

FY 2010 General Fund Executive Budget - Issue by Issue

Administration

2009 Adjusted Appropriation	19,043,500
FY 2009 General Fund Shift to COSF	5,200,700

In FY 2009, \$5.2 million was shifted from the General Fund to the Capital Outlay Stabilization Fund. The Executive recommendation restores these funds in FY 2010.

General Fund Total	24,244,200
Fund Total Change	5,200,700

Administrative Hearings

2009 Adjusted Appropriation	1,117,900
Administrative Law Judge Position Elimination	(223,200)

The Executive recommends eliminating two administrative law judge positions. Budget reconciliation bill language has also been proposed to enact this change.

General Fund Total	894,700
Fund Total Change	(223,200)

Agriculture

2009 Adjusted Appropriation	10,167,800
Lump Sum Reduction	(116,000)

The Executive recommends continuing (\$1,164,000) in lump sum reductions from FY 2009 as well as reducing an additional (\$116,000) in FY 2010.

Efficiency Reductions	(251,000)
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The Executive recommends a reduction of (\$251,000) achieved by service changes at various programs. These changes are intended to create greater efficiencies in those programs.

Fee Use Authority	(389,000)
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The Executive recommends reducing Agency funding contingent on continuing the fee authority contained in Laws 2008, Chapter 291. That provision allows the Agency to increase fees above the amount in statute outside the rulemaking process. The Executive has proposed budget reconciliation bill language to enact this recommendation.

Rent Savings	(259,300)
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The Executive recommends relocation of the existing State Agricultural Lab. By relinquishing it use of the current State Agriculture Lab and its rent obligation at that location, the Department would save (\$259,300).

General Fund Total	9,152,500
Fund Total Change	(1,015,300)

Arizona Health Care Cost Containment System

2009 Adjusted Appropriation	1,539,428,700
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Caseload and Inflation

494,125,700

The Executive recommends caseload and inflation growth in AHCCCS programs of \$494.1 million General Fund and a Children's Health Insurance Program (CHIP) Fund reduction of (\$7.9 million). The recommended expenditure changes are driven by the growth in the number of members (caseload), rate inflation, and changes in the Federal Medical Assistance Percentage (FMAP).

The Executive recommendation is calculated at the standard federal match rates of 65.77% for Federal Fiscal Year 2009 and 65.75% for Federal Fiscal Year 2010. The Executive recommendation includes 4.6% capitation rate growth for medical inflation for contract year 2010 over the original contract year 2009 rates. This growth is partially reduced through specific budget proposals listed below.

Savings from the federal stimulus bill's enhanced FMAP of 75.93% is included outside of the AHCCCS operating budget as a General Fund Sources and Uses savings. The State is anticipated to receive \$809.5 million in federal stimulus funds from the enhanced FMAP in FY 2010. Legislative language is necessary in the budget reconciliation bills (BRB's) to offset the General Fund with the stimulus funds and to allow AHCCCS to refund counties their portion of the enhanced FMAP receipts.

The Executive also recommends a BRB provision be enacted to allow AHCCCS to spend federal Title XIX funds leveraged using local and tribal monies, subject to approval by CMS and subject to budget neutrality limits.

2009 Supplemental Elimination	(87,097,600)
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The Executive recommends a reduction of (\$87.1 million) for the FY 2009 supplemental appropriation for caseload and inflation.

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Capitation Rate Limitations (47,095,000)

In the caseload and inflation recommendation, the Executive estimates that medical inflation, as reflected in the capitation rate growth, will be 4.6% in contract year 2010 over the original contract year 2009 rates. The Executive recommends (\$47.1 million) in reductions for four actions that AHCCCS will take to limit growth in costs, and therefore in capitation rates.

The first action the Executive recommends is the continuation into FY 2010 of the rate freeze put in place for FY 2009 for both inpatient and outpatient hospital services. These savings will be incorporated in the health plan capitation rates at the start of the next contract period.

