.9 million FY 2003 payment, in the first year, includes roughly \$600,000 for transaction costs.

The Executive recommendation includes changing the footnote relating to DOA project management staff which was listed in the original Tucson II appropriation. When the Tucson II project was originally appropriated in FY 2000, DOA was authorized to use \$850,000 of the total construction appropriation for 16.0 FTE positions to manage the project. This amount was subsequently reduced when the project was suspended. With the recommendation to proceed with construction, the Executive recommends reverting to the original footnote language plus the addition of another 4.0 FTE positions and \$212,500 to manage the Safford prison addition.

Corrections Fund 19,869.1

**Security Expenditures**

0.0

The Executive recommends that an additional \$300,000 of security expenditures be paid from the state charitable, penal, and reformatory institution fund in lieu of the General Fund.

General Fund (300.0)  
State Charitable, Penal & Reformatory Land Earnings 300.0

**Arizona Criminal Justice Commission**

FY 2003

**Lump Sum Reduction**

(72.3)

In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent which will be distributed across the Commission's General Fund grant monies.

General Fund (72.3)

**Reduce State Aid to Indigent Defense**

(615.9)

The Executive recommends eliminating the General Fund appropriation for State Aid to Indigent Defense. This appropriation was initially established in Laws 1999, Ch. 346 to provide counties with additional funding to improve case processing.

General Fund (615.9)

**Reduce State Aid to County Attorneys**

(648.3)

The Executive recommends eliminating the General Fund appropriation for State Aid to County Attorneys. This appropriation was initially established in Laws 1999, Ch. 346 to provide counties with additional funding to improve case processing.

General Fund (648.3)

**Department of Emergency and Military Affairs**

FY 2003

**Response and Recovery Trainers**

(57.0)

In order to address budget shortfalls in FY 2003, the Executive recommends that expenditures on trainers for the Response and Recovery program be reduced. These positions provide training to the State, other agency and private personnel in disaster recovery and mitigation.

General Fund (57.0)

**Facility Maintenance**

(77.0)

In order to address budget shortfalls in FY 2003, the Executive recommends that expenditures on facility maintenance be reduced.

General Fund (77.0)

	FY 2003
<b>Administration Savings</b>	(27.8)
In order to address budget shortfalls in FY 2003, the Executive recommends that expenditures on Department administration be reduced.	
General Fund	(27.8)
<b>Tuition Assistance</b>	(57.8)
In order to address budget shortfalls in FY 2003, the Executive recommends that tuition assistance for soldiers and airmen in the Arizona National Guard be reduced. Tuition assistance will still increase by \$126,000 or 28% in FY 2003 over the FY 2001 level.	
General Fund	(57.8)
<b>Previously-Appropriated Legislation-Nuclear Emergency</b>	15.8
This issue was appropriated in Laws 2001, Ch. 277 and is included in the Executive recommendation for technical reasons.	
General Fund	15.8
<b>Board of Executive Clemency</b>	FY 2003
<b>Lump Sum Reduction</b>	(36.9)
In order to address budget shortfalls in FY 2003, the Executive recommends a reduction of (\$36,900). The Board would reduce staff impacting hearing notifications.	
General Fund	(36.9)
<b>Department of Juvenile Corrections</b>	FY 2003
<b>Savings Due to Decreased Population</b>	(618.2)
The Executive recommends a decrease of (\$618,200) due to a lower than expected juvenile delinquent population. As part of the FY 2002 budget adopted last spring, the department closed two housing units in November 2001, reduced complex security staffing at the Southwest Regional Juvenile Facility in Buckeye, reduced the number of special treatment providers, and reduced the number of community care beds and providers. At that time, the Department had indicated there would be additional savings in FY 2003 associated with these actions.	
General Fund	(618.2)
<b>Close Buckeye Secure Care Facility</b>	(2,400.0)
In order to address budget shortfalls in FY 2003, the Executive recommends closing the Juvenile Corrections complex in Buckeye. The Department would explore privatizing the parole violator center or moving it to surplus county facilities. Secure-care juveniles would be moved to other secure-care complexes. The move results in a reduction of 189.5 FTE positions and 125 funded beds. Moving the parole violators results in a reduced bed capacity of 75, since the parole violators will no longer be housed in a state owned complex. The Executive recommendation results in a funded bed capacity of 743, while the projected average daily population for FY 2003 is 738.	
General Fund	(2,400.0)
<b>Annualize January 2002 Closure of 50 Beds</b>	(933.1)
In order to address budget shortfalls in FY 2003, the Executive recommends a reduction of \$933,100 to annualize the closure of 50 beds in January 2002. The additional one-half percent reduction in FY 2002 of \$319,900 forced the Department to close 50 beds. The Executive recommendation accounts for the rest of the savings.	
General Fund	(933.1)
<b>Replacement Equipment</b>	100.0
The Executive recommends an increase of \$100,000 for replacement equipment. Several large emergency projects that would have utilized building renewal funds will need to be funded out of the replacement equipment budget. The building renewal funds were cut due to the budget shortfall.	
General Fund	100.0

	FY 2003
<b>Forced Vacancy Savings</b>	381.1
The Executive recommends an increase of \$381,100. The FY 2002 budget assumed this amount in vacancy savings. Due to recent bed closures, the Department is fully staffed and will not have vacancy savings.	
General Fund	381.1
<b>National School Breakfast and Lunch Program</b>	250.0
The Executive recommends an increase of \$250,000 in FY 2003. In FY 2002, a one-time savings of (\$250,000) was taken due to an excess fund balance.	
General Fund	250.0
<b>CJEF Funding Source Adjustment</b>	0.0
For FY 2003, the Executive recommends shifting \$130,200 of expenditures from the Criminal Justice Enhancement Fund (CJEF) to the General Fund. In FY 2001, the appropriation from the CJEF was increased by \$385,000 due to a large fund balance. The recommendation aligns the FY 2003 appropriation with expected revenue.	
General Fund	130.2
Juvenile Corrections CJEF Distribution	(130.2)
<b>Department of Public Safety</b>	FY 2003
<b>Shift Highway Patrol Expenditures to HURF</b>	0.0
The Executive recommends that all remaining General Fund expenditures in programs which support the highway patrol and commercial vehicle enforcement be shifted to the Highway User Revenue Fund (HURF).	
General Fund	(12,922.4)
ADOT Highway User Fund	12,922.4
<b>Brady Licensing</b>	(621.3)
In order to address budget shortfalls in FY 2003, the Executive recommends background checks for gun purchases be performed by the Federal Bureau of Investigation. The federal Brady Handgun Violence Prevention Act of 1994 requires background checks to be performed within three days to ensure that gun purchasers are not felons, dishonorably discharged, or meeting other conditions. Currently, the background checks are handled by the Department of Public Safety and are funded by the Criminal Justice Enhancement Fund (CJEF). The Executive recommends that the FBI perform these checks, as it does in 24 other states, and that CJEF funds coming available from this action be used to offset a similar amount of General Fund supporting the Gang Intelligence and Team Enforcement Mission (GITEM).	
General Fund	(621.3)
<b>Previously-Appropriated Patrol Officers, Laws 2001, Ch. 1</b>	4,638.7
These monies have already been appropriated in Laws 2001, Ch. 1 for new Highway Patrol officers and are included in the Executive recommendation for technical reasons.	
ADOT Highway User Fund	4,638.7
<b>Highway Patrol Personnel</b>	344.0
For FY 2003, the Executive recommends a further increase of \$344,000 and 7.0 FTE positions from the Highway User Revenue Fund for support staff, including dispatchers and mechanics, for the 58 additional highway patrol officers appropriated in FY 2003 by Laws 2001, Ch. 1. This issue was included in the original FY 2003 General Fund appropriation.	
ADOT Highway User Fund	344.0

All dollar entries are expressed in thousands.

	FY 2003
<b>Eliminate 2% Floor for PSPRS</b>	(1,109.0)
<p>The Public Safety Personnel Retirement System (PSPRS) funds are overfunded to the point that the actuarially-determined contribution rate is less than that required by ARS 38-843. The State can eliminate its two percent obligation in ARS 38-843 (B) and the fund will be able to meet its obligations. Therefore, the Executive recommends that the state no longer pay a minimum of two percent of employee compensation into PSPRS and that ARS § 38-843 (B) be changed to eliminate the 2% minimum employer contribution.</p>	
General Fund	(1,109.0)
<b>GITEM Funding</b>	(134.4)
<p>In order to address budget shortfalls in FY 2003, the Executive recommends a decrease in the funding level for the Gang Intelligence and Team Enforcement Mission (GITEM).</p>	
General Fund	(134.4)
<b>Crime Lab Personnel</b>	363.7
<p>In December 2001, the State Crime Laboratory had a backlog of 4,563 suspected drug and blood alcohol samples. The 6.0 FTE positions appropriated in FY 2002 are beginning to reduce this backlog, which is down from 5,588 in August 2001. To continue to address the backlog, and to ensure timely testing of samples in the future, the Executive recommends an additional 5.0 FTE positions be appropriated for the Crime Laboratory. This issue was included in the original FY 2003 appropriation.</p>	
General Fund	363.7
<b>Equipment Reductions</b>	(106.5)
<p>The Executive recommends an extension of the period of lease-purchase for a new helicopter, reducing the Department's FY 2003 expenditures. This cut is partially offset by a small increase from the FY 2002 reductions in vehicle and radio replacement.</p>	
General Fund	(106.5)
<b>Mobile Data Computer Replacement</b>	1,193.7
<p>For FY 2003, the Executive recommends 2.0 FTE positions and equipment to fund, from the Highway User Revenue Fund, the replacement of the Department's aging Mobile Data Terminals (MDTs) with current-technology Mobile Data Computers (MDCs). The MDTs have not been supported by vendors for several years, and spare parts are in short supply. The equipment, including 220 user field terminals, is to be lease-purchased over four years. This issue was included in the original FY 2003 General Fund appropriation.</p>	
ADOT Highway User Fund	1,193.7
<b>Precursor Chemical Enforcement</b>	(37.5)
<p>For FY 2003, the Executive recommends backing out one-time expenditures provided in FY 2002. The precursor chemical enforcement appropriation was made to ensure compliance with Laws 1999, Chapter 15 which, without providing funding, requires the Department to track, report, audit and investigate sales of chemicals deemed to be precursors of methamphetamine.</p>	
General Fund	(37.5)
<b>GF Offset to CLAF Shortfall</b>	0.0
<p>Due to fund balance concerns, the Crime Lab Assessment Fund had \$194,200 in expenditures shifted to the General Fund in Laws 2001 Ch. 236. The amount of this shift can be reduced by \$94,600 in FY 2003.</p>	
General Fund	(94.6)
Crime Laboratory Assessment	94.6
<b>Allocate Appropriate Expenditures to SETIF</b>	0.0
<p>Based on available fund balance within the Safety Enforcement and Transportation Infrastructure Fund (SETIF), the Executive recommends increasing the allocation of costs of the highway patrol program to SETIF.</p>	
General Fund	(80.4)

	FY 2003
Safety Enforcement and Transportation Infrastructure	80.4
<b>ADOT Equipment Fund Transfer to DPS</b>	0.0
<p>The FY 2002 budget appropriated \$1,088,800 from the Department of Transportation Equipment Fund to the Department of Public Safety to replace General Fund appropriations. Due to fund balance concerns, the Executive recommends that the amount shifted be reduced by \$338,800.</p>	
General Fund	338.8
Arizona Highway Patrol Fund	(338.8)

All dollar entries are expressed in thousands.