The second action the Executive recommends is lowering by one level the thresholds beyond which patient costs are paid by the reinsurance program. The current thresholds from which plans can choose are \$20,000, \$35,000 and \$50,000. This reduction would result in one-time savings from the timing of payments as dollars are moved from capitation to reinsurance, which has a longer period over which payments are made.

The third action the Executive recommends is that the risk contingency for rate setting be reduced by 50% for all Managed Care Organizations (MCO's) participating in AHCCCS. The recommendation would also impose a reduction of (5.88%) on all MCO administration funding levels.

Fourth, the Executive recommends continuing the (5%) reduction in physician provider rates initiated on May 1, 2009, and broadening the (5%) reductions to include the remainder of the AHCCCS fee schedule with the exception of hospitals and nursing facilities. The Executive does not recommend a provider rate reduction for hospitals or nursing facilities.

FY 2009 Annualization (7,829,800)

The Executive recommends annualizing the lump sum cut provided in Laws 2009, 1st Special Session, Chapter 1, based on the agency proposal for allocating these cuts in FY 2009.

County Hold Harmless 4,825,600

The Executive recommends restoring for FY 2010 the \$4.8 million County Hold Harmless special-line item, which was cut as part of the FY 2009 AHCCCS lump sum reductions.

Personnel Reduction (5,846,500)

The Executive recommends a (\$5.8 million) General Fund reduction to the AHCCCS budget from three different personnel proposals.

The first is a (\$1.8 million) reduction for AHCCCS staff, which would result in the likely layoff of employees. The second recommended component is a (\$2.4 million) reduction for DES administration which is budgeted in AHCCCS, resulting in an expected layoff of eligibility workers.

The Executive also recommends a reduction of (\$1.7 million) General Fund for new funding appropriated in FY 2009 for additional staff to do eligibility redeterminations every six months. However, after the passage of the federal stimulus bill, the federal government mandated the reversal of this policy so that in FY 2010 AHCCCS will once again redetermine client eligibility on the 12-month schedule in effect in SFY 2008.

Optional Benefits Reductions (3,533,900)

AHCCCS is currently reviewing, in coordination with an outside consultant, its non-mandated services. Based on preliminary estimates, the Executive believes that (\$3.5 million) can be saved in FY 2010 by eliminating services such as podiatry, emergency dental services, orthotics, insulin pumps (coverage is still provided through injections), and urban non-emergency transportation. The savings estimate includes offsets due to increased costs in other areas (such as worsening foot conditions due to lack of podiatry services). It assumes a January 1, 2010, implementation date and is subject to CMS approval.

General Fund Total	1,886,977,200
Fund Total Change	347,548,500

Arts

2009 Adjusted Appropriation 1,507,600

Community Arts Grants (301,500)

A General Fund reduction of (\$301,500) would reduce grants to local community arts organizations in Arizona. Due to budget constraints, the Executive recommends this reduction be made until another funding source can be developed.

Lump Sum Reduction (250,000)

The Executive recommends a lump sum reduction of (\$250,000) for the Arts Commission, and encourages the Commission to continue investigating opportunities to diversify funding and increase self-sufficiency.

The Commission was recently awarded a federal ARRA grant of \$322,900 from the National Endowment on the Arts to help preserve Arizona jobs in the nonprofit arts sector.

Endowment Offset 0

The Executive recommends maintaining the full \$14.7 million balance of the Endowment so that it may continue to support arts programs in Arizona in future years.

General Fund Total	956,100
Fund Total Change	(551,500)

Attorney General - Department of Law

2009 Adjusted Appropriation 21,607,400

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Lump Sum Reduction	(1,949,100)
Personnel Reduction	(221,600)
General Fund Total	19,436,700
Fund Total Change	(2,170,700)

Capital Post-Conviction Public Defender Office

2009 Adjusted Appropriation	759,000
Lump Sum Reduction	(43,600)

The Executive recommends a lump sum reduction of (\$43,600), which will reduce training expenditures by over 50%. Additionally, the Executive recommends that a non-lapsing fund for expert witness expenditures be created. Expert witness expenditures are variable and case specific, and without adequate funding for expert witnesses, the Office cannot perform its function. The revenue for the new fund would come from monies reimbursed to the State pursuant to A.R.S. § 41-4301(H). The Executive recommends a statutory change to implement this recommendation.