# Transportation

## Department of Transportation

	FY 2003
<b>Lump Sum Reduction</b>	(2,018.6)
<p>In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of (\$2.01 million) including overtime and hiring costs and other operating expenses. The Department has committed to generating this savings through a self-imposed strategy that is expected to have minimal impacts on highway construction or mission-critical functions of the Department.</p>	
State Highway Fund	(2,018.6)
<b>Grand Canyon Airport</b>	(641.3)
<p>The Executive recommends eliminating the funding for the Grand Canyon Airport to comply with Laws 2001, Chapter 99, which transfers the operation of the Airport from ADOT to a non-profit corporation. The Department anticipates to sign all contracts to the lessee during FY 2002.</p>	
State Aviation Fund	(641.3)
<b>Local Transportation Assistance-GF</b>	(3,526.2)
<p>In order to help offset the budget shortfall in FY 2003, the Executive recommends deferring the transfer from the State General Fund to the Local Transportation Assistance Fund (LTAf) to generate a savings of (\$3.5 million).</p>	
<p>This General Fund appropriation was designed to mitigate any impacts and to replace Local Transportation Assistance Fund revenues lost as a result of the reductions in the vehicle license tax that the Legislature approved in FY 2001.</p>	
General Fund	(3,526.2)
<b>Previously Appropriated Legislation</b>	65.0
<p>The Executive recommendation reflects funding appropriated to the Department in two separate enactments. Laws 2001, Chapter 325 appropriates \$60,000 in FY 2003 from the State Highway Fund to issue vehicle certificates of title with a lien interest to the lien holder, instead of the vehicle owner. Additionally, Laws 2001, Chapter 287, appropriates \$5,000 from the State Highway to provide use fuel dispenser labels for fuel vendors to post diesel tax information on fuel pumps.</p>	
State Highway Fund	65.0
<b>Vehicle Titles to Lien Holders</b>	(218.0)
<p>The Executive recommends a decrease of (\$218,000) in FY 2003 to reflect the intent of Laws 2001, Chapter 325, which appropriates \$277,950 in FY 2002 and \$60,000 in FY 2003 to enable the Department to issue vehicle certificates of title with a lien interest to the lien holder, instead of to the vehicle owner, for retention until the lien is satisfied starting in January 1, 2003.</p>	
State Highway Fund	(218.0)
<b>Highway Maintenance</b>	1,300.0
<p>The recommendation provides an increase of \$1.3 million in FY 2003 to enable the Department to maintain newly completed roadway miles. The Department plans to add approximately 437 maintenance lane miles in FY 2003.</p>	
State Highway Fund	1,300.0
<b>Ports Scale Repairs</b>	20.0
<p>The Executive recommendation provides an increase of \$20,000 in FY 2003 for the repair and maintenance of mobile scale equipment and static scales.</p>	
State Highway Fund	20.0

All dollar entries are expressed in thousands.

## Natural Resources

### Arizona Geological Survey

	FY 2003
<b>Lump Sum Reduction</b>	(22.3)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The Agency will have to hold vacant a 0.5 FTE position to compensate for this reduction.	
General Fund	(22.3)

<b>Microfilming</b>	(6.5)
In FY 2002, the Agency was provided \$6,500 to microfilm oil and gas well records. The Executive recommends reducing the FY 2003 appropriation by the amount of this one-time expenditure.	
General Fund	(6.5)

### State Land Department

	FY 2003
<b>Lump Sum Reduction</b>	(219.2)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of \$219,200.	
General Fund	(219.2)

<b>Eastern Counties Environmental Grants</b>	(125.0)
In order to address budget shortfalls in FY 2003, the Executive recommends eliminating the Eastern Counties Environmental Grants program for a savings of (\$125,000) in FY 2003. The program was established by Laws 2001, Ch 336 and is scheduled to expire at the end of FY 2002.	
General Fund	(125.0)

<b>Natural Resource Conservation Districts</b>	(490.0)
In order to address budget shortfalls in FY 2003, the Executive recommends funding the natural resource conservation districts through the environmental special plate program resulting in a General Fund savings of \$490,000 in FY 2003. This recommendation requires a statutory change.	
General Fund	(490.0)

<b>CAP Water Fees</b>	394.2
The Executive recommends an additional \$394,200 to cover the shortfall in the monies available for Central Arizona Project Water fees for urban state trust land. Included in this amount is \$257,000 taken as a one time savings in FY 2002 due to the City of Peoria purchasing their water rights associated with state trust land in Peoria.	
General Fund	394.2

<b>Streambed Ownership</b>	50.0
The Executive recommends an additional \$50,000 to start updating the small and minor streambed reports for the Navigable Stream Adjudication Commission. Recently, the criteria defining navigability were changed in statute and the reports need to be updated.	
General Fund	50.0

### Department of Mines and Mineral Resources

	FY 2003
<b>Lump Sum Reduction</b>	(29.6)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent. The Agency will need to hold vacant 1.0 FTE position to compensate for this reduction.	
General Fund	(29.6)

<b>Security/Public Address System</b>	(7.5)
In FY 2002, the Agency was provided \$7,500 for a security/public address system. The Executive recommends reducing the FY 2003 appropriation by the amount of this one-time expenditure.	

FY 2003

General Fund (7.5)

### Navigable Stream Adjudication Commission

	FY 2003
<b>Lump Sum Reduction</b>	(3.5)
In order to address budget shortfalls in FY 2003, the Executive recommends a lump sum reduction of two and one-half percent.	
General Fund	(3.5)

### Parks

	FY 2003
<b>Grant Program Enhancement</b>	31.8

The Executive recommends an increase of an additional \$31,800 in FY 2003 to reflect higher estimated revenues during this biennium budget. The program provides grants from the Law Enforcement and Boating Safety Fund (LEBSF) to county governments for boating safety personnel and boating law enforcement equipment and activities. This non-general fund increase was approved as part of the FY 2003 original budget.

Boating Safety Fund 31.8

### Forced Vacancy Savings (90.0)

In order to help offset budget shortfalls in FY 2003, the Executive recommends extending the hiring freeze and refraining from filling 4.0 seasonal FTE positions to generate a vacancy savings of \$90,000.

General Fund (90.0)

### Reduce Other Operating Expenses (99.3)

In order to help offset budget shortfalls in FY 2003, the Executive recommends a reduction of (\$99,300) from the Other Operating Expenditures line.

General Fund (99.3)

### Reservation Surcharge Adjustment 6.8

The Executive recommends an increase of \$6,800 to accommodate the projected receipts collection for FY 2003. This increase was approved as part of the original FY 2003 budget.

Reservation Fund 6.8

### Kartchner Caverns - Funding Realignment 0.0

The Executive recommends a funding shift from the General Fund (GF) Kartchner Caverns operating special line item to the Enhancement Fund (EF) to generate a General Fund savings of \$103,300 in FY 2003. This funding shift is also designed to consolidate the Kartchner Caverns operating special line item (GF) with the same Kartchner Caverns operating special line item (EF), streamline operational and administrative procedures at Kartchner Caverns State Parks (KCSP), and align the park operations with the statutory purpose assigned to the Enhancement Fund.

General Fund (103.3)

State Parks Enhancement 103.3

### Department of Water Resources

	FY 2003
<b>Flood Warning Contract</b>	80.0

In FY 2002, the cost of a flood warning contract was shifted to the Flood Warning Fund, as a one-time savings to the General Fund. In FY 2003, the cost of the contract would need to be paid with General Fund monies.

General Fund 80.0

### Staff Reduction (92.3)

The Executive recommends a reduction of (\$92,300) to annualize the savings due to the elimination of (7.0) FTE positions in FY 2002.

General Fund (92.3)

All dollar entries are expressed in thousands.

FY 2003

(47.9)

**Well Monitoring**

The Executive recommends a reduction of (\$47,900) in FY 2003 to annualize the shift of well monitoring positions from the General Fund to the non-appropriated Augmentation and Conservation Assistance Fund.

General Fund (47.9)

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**Water Banking**

(1,000.0)

The Executive recommends a (\$1.0 million) reduction for water banking. The General Fund appropriation makes up about 12% of the total revenue for water banking. The Arizona Water Banking Authority (AWBA) will still be able to bank water using the other revenue sources.

General Fund (1,000.0)

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## Other

### Continuing Appropriations Adjustments

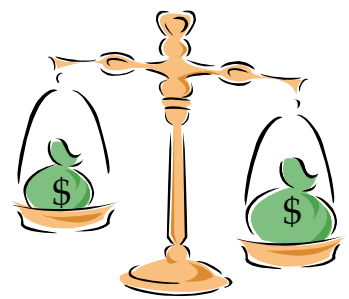
	FY 2003
<b>Senate</b>	3,000.0
General Fund	3,000.0
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Continuing Appropriations Adjustments Total	3,000.0

### Fund Equity Transfers

	FY 2003
<b>State Land Department Fund</b>	70.0
State Land Department Fund	70.0
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<b>Attorney General Anti-Racketeering Fund</b>	1,250.0
Attorney General Anti-Racketeering	1,250.0
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<b>Heritage Fund</b>	16,000.0
Arizona Game & Fish Commission Heritage	8,000.0
AZ Parks Board Heritage Fund	8,000.0
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<b>Motor Pool Revolving Fund</b>	3,000.0
Admin - Motor Pool Revolving	3,000.0
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<b>Risk Management Fund</b>	6,000.0
Risk Management Fund	6,000.0
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<b>Water Dam Repair Fund</b>	161.5
Dam Repair	161.5
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<b>State Surplus Property - Due To Other Funds</b>	1,000.0
State Surplus Materials Property	1,000.0
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<b>Transportation Department Equipment Fund</b>	750.0
Transportation Department Equipment Fund	750.0
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<b>Retiree Accumulated Sick Leave Fund Shift</b>	1,286.9
Retiree Accumulated Sick Leave	1,286.9
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<b>Certificates of Participation Refinancing</b>	14,900.0
Certificate of Participation	14,900.0
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<b>Deficiencies Correction Interest</b>	15,000.0
School Facilities Deficiencies Corrections	15,000.0
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<b>Lottery Fund</b>	2,455.0
Lottery Fund	2,455.0
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<b>Clean Air Fund Transfers</b>	5,000.0
Arizona Clean Air Fund	5,000.0
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<b>State Lake Improvement Fund</b>	5,000.0
State Lake Improvement	5,000.0
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<b>Agriculture Commercial Feed</b>	660.6
Agriculture Commercial Feed	660.6
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<b>Fertilizer Materials</b>	235.3
Fertilizer Materials Fund	235.3
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<b>Pesticide Fund</b>	319.4
Pesticide Fund	319.4
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<b>School Capital Equity Fund Transfer</b>	2,487.5
The School Capital Equity Fund	2,487.5
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<b>Mobile Home Relocation Fund</b>	3,000.0
Mobile Home Relocation Fund	3,000.0

All dollar entries are expressed in thousands.

	FY 2003
<b>Oil Overcharge Fund Transfer</b>	8,000.0
Oil Overcharge Fund	8,000.0
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Fund Equity Transfers Total	86,576.2



The Executive Budget  
Fiscal Year 2003

STATUTORY AND  
SESSION LAW CHANGES



## FY 2003 Mid-Biennium Budget

### Statutory and Session Law Changes

These recommended changes are required to implement the Executive Budget.

Agency	Issue, Citation and Comment
<b>Department of Administration</b>	<p><b>Certificate of Participation Fund</b>  <i>A.R.S. § 35-142 (E)</i>            The Executive recommends transferring an excess fund balance of \$14.9 million in FY 2003 from the Certificate of Participation Fund to the General Fund to address budget shortfalls.</p>
	<p><b>Motor Vehicle Pool Revolving Fund Excess Balance</b>  <i>A.R.S. § 41-804</i>            The Executive recommends transferring an excess fund balance of \$3.0 million in FY 2003 from the Motor Vehicle Pool Revolving Fund to the General Fund to address budget shortfalls.</p>
	<p><b>Performance Based Incentive Pilot Program</b>  <i>Amend Laws 1998, 4<sup>th</sup> Special Session, Chapter 1</i>            Laws 1998, 4<sup>th</sup> Special Session, Chapter 1 appropriated \$200,000 General Fund to the Department for the Performance Based Incentive Pilot program. The appropriation was non-lapsing and to date only \$50,000 has been expended. The Executive recommends that the remaining funds of \$150,000 be reverted to the General Fund.</p>
	<p><b>Retiree Accumulated Sick Leave Fund (RASL)</b>  <i>A.R.S. § 38-615</i>            The Executive recommends transferring an excess fund balance of \$1,286,900 in FY 2003 from the Retiree Accumulated Sick Leave Fund to the General Fund to address budget shortfalls. The recommendation assumes a continued RASL rate of .40%.</p>
	<p><b>Risk Management Fund</b>  <i>A.R.S. § 35-142 (E)</i>            The Executive recommends transferring an excess fund balance of \$6.0 million in FY 2003 from the Risk Management Fund to the General Fund to address budget shortfalls.</p>
<b>Department of Agriculture</b>	<p><b>Agriculture Commercial Feed Fund</b>  <i>Notwithstanding A.R.S. § 3-2607</i>            The Executive recommends transferring an excess fund balance of \$660,600 in FY 2003 from the Agriculture Commercial Feed Fund to the General Fund to address budget shortfalls.</p>
	<p><b>Fertilizer Materials Fund</b>  <i>Notwithstanding A.R.S. § 3-269</i>            The Executive recommends transferring an excess fund balance of \$235,300 in FY 2003 from the Fertilizer Materials Fund to the General Fund to address budget shortfalls.</p>
	<p><b>Pesticide Fund</b>  <i>Notwithstanding A.R.S. § 3-350</i>            The Executive recommends transferring an excess fund balance of \$319,400 in FY 2003 from the Pesticide Fund to the General Fund to address budget shortfalls.</p>