Personnel Reduction	(34,800)
General Fund Total	680,600
Fund Total Change	(78,400)

Charter Schools

2009 Adjusted Appropriation	723,200
Eliminate One-Time Database Funding	(4,800)
General Fund Total	718,400
Fund Total Change	(4,800)

Chiropractic Examiners

General Fund Backfill	130,000
Laws 2008, Chapter 285, included a transfer from the Board's fund to the General Fund, which leaves the Fund with cash flow issues at the beginning of FY 2010. The Executive recommends \$130,000 from the General Fund to provide stability for the Board's fund at the beginning of the fiscal year. Without the additional support from the General Fund, the Board will not have sufficient funds to operate.	
General Fund Total	130,000
Fund Total Change	130,000

Commerce

2009 Adjusted Appropriation	6,512,000
International Trade Funding	(169,800)

The Executive recommendation includes a funding suspension in the International Trade program. This action does not represent a lack of commitment to the Department's efforts in expanding Arizona trade relations. This Executive supports continuing the Department's program and will look to redesign its objectives and priorities for increased efficiencies. The Department of Commerce would renegotiate selected Foreign Direct Investment contracts in FY 2010, on their renewal date to achieve this reduction.

General Fund Total	4,512,000
Fund Total Change	(2,000,000)

Layoffs	(49,000)
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Under this measure, the Department would lay off approximately 3 to 5 of the employee population in order to close the proposed budget gap. Currently the agency anticipates reductions in services in the areas of Communications, Small Business Support Services and IT. The agency will identify work which will no longer be performed in the appropriate areas.

Administrative Support for CANAMEX Project	(48,900)
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The recommendation would transfer back to the Arizona Department of Transportation (ADOT) the current administrator of the CANAMEX project. The Department of Commerce is unable to cover the cost for this activity and would not renew the Inter-agency agreement with ADOT. Shared expenses such as office space, voice and data will shift back to ADOT.

Reassignment of Work	(173,200)
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The Executive recommendation directs the Department to further prioritize existing functions and staffing levels in order to consolidate and reassign services to generate savings.

Cost Allocation and Recovery	(97,300)
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The Executive recommendation includes this General Fund reduction and enable the Research Administration section to charge a portion of its program cost to other governmental entities for reimbursement for services provided to them.

Vacancy Savings	(123,600)
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This recommendation reflects continuation of the reduction that was included in the FY 2009 approved budget. The Department has taken the required actions to carry out this adjustment.

Lump Sum Reduction	(301,000)
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This measure is designed as a lump sum to provide managerial flexibility and enable the Department to identify areas of implementation that mitigate any adverse impacts on the programs and services.

Reduce General Fund Support - Fund Shift	(1,000,000)
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This recommendation reduces the General Fund appropriation by (\$1.0 million) and shifts the program costs to the Commerce and Economic Development Commission Fund.

Revise Appropriation Format	(37,200)
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The recommendation supports moving the Department's appropriation format to a lump sum by agency to provide flexibility and generate savings. The current structure is rigid, costly and does not provide adequate managerial flexibility to make optimal financial and budgetary decisions. The recommendation supports that the current special lines would continue to be displayed for information purposes on the OSPB and the JLBC reports.

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Community Colleges

Federal Stimulus Dollars

Federal Stimulus Allocation 29,517,000

The Executive Budget provides \$29.5 million of FY 2010 federal stimulus funding to community colleges. These funds will be used to mitigate tuition increases, save jobs, preserve instructional quality, and promote fundamental reform. The community colleges, through the Community College Council, will partner with the Executive on reform efforts to provide vital job-training, increased higher education access, and innovative community and high school programs to promote student achievement and K-12 innovation.

Federal Stimulus Dollars Total 29,517,000

2009 Adjusted Appropriation 138,679,800

Increase in State Aid 1,265,800

The Executive recommends \$1.3 million for increased state aid pursuant to A.R.S. § 15-1466. Six districts reported enrollment growth eligible for increased State aid.

The formula adjusts state aid for districts in which growth exceeds the highest audited FTSE count recorded from and after fiscal year 2004. Adjustments are calculated by multiplying the difference between the most recent audited FTSE number and the second-highest count from fiscal year 2004 onward by the most recent appropriated average state aid amount per FTSE.

The Executive recommendation also provides full formula funding to tribal colleges.

Equalization Aid 6,942,500

Cap Equalization Aid at FY 2009 (6,942,500)

A.R.S. § 15-1468 requires additional state funding assistance to community college districts with property tax bases below a statutory threshold. Four districts receive this funding adjustment annually: Cochise, Graham, Navajo, and Yuma/La Paz. Equalization funding would remain at fiscal year 2009 levels.

The Executive recommends suspending equalization aid increases for fiscal year 2010. The Community College Council will work with the Executive to permanently modernize community college formula funding, a part of broader higher education reform efforts for Arizona, in a way to promote accountability, access, and meet the needs of rural Arizona.

Capital Outlay (500,000)

The Executive recommends suspending capital outlay assistance for FY 2010. A.R.S. § 15-1464 requires state capital outlay assistance per FTSE on a graduated scale based on district size. This recommendation also removes \$500,000 of one-time funding for Northland Pioneer Community College.

The Executive recommends session law suspending the capital outlay formula.

Suspend Hold Harmless (1,677,300)

Unlike the university system, community college statutes, specifically A.R.S. § 15-1466, do not provide for downward adjustments to state operating aid corresponding with declines in enrollment for the community colleges. The Executive recommends adjusting state aid for declining enrollment using the same formula as operating state aid in fiscal year 2010.

Lump Sum Reduction (9,152,000)

The Executive recommends a lump sum reduction of (\$9.2 million).

General Fund Total	128,616,300
Fund Total Change	(10,063,500)

Corporation Commission

2009 Adjusted Appropriation 4,216,100

General Fund Shift to Other Funds (3,616,100)

The Commission's entire General Fund appropriation could be replaced if new revenues were deposited in the Commission's other appropriated funds. The Executive recommends a (\$3.6 million) General Fund reduction in FY 2010. This would leave the Commission with a \$600,000 General Fund appropriation. The increases in the appropriations from the Commission's other fund sources would allow the Commission to operate without a General Fund appropriation beginning in FY 2011. The Executive recommends budget reconciliation bill language that would allow the Commissioners to raise fees for the securities division and the railroad safety section. Additional budget reconciliation bill language would redirect certain fees to the corporations division's Public Access Fund and address cash flow concerns in the Securities Regulatory and Enforcement Fund.

General Fund Total	600,000
Fund Total Change	(3,616,100)

Corrections

2009 Adjusted Appropriation 925,624,100

Lump Sum Reduction (31,100,000)

The Executive lump-sum recommendation includes the following:

- Efficiencies at the Department's training academy
- Increase inmate medical co-pay and decrease inmate work-program pay
- Operational efficiencies
- Reduce work-based education and substance-abuse programs and restructure GED testing
- Downsize Department
- Eliminate medical and educational stipends
- Management of inmates in private and provisional beds
- Partially privatize inmate health care
- Reduce personnel and overtime costs

2,000 New Private Prison Beds 7,959,200

During the 2007 session, the Legislature authorized 2,000 new private prison beds. The Executive recommendation opens these beds beginning January 4, 2010.