**AHCCCS****Arizona Long-term Care System Cost Sharing**

*Amend A.R.S. § 11-292*

Since 1998, the State and the counties have shared in the cost of the Arizona Long-Term Care program's growth. A statutory formula determines the specific cost sharing between the county and state and includes such factors as program utilization, net assessed property value growth, and reservation populations. The Executive recommends that the State's share of the increased cost for growth in FY 2003 be frozen for one-year.

**County Acute Care Contribution**

*Amend Laws 2001, Chapter 234, Section 1*

Laws 2001, Chapter 234, Section 1 provides for a county acute care contribution of \$66,689,500 for hospitalization and medical care provided by AHCCCS in FY 2003. Under the provisions of Laws 2001, Chapter 344, Section 123, the sum of \$6.5 million in county contributions was appropriated for uncompensated care payments to hospitals. The Executive believes that these payments are no longer necessary due to the growth in the Proposition 204 program. Instead, the Executive recommends that the \$6.5 million be used as increased county acute care contribution for the AHCCCS Acute Care Program. This shift in funding would increase the county acute care contribution to \$73,189,500 for FY 2003.

**Disproportionate Share Hospital Program – County Withholdings for FY 2001-2002**

*Amend Laws 2001, Second Special Session, Chapter 7, Section 18*

The Executive recommends that the county withholdings be increased from \$59,149,000 to \$83,646,100 to reflect increased DSH payments to county operated hospitals. The proposed language will allow the State Treasurer in FY 2002-2003 to collect any amount not withheld in FY 2001-2002.

**Disproportionate Share Hospital Program – County Withholdings for Fiscal Year 2002-2003**

*New section similar to language contained in Laws 2001, Second Special Session, Chapter 7, Section 18*

The Executive recommends that the county withholdings be established at \$96,329,100 for county operated hospitals. This amount reflects \$24,693,000 in withholdings for additional DSH payments made to county hospitals for Fiscal Year 2000-2001 due to recalculated OBRA limits. Also included \$71,636,100 in withholdings for FY 2002-2003 DSH payments made to county operated hospitals. The proposed language will allow the State Treasurer in FY 2003-2004 to collect any amount not withheld in FY 2002-2003.

**Disproportionate Share Hospital Program – County Expenditure Limitations for Fiscal Year 2002-2003**

*New section similar to language contained in Laws 2001, Second Special Session, Chapter 7, Section 19*

The Executive recommends that the existing language regarding county expenditure limitation for FY 2002-2003 be repealed and replaced with a new section similar to language contained in Laws 2001, Second Special Session, Chapter 7, Section 19.

**Disproportionate Share Hospital Program – County Expenditure Limitations for Fiscal Year 2002-2003**

*Repeal Laws 2001, Second Special Session, Chapter 7, Section 20.*

The Executive recommends that the county expenditure limitation language contained in Laws 2001, Second Special Session, Chapter 7, Section 20 be repealed and new language be offered similar to language contained in Laws 2001, Second Special Session, Chapter 7, Section 19 be added relating to Fiscal Year 2002-2003.

**Freedom to Work**

*Repeal Laws 2001, Chapter 7, Section 21*

Freedom to Work is a new program that expands Medicaid coverage to disabled working

Agency	Issue, Citation and Comment
	<p>individuals. In FY 2003, the Executive recommends the elimination of the Freedom to Work program.</p> <p><b>Graduate Medical Education (GME) Program</b>  <i>Notwithstanding A.R.S. § 36-2903.01</i>  A.R.S. § 36-2903.01 prescribes that payments for the GME program shall be adjusted annually by the change in the Data Resource Incorporated (DRI) hospital market basket index. In order to reduce the amount appropriated for this program, a statutory change will be necessary.</p> <p><b>Health Insurance Flexibility Act Waiver</b>  <i>Amend A.R.S. § 36-2901 and related statutes</i>  The Executive recommends that the Health Insurance Flexibility Act (HIFA) waiver provisions be enacted to provide coverage to parents of Title XIX and Kids Care eligible children. Under this proposal, the State could provide coverage to 20,000 individuals instead of the 6,000 currently covered under the Premium Sharing Program.</p> <p><b>Medical Services Stabilization Fund Repayment</b>  <i>Repeal Laws 2001, Chapter 1, Section 12</i>  Laws 2001, Chapter 1, Section 12 requires the repayment of \$5,467,000 from the General Fund to the Medical Services Stabilization Fund in FY 2003. The Executive recommends elimination of the repayment.</p> <p><b>Premium Sharing Program</b>  <i>Repeal A.R.S. § 36-2923; 36-2923.01 and related statutes</i>  The Executive recommends the repeal of the Premium Sharing Program effective October 1, 2002 and that the Health Insurance Flexibility Act (HIFA) waiver be enacted to provide coverage to parents of Title XIX and Kids Care eligible children. Under this proposal, the State could provide coverage to 20,000 individuals instead of the 6,000 currently covered under the Premium Sharing Program.</p> <p><b>Reduction of County Net Loss Payments for Fiscal Year 2002-2003</b>  <i>Amend Laws 2001, First Regular Session, Chapter 344, Section 119</i>  The Executive recommends that the payments to counties to offset a net loss in revenue due to the implementation of A.R.S § 36-2901.04 be reduced by \$3,817,800 for counties with populations in excess of 750,000. This payment was originally authorized in Laws 2001, First Regular Session, Chapter 344, Section 119. This reduction will reduce the payments to \$1,007,800 to the remaining five counties.</p> <p><b>State Uncompensated Care Pool Elimination</b>  <i>Repeal Laws 2001, Chapter 344, Section 124</i>  Laws 2001, Chapter 344, Section 124 provides \$3.5 million from the General Fund to AHCCCS for Uncompensated Care payments. The Executive is recommending the repeal of this state match appropriation and the utilization of county contributions for state match to draw federal funds in support of the program.</p>
<b>Auditor General</b>	<p><b>School District Performance Audits</b>  <i>A.R.S. § 41-1279.03</i>  In order to address budget shortfalls in FY 2003, the Executive recommends the elimination of the incremental increase from FY 2002 to FY 2003 for the school district performance audit program. A.R.S. § 41-1279.03 requires that the Auditor General conduct random audits of school districts every five years. The Executive recommendation does not eliminate this program, instead, the Executive proposes that the five year cycle be extended to a timeframe that is supportable by the FY 2002 appropriated amount.</p>
<b>Department of Building and Fire Safety</b>	<p><b>Fund Transfer from the Mobile Home Relocation Fund to the General Fund</b>  <i>Notwithstanding A.R.S § 33-1476.02</i>  The Executive recommends transferring an excess fund balance of \$3.0 million in FY 2003</p>