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<p>Population Growth, Inmate Marginal Costs 4,530,600</p> <p>When new prisons are opened, funding is appropriated for staffing and equipping the facilities. Expenses directly related to individual inmates (e.g., food, clothing and minor medical) are funded each year as the number of inmates increases. The amount funded for these marginal costs is \$3,531 per inmate. The Executive projects net population growth at the prisons in the near future of 150 new inmates each month, or 1,800 additional inmates during FY 2010.</p>	<p>Provisional Beds 5,098,700</p> <p>The Executive recommendation provides for 4,982 provisional beds, including full annualization of 752 beds in Colorado, which were occupied for only part of FY 2009.</p>
<p>Medical Inflation 5,196,500</p> <p>The Executive recommends a 6% inflationary increase for outside medical costs, matching the inflation rate increase provided to long-term, acute-care expenditures paid by AHCCCS. Outside medical expenses include hospitals, special use of outside physicians or medical specialists, pharmaceuticals, transportation, laboratory services, and medical and dental supplies.</p>	<p>Inmate Utility Fee Increase (131,800)</p> <p>The Executive recommendation annualizes the \$1 per month utility fee increase charged to inmates that was endorsed as part of the FY 2009 adjustments enacted in January 2009.</p>
<p>Eliminate FY 2009 One-time Funds Shift 4,774,400</p> <p>For FY 2009, the Department's appropriations included one-time excess fund balances and one-time increased revenues to the State Charitable, Penal and Reformatory Institutions Fund, the Penitentiary Land Fund, and the Prison Construction and Operating Fund. During FY 2009, expenditures were shifted from the General Fund to these other funds. For FY 2010, the balances in these funds are depleted and the one-time revenue increases have passed.</p> <p>The Executive recommends reversing the one-time funding shift by shifting \$4.8 million in expenditures back to the General Fund as follows: Penitentiary Land Fund (\$1.3 million), the Prison Construction and Operating Fund (\$2.6 million), and the State Charitable, Penal and Reformatory Institutions Fund (\$880,500).</p>	<p>FY 2008 Health Care Expenditures 0</p> <p>The Department's Health Care appropriation of \$80.5 million for FY 2008 is completely exhausted. During the fall of 2008, the Department received additional health care invoices totaling \$6.5 million for services rendered during FY 2008.</p> <p>The Executive recommends authorizing the Department to use any of its non-appropriated funds to pay health-care expenses incurred in FY 2008.</p>
<p>Baseline Adjustment 11,695,400</p> <p>The Executive recommends the transfer of special line funding to above the line appropriations. During the last two years, the Department's appropriation amounts among its eleven appropriation lines have not aligned with actual expenditures, requiring repeated transfers be heard before the Joint Legislative Budget Committee. The Executive recommendation, mirrored in the JLBC Baseline Budget, attempts to better align the appropriations with expenditures.</p> <p>The Executive recommends using the actual expenditure amounts for each appropriation line from FY 2009 to establish the starting point for each line in FY 2010.</p>	<p>Preliminary Start-up of 4,000 New Beds 0</p> <p>Both the Executive recommendation and the legislative proposals defer appropriated funding for the start-up and operation of 4,000 new public beds in FY 2010. These beds are currently under construction and scheduled for completion in February 2010.</p> <p>The Executive recommends, as session law, authorizing the Department to use any of its non-appropriated funds to pay some of the start-up expenses associated with the 4,000 beds in FY 2010. The Executive will consider funding for the normal operations of the new facilities as part of the FY 2011 budget.</p> <p>Allowing the Department to equip the new facilities in the spring of 2010, as soon as construction is completed, would allow the State to test the new facilities during the entire 12-months of the warranty period. If equipping the facilities is delayed until FY 2011, the warranty period would be half expired before the testing could start.</p>
<p>Water and Wastewater COP Debt Service 658,200</p> <p>The Executive recommendation provides for the debt service associated with water and waste-water construction projects at the Lewis, Tucson, Apache, and Douglas Prisons authorized during the 2007 session.</p>	<p>Replace Out-of-state Rental Beds with In-state Permanent Private Beds 0</p> <p>There are many reasons for housing DOC inmates in facilities located inside Arizona rather than out-of-state. However, Arizona currently contracts to house 4,892 inmates in out-of-state prisons.</p> <p>The Executive recommends authorizing the procurement of 5,000 beds at new or expanded private prison facilities in Arizona to replace the out-of-state provisional beds.</p> <p>The construction of up to five new prisons would constitute a \$250 million to \$350 million construction project in Arizona. Once opened, on-going payroll to Arizonans working at the new facilities would be approximately \$80 million to \$100 million per year. The total economic impact in Arizona would be several times the construction and payroll amounts.</p> <p>There would be no cost to the State. The State does not pay for construction of private prisons while they are being constructed. Once the new facilities are utilized, the funding currently used for out-of-state beds could be used to pay per diem at the new in-state private prisons.</p>
<p>4,000 State Beds COP Debt Service 16,064,100</p> <p>The Executive recommendation provides for the debt service associated with the construction of 4,000 new prison beds, scheduled for completion in the spring of 2010.</p>	
<p>Additional 194 In-state Private Beds 1,934,500</p> <p>The Executive recommendation provides 194 emergency beds at the Central Arizona Corrections Facility at an average per diem rate of \$27.32.</p>	

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Use AHCCCS Rates for Outside Health Care (26,000,000)

The Executive recommends utilizing the Arizona Health Care Cost Containment System (AHCCCS) rate structure for medical services performed outside a Department facility, such as in-patient hospital care, emergency room services, out-patient care, physicians, dentists, specialized care, and emergency transportation. Savings are estimated at \$26,000,000.

Currently, the Department is charged rates significantly higher than those paid by AHCCCS for services purchased outside the prisons. The Department currently contracts with hospitals and service providers on a fee for service basis, but has no leverage in negotiating fees at the AHCCCS rate. In some cases, providers charge 100% of published fees, while others contract at a rate of 210% of the AHCCCS rate.

This recommendation mirrors A.R.S. § 41-2807, which allows the Department of Juvenile Corrections to use AHCCCS rates for health care. This section was added in 2001. The estimated savings amount assumes a July 1, 2009, effective date.

	General Fund Total	926,303,900
	Fund Total Change	679,800

Cosmetology

2009 Adjusted Appropriation	300,000
Supplemental Removed for FY 2010	(300,000)

	General Fund Total	0
	Fund Total Change	(300,000)

Criminal Justice Commission

2009 Adjusted Appropriation	1,054,800
Shift GF Grant Programs Funding to Other Funds	(1,054,800)

The Executive recommends shifting General Fund funding for programs to Other Fund sources. The Rural State Aid to Indigent Defense and Rural State Aid to County Attorneys programs will be funded from the State Aid to Indigent Defense and State Aid to County Attorneys Funds respectively. The Gang Prosecution Program and the Special Prosecution Program will be funded from the Drug Enforcement Account (DEA). The Commission has applied for additional Byrne/JAG grant funding from the federal stimulus package.

	General Fund Total	0
	Fund Total Change	(1,054,800)

Deaf and the Blind

2009 Adjusted Appropriation	21,273,700
Lump Sum Reduction	(2,500,000)

The Executive recommends a lump sum reduction of (\$2.5 million).

School Bus Replacement	738,000
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The Executive recommends reinstating school bus replacement funding of \$738,000.

	General Fund Total	19,511,700
	Fund Total Change	(1,762,000)

Economic Security

2009 Adjusted Appropriation	717,924,700
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Developmental Disabilities 22,285,800

The Executive recommends \$22.3 million from the General Fund for 6.5% caseload growth and 0% capitation growth in the Long Term Care program.

Arizona's developmentally disabled population continues to grow steadily. The population receiving these services includes Arizona residents who have chronic developmental disabilities that manifest prior to age 18. Afflictions include but are not limited to cerebral palsy, epilepsy, autism or a cognitive disability. These disabilities must limit three or more areas of major life activities, including self-care, language, learning, mobility, self-direction, capacity for independent living, and economic self-sufficiency. ALTCS eligibility also includes a requirement that the individual must have an income below 300% of the Supplemental Security Income eligibility limit of \$2,022 per month.