Agency	Issue, Citation and Comment
	from the Mobile Home Relocation Fund to the General Fund to address budget shortfalls.
<b>State Board for Charter Schools</b>	<p><b>Parent and Employee Charter School Surveys</b>  <i>General Appropriations Act footnote change</i>  For FY 2003, the Executive recommends a total reduction of \$100,000 from the Board's base budget to eliminate charter school parent and employee surveys. In Laws 2001, 2nd Special Session, Chapter 5, a legislative footnote requires that all charter school parents and employees rate the quality of their respective schools through a survey mechanism. In order to eliminate this requirement, the legislative footnote must be removed from the appropriation bill.</p>
<b>Department of Corrections</b>	<p><b>Alcohol Abuse Treatment Fund</b>  <i>Notwithstanding A.R.S. § 31-255</i>  The Executive recommends transferring \$1.0 million in FY 2003 from the Alcohol Abuse Treatment Fund to the General Fund to address budget shortfalls.</p> <p><b>Arizona Correctional Industries Revolving Fund</b>  <i>Notwithstanding A.R.S. § 41-1624</i>  The Executive recommends allowing the use of the Arizona Correctional Industries Revolving Fund for operating expenditures at the Department of Corrections.</p> <p><b>Credit for Jail Time</b>  <i>A.R.S. § 41-1604.07</i>  Prisoners are able to earn a release credit of one day for every six days served. Currently, a prisoner is not eligible to earn release credits for the time served in jail. The Executive recommends that the release credit apply to time served in jail.</p> <p><b>Jail for Sentences of Less than One Year</b>  <i>A.R.S. § 13-701</i>  The Executive recommends sentences of less than one year be served in jail for counties with a population of more than 750,000.</p> <p><b>DOA Project Management Staff for Prison Construction</b>  <i>Amend Laws 1999, First Special Session, Chapter 2, Section 6, as amended by Laws 2001, Chapter 237, Section 1</i>  The Executive is recommending the construction of the new Tucson II prison complex and an addition to the Safford prison using existing continuing appropriations for FY 2000 plus new COP funding. The Executive recommendation includes changing the footnote relating to DOA project management staff, which was listed in the original Tucson II appropriation. When the Tucson II project was originally appropriated in FY 2000 DOA was authorized to use \$850,000 of the total construction appropriation for 16.0 FTE positions to manage the project. This amount was subsequently reduced when the project was suspended. With the recommendation to proceed with construction, the Executive recommends reverting to the original footnote language plus the addition of another 4.0 FTE positions and \$212,500 to manage the Safford prison addition.</p>
<b>Department of Economic Security</b>	<p><b>Arizona Works</b>  <i>Amend Title 46, Chapter 2, Article 9 and all related statutes &amp; Eliminate General Appropriation Act footnotes</i>  The Executive recommends eliminating the program effective October 1, 2002.</p> <p><b>Cash Assistance</b>  <i>Eliminate General Appropriation Act footnote</i>  As cash assistance caseloads continue to increase, the Executive should have the prerogative to transfer funds in and out of the cash assistance special line item without JLBC approval.</p>

**CPS Training and Family Group Decision Making**

*Eliminate General Appropriation Act footnote*

The Executive recommends eliminating the footnote that requires the Department to train CPS caseworkers before they handle a caseload. The Executive believes that the requirement should be addressed in statute, not in the General Appropriations Act.

**Domestic Violence**

*Amend Laws 2001, 2nd Special Session, Chapter 7, Sec. 11 & Modify General Appropriation Act footnote*

The Executive recommendation would continue the \$500,000 FY 2002 appropriation in FY 2003. The General Appropriations Act footnote regarding expenditures from the Domestic Violence Shelter Fund should also be updated to reflect FY 2003 rather than FY 2002.

**JOBS**

*Modify General Appropriation Act footnotes*

The Executive recommends that the General Appropriations Act footnotes regarding the use of non-permanent and seasonal positions and contracts with education and training entities be updated to reflect FY 2003 rather than FY 2002.

**Out-of-School Programs**

*Repeal Laws 2001, 2nd Special Session, Chapter 7, Sec. 10 (A) & (C); A.R.S §§ 8-1101 through 8-1106*

The Executive recommendation would eliminate the program.

**Spinal and Head Injuries Trust Fund**

*Modify General Appropriation Act footnote*

The Executive recommendation would update the General Appropriations Act footnote to reflect FY 2003 rather than FY 2002.

**Substance Abuse Treatment**

*Repeal Laws 2001, 2nd Special Session, Chapter 7, Sec. 23; A.R.S §§ 8-881 through 8-884; A.R.S §§ 46-300.04 & 46-300.05 & Eliminate General Appropriation Act footnote*

The Executive recommendation would eliminate the program effective October 1, 2002.

**Summer Youth Employment & Training**

*Repeal A.R.S § 11-1041 & § 11-1042*

The Executive recommendation would eliminate the program.

**Summer Youth Program**

*Repeal A.R.S § 41-1966.01*

This program is one of the Department's FY 2002 General Fund reductions.

**TANF transfer to SSBG**

*Eliminate General Appropriation Act footnote*

The Department will spend all of the funds transferred from TANF to SSBG in children services in FY 2003, so the Executive recommends eliminating the footnote.

**Tribal Welfare Reform**

*Eliminate General Appropriation Act footnote*

The Executive recommendation would eliminate the program.