Beyond this recommendation, the Executive also recommends BRB language be enacted to allow DES to shift to a cash-basis accounting method. This will allow the Department to pay for services rendered in June, but billed in July, with the next fiscal year's appropriation. One-time savings generated by this change will be \$25 million in FY 2009 and \$17 million in FY 2010. Of these savings, \$9.4 million must be utilized each year to make the Department whole in the Division of Developmental Disabilities. The remainder will be transferred to the General Fund as a windfall.

TANF Cash Assistance 10,000,000

As a result of the economic downturn, there has been a steady increase in cash assistance clients. Currently, the Executive projects caseloads to exceed 7% growth in FY 2010. The Executive anticipates a funding shortfall of at least \$10 million from the General Fund for caseload growth in FY 2010 over the FY 2009 original appropriation. There are no further TANF Funds available to offset this rising cost.

These funds provide financial assistance on a temporary basis to individuals at or below 36% of the 1992 Federal Poverty Level; 75% of the recipients are children and 50% of the cases are child-only cases.

Adoption Subsidy 2,500,000

When children cannot be reunited with their parents, the Department looks at other options to place the children in permanent homes. Adoption is a lengthy legal process in which the birth parents' rights are severed from their child. At the time this recommendation was prepared, there were 1,954 children in care with a case plan goal of adoption. It is anticipated that the adoption caseload will increase to an average of 13,731 children per month (up from the current FY 2009 average of 12,000), and the average subsidy payment will be \$710 per child. The Executive anticipates a \$7.5 million shortfall in this program; however, the federal stimulus provides an additional \$5.0 million in Title IV-E funds for Adoption Services. The Executive therefore recommends \$2.5 million from the General Fund for Adoption Subsidy caseload growth.

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Children Services 13,000,000

The Executive recommends \$13.0 million from the General Fund for Children Services. The majority of the recommendation is to backfill an existing shortfall, which the Department no longer has the ability to manage, given the severity of the funding reductions it has endured. The projected need in this program is approximately \$17.0 million, but the ARRA provides approximately \$4.0 million in Title IV-E funds that would offset a portion of this shortfall.

Since the 2003 Special Session, DES has focused on in-home services for children in the CPS system. Those efforts have been successful, as in-home cases have grown by 72% and out-of-home placements have been relatively flat over the last three years. Unfortunately, the federal government does not reimburse the Department for in-home placements, and the Department has struggled to overcome that lack of reimbursement. The federal government does reimburse up to 50% of the cost to remove a child from their home.

The Deficit Reduction Act of 2005 has forced the Department to license caretakers in order to qualify for federal funding. Unlicensed placements, despite being preferable to group homes or shelters, do not receive federal funding. Therefore, the Department has worked to move children into licensed foster homes, rather than unlicensed homes or group homes. These placements can be more expensive to the State, from a General Fund perspective.

Annualization of Program Eliminations (2,338,500)

The Executive recommends a General Fund reduction to annualize the program eliminations made in the FY 2009 budget. Specifically, additional reductions may be made in the following programs:

- General Assistance: (\$1,744,000)
- Lifespan Respite Care: (\$150,000)
- Homeless Youth Intervention: (\$266,700)
- Eligibility System Upgrade: (\$103,300)
- Document Management: (\$74,500)

Each of these programs was eliminated in FY 2009 with four months remaining in the fiscal year. The amounts above represent the remaining portions of the appropriations that were not cut in FY 2009 but will be available for reduction in FY 2010.

The repeal of the General Assistance program eliminates an average monthly benefit of \$150 for 1,500 disabled adults awaiting an eligibility determination from the Social Security Administration. Eliminating funding for lifespan respite care will result in the loss of respite services for approximately 130 caregivers. The elimination of the homeless youth intervention contract will cut assistance for approximately 150 youths. The termination of the eligibility system upgrade and document management initiatives will forgo anticipated efficiencies and savings.

The eligibility system upgrade and document management initiatives were estimated to have generated federal matching funds of \$5.8 million in fiscal year 2010.