**Workforce Investment Act**

*Modify General Appropriation Act footnote*

The Executive recommends that the General Appropriations Act footnote regarding use of revenues be updated to reflect FY 2003 rather than FY 2002.

Agency	Issue, Citation and Comment
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**Department of Education**

**Cap Desegregation Costs**

*A.R.S. § 15-910*

Currently, state statutes allow school districts to assess additional levies through the primary property tax rate for increases in desegregation costs above the revenue control limit. This increase does not need voter approval. For counties whose effective tax rate exceeds 10%, these expenditures significantly affect the State General Fund through the Homeowners Rebate and 1% constitutional cap provisions. For FY 2003, the Executive proposes a cap for desegregation expenditures at FY 2002 levels.

**Modify QTR for K-8 versus 9-12**

*A.R.S §§ 41-1276 and A.R.S 15-972 and related statutes*

Currently, the total Qualified Tax Levy (QTR) of \$4.12 is split equally between K-8 and 9-12 grade levels for unified districts. When calculating state equalization aid to public schools, 50% of the revenues generated from the levy are applied to K-8 and 50% to 9-12. This proposal would modify the 50/50 split to 70/30 - 70% of the QTR to the K-8 grades and 30% to the 9-12 grades. Therefore, new language must be added to A.R.S. § 41-1276 to specify a shift in the QTR percentage allocation. Also, conforming language is needed in several sections of Title 15 that reference the application of the QTR to the equalization assistance calculation.

**Reduce Soft Capital Allocation**

*A.R.S §§ 15-961, 15-962, 15-185, 15-1204*

The Executive recommends an across the border per-pupil reduction in soft capital funding. In order to enact this change, statutory modifications must be made to the soft capital allocation formula funding for school districts, additional assistance funding for charter schools, and capital outlay for Department of Juvenile Corrections, Department of Corrections and Arizona School For the Deaf and the Blind.

**Reduction in Trust Land Earnings**

*General Appropriations Act Footnote change*

In November 2000, voters approved Proposition 301 that authorized an increase in transaction privilege tax revenues to provide supplementary funding to Arizona's public schools. In addition, a provision in the enabling legislation specified that the appropriated levels of the State Trust Earnings used to offset the State's General Fund obligation to aid to schools would remain at the FY 2001 levels. In FY 2002 and FY 2003, the estimated appropriation for trust earnings was set in excess of the FY 2001 base. In addition, the Executive anticipates that the appropriation will be further reduced due to debt service payments made on behalf of Qualified Zone Academy Bonds (used for deficiency corrections). The Executive recommends that the Legislative footnote currently as part of the 2001 General Appropriations Act be modified to address these reductions.

**Truth in Taxation**

*Notwithstanding A.R.S. § 41-1276*

The intent of Truth in Taxation, as it relates to school equalization, was built on the premise that the Qualifying Tax Levy (QTR) used to determine the local contribution and to offset equalization costs would remain unaffected by growth in existing property valuation. To meet budget shortfalls in FY 2003, the Executive recommends a cap of the QTR at the FY 2002 levels. The current statute requires that the Joint Legislative Tax Committee adjust the QTR rate on an annual basis. A notwithstanding clause to A.R.S. §41-1276 would allow the State to forgo a public hearing and the supermajority vote needed to hold the rate constant.

**Department of Environmental Quality**

**Water Quality Assurance Fund Transfer**

*Amend Laws 2001, Second Special Session, Chapter 2 and A.R.S. § 49-282*

The Executive recommendation reduces the amount transferred from Corporate income tax revenues to WQARF. While A.R.S. § 49-282 provides that the WQARF receives \$15 million



Agency	Issue, Citation and Comment
	<p>annually, the Executive recommendation is for \$10.0 million in FY 2003.</p>
<b>Department of Health Services</b>	<p><b>SMI Services Fund</b>  <i>Notwithstanding A.R.S § 36-503.02, B. 1</i>  The Executive recommends that \$2.0 million of interest from the Serious Mental Illness Services Fund be transferred to the Department of Health Services. Arizona Revised Statutes § 36-503.02, B. 1 contains “non-supplant” language. A change must be made to implement the proposed fund shift.</p>
	<p><b>Mental Health Research Institute</b>  <i>Amend Laws 2001, Chapter 273 A.R.S § 36-503.02, B. 1</i>  The Executive recommends eliminating the \$2.5 million Medical Services Stabilization Fund distribution to the Mental Health Research Institute.</p>
	<p><b>Telecommunications and Poison Control Funding</b>  <i>Amend Laws 2001, Second Special Session, Chapter 7, Section 5</i>  The distribution to the Department of Health Services’ Poison Control Fund was suspended by Laws 2001, Second Special Session, Chapter 7, Section 5. The Department relies upon a \$1.9 million annual appropriation to fund poison control treatment and information services. Without the distribution, statewide poison services would not be funded.</p>
<b>State Land Department</b>	<p><b>Shifting NRCDD’s to the Environmental Special Plate Fund</b>  <i>A.R.S §§ 37-1015 and 41-2252</i>  In order for the natural resource conservation districts to be funded through the Environmental Special Plate Fund, the usual grant procedures for the environmental special plate fund need to be waived.</p>
	<p><b>State Land Department Fund</b>  <i>Notwithstanding A.R.S. § 37-108</i>  The Executive recommends the transfer of \$70,000 in FY 2003 from the State Land Department Fund to the General Fund to help address budget shortfalls.</p>
<b>Arizona Lottery</b>	<p><b>Lottery Distribution</b>  <i>A.R.S. § 5-522</i>  Statute specifies a minimum and a maximum amount to be deposited to the State Parks and Game and Fish Heritage Fund from Lottery proceeds. The Executive recommends diverting these deposits into the General Fund for FY 2003. The funds would be redirected back to the Heritage Fund in FY 2004.</p>
	<p><b>Lottery Fund Advertising Appropriation</b>  <i>Amend Laws 1999, Chapter 6, 1st Special Session, Sec. 31 &amp; 32</i>  Laws 1999, Chapter 6, 1st Special Session, Sections 31 &amp; 32 transferred a fixed amount of monies from the State Lottery Fund to the General Fund. The General Appropriations Act limits the Lottery’s advertising budget to a maximum percent of annual revenues. The Lottery’s advertising budget was appropriated at 3.7% for FY 1999 and 2.7% for FY 2000 and FY 2001. The FY 2002 appropriation remains at 2.7%. The Executive recommends that \$2,455,000, roughly 1%, be transferred from the Lottery Fund into the General Fund for FY 2003.</p>
<b>State Parks</b>	<p><b>State Lake Improvement Fund</b>  <i>Notwithstanding A.R.S § 5-382</i>  The Executive recommends transferring \$5.0 million in FY 2003 from the State Lake Improvement Fund to the General Fund.</p>
<b>Department of Public Safety</b>	<p><b>Public Safety Personnel Retirement System Employer Contribution Rate</b>  <i>A.R.S § 38-843 (B)</i></p>

Agency	Issue, Citation and Comment
	<p>The Executive recommends the elimination of the 2% employer minimum contribution to PSPRS. The fund is over-funded to the point that the actuarial employer rate should be 0% to amortize the unfunded accrued liability over a rolling twenty year period, as required in statute.</p>
<p><b>Department of Real Estate</b></p>	<p><b>Real Estate Fees</b>  <i>Notwithstanding A.R.S § 32-2103 (B) for FY 2003</i>  A.R.S. § 32-2103 (B) requires that the Real Estate Commissioner revise fees so that the revenue derived from the fees and deposited into the General Fund equals at least 95%, but not more than 110% of the Department's anticipated appropriation. Projected revenues collected in FY 2003 are expected to be approximately 114% of the Executive recommendation. As such, notwithstanding A.R.S § 32-2103 (B) would allow fees to remain at the current rate despite a reduced appropriation.</p>
<p><b>School Facilities Board</b></p>	<p><b>Deficiencies Corrections/New School Construction</b>  <i>A.R.S. § 15-2021 and § 15-2041</i>  Statutory changes are needed to streamline processes in the Deficiencies Corrections and New School Construction program. For Deficiencies Corrections, the Executive recommends the elimination of the repeal provision that ends the administration of the program on July 1, 2003. For New School Construction, the following provisions should be added: a) Allow the School Facilities Board to deny a high school to a unified district, b) Leasing of school district buildings, and c) Prohibit school districts from modifying existing grade configurations of schools.</p> <p><b>Deficiencies Corrections Program</b>  <i>A.R.S §§ 15-2089, 15-2090 and 15-2091</i>  In current law, interest derived from the School Improvement Bond Proceeds Fund and the School Improvement Debt Service Fund are deposited into the to the School Improvement Debt Service Fund. In FY 2003, the Executive's proposes the transfer of these interest earnings to the Deficiencies Correction Fund. Once this transfer is made, an equal amount already in the balance of the Deficiencies Fund will revert to the General Fund to offset the budget shortfall.</p> <p><i>Session Law</i>  Since the School Facilities Board is not technically authorized to use the monies in the School Capital Equity Fund, it is necessary to include in session law, a provision that would allow the transfer of monies from the Capital Equity Fund to the Deficiencies Corrections Fund. Once this transfer is made, an equal amount already in the balance of the Deficiencies Fund will revert to the General Fund to offset the budget shortfall.</p> <p><b>Oil Overcharge Fund Transfer</b>  <i>A.R.S § 41-1509</i>  For FY 2003, the Executive proposes a transfer of \$8.0 million from the Department of Commerce Oil Overcharge Fund to the Deficiencies Corrections Fund. Once this transfer is made, an equal amount already in the balance of the Deficiencies Fund will revert to the General Fund to offset the budget shortfall.</p>
<p><b>Office of Tourism</b></p>	<p><b>Maricopa Tourism Promotion</b>  <i>A.R.S. §§ 5-835 and 5-839 (G-2)</i>  The Executive recommendation limits to \$2.0 million the transfer to Maricopa Tourism Promotion. Under current law, this special line item receives \$4.0 million per year plus 5% growth over the preceding year. The current statutory formula would provide \$4.2 million in FY 2003 to this activity. The Executive recommendation intends to limit the FY 2003 transfer to \$2.0 million while redirecting \$2.2 million to the General Fund.</p>

Agency	Issue, Citation and Comment
State Treasurer	<p><b>Justice of the Peace Compensation</b>  <i>A.R.S. 22-117(B)</i>            Every two years, the formula for the compensation of the counties' justices of the peace is reevaluated and reformulated. In October 2000, the formula was revised which caused an increase to the State's 40% portion of the compensation. For FY 2003, the State's obligation would increase by \$99,100. The Executive recommendation would reduce the State's portion of 40% to 38.5%, thereby not requiring an increase in the State's appropriation for FY 2003.</p>
Department of Veterans' Services	<p><b>Southern Arizona Veterans' Cemetery</b>  <i>Notwithstanding A.R.S § 41-608.02 (B) (1)</i>            The Executive recommends the use of \$214,200 in funds from the State Veterans' Cemetery Fund. A.R.S § 41-608.02 (B) (1) limits the fund to the acquisition of property and the establishment of state veterans' cemeteries. By notwithstanding this section for FY 2003, the Department of Veterans' Services will be authorized to use these monies for the opening and the first year of operations of the Southern Arizona Veterans' Cemetery. This is a one-time use of the funds for operation of the facility.</p>
Department of Water Resources	<p><b>Dam Repair Fund</b>  <i>Notwithstanding A.R.S. § 45-1212.01</i>            The Executive recommends the transfer of \$161,500 in FY 2003 from the Dam Repair Fund to the General Fund.</p>
Tobacco Tax	<p><b>Tobacco Tax</b>  <i>A.R.S § 36-772 (A) and A.R.S § 36-774 (A)</i>            The Executive recommends changing the Tobacco Tax and Health Care Fund distributions from 23% to the Health Education Account and 70% to the Medically Needy Account to 8% to the Health Education Account and 80% to the Medically Needy Account. The Executive also recommends creating a new account, the Genomics Research Account, which would receive a 5% distribution.</p> <p><b>Tobacco Tax, Medically Needy Account Distributions</b>  <i>Amend Laws 2001, Second Special Session, Chapter 7, Section 22</i>            Laws 2001, Second Special Session, Chapter 7, Section 22 suspended all distributions from the Tobacco Tax, Medically Needy Account for FY 2003. The Executive recommends eliminating the language prohibiting transfers from the Tobacco Tax, Medically Needy Account for FY 2003.</p>

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