Eliminate Adoption Services - Family Preservation Programs (500,000)

The Executive recommends eliminating the Adoption Services - Family Preservation Programs appropriation of \$500,000 General Fund in FY 2010. This appropriation was established in fiscal year 2006 to augment services to prospective adoptive parents as well as families that have already adopted a child. In fiscal year 2008, more than 4,000 calls were received by the 800-KIDSNEEDU information line, 34 families were referred to crisis response services, and 200 children were referred to transition counseling and therapeutic services. Without this appropriation, services would not be entirely eliminated, but would revert to the much more limited program that existed prior to this special line item.

Eliminate Summer Youth Program (750,000)

The Executive recommends eliminating the \$750,000 General Fund appropriation for the Summer Youth Employment and Training Program. This funding, which is passed-through to the counties according to a statutory formula, would no longer be available. According to statute, counties are to use the funds to support summer employment and training programs for at-risk youth. The counties do not report on the use of the funds so the Executive is unable to quantify service level reductions.

Five Percent Operating and Program Reductions (11,904,300)

The Executive recommends an (\$11.9 million) General Fund reduction from various programs in the DES budget. Five percent reductions would be applied to various operating and program appropriations. These decreases would be in addition to the reductions that have already occurred in the fiscal years 2008 and 2009 budgets. In most of the operating appropriations, the savings could likely be achieved by maintaining the vacancy savings and other restrictions that have been put in place. The program reductions would result in decreased service levels; and in some instances, these savings would require eliminating services for existing clients or limiting access to assistance.

A portion of the savings achieved through these reductions would be used to begin restoring the funds eliminated from Child Protective Services' budget in fiscal year 2009. As more CPS Case Managers are hired, the Department will work toward investigating 100% of the reports of abuse or neglect.

Make Temporary Reductions Permanent (20,515,600)

The Executive recommends a (\$20.5 million) General Fund reduction to the JOBS program and the Division of Developmental Disabilities. This will represent the annualization of the JOBS Vendor contract reduction and the developmental disabilities provider rate reductions.

These reductions were implemented in FY 2009 with the expectation that they would be one-time in nature. However, due to the state's fiscal constraints, they must be continued for another year.

General Fund Total	729,702,100
Fund Total Change	11,777,400

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Education

Federal Stimulus Dollars

Federal Stimulus Allocation 222,114,000

Arizona is eligible to receive over \$831 million of federal stimulus funding for education for both fiscal year 2009 and 2010.

The Executive Budget provides \$222.1 million of fiscal year 2010 federal stimulus funding to K-12 schools. These funds will be used to save jobs, preserve instructional quality, and promote fundamental reform.

The Governor, through the State Fiscal Stabilization Fund application has pledged to advance the State along four education reform criteria:

1. Achieving Equity in Teacher Distribution
2. Improving Collection and Use of Data
3. Improving State Academic Content and Student Standards
4. Supporting Struggling Schools.

School districts and charter schools will be required, through an application process, to commit to use federal stimulus funds to assist the state in advancing these reforms.

Federal Stimulus Dollars Total	222,114,000
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2009 Adjusted Appropriation	4,007,927,700
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Basic State Aid FY 2010	410,083,600
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Caseload Adjustment	(73,000,000)
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Additional State Aid	9,537,200
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A.R.S. § 15-972 requires the State to pay 39% of each homeowner's primary property tax rate as a "rebate," up to a maximum of \$580. Laws 2007, Chapter 258, accelerates the enacted reduction in business property tax rates. Additionally, Article IX, Section 18 of the Arizona Constitution limits residential tax obligations to 1% of the home's cash value. All Class 3 properties are eligible for both the "homeowner's rebate" and the 1% cap.

The Executive recommends a net increase of approximately \$9.5 million General Fund in fiscal year 2010 for Additional State Aid for ongoing property value growth and tax rate changes. This assumes the extension of the desegregation "soft cap" pursuant to Laws 2006, Chapter 53, § 18.

Excess Utilities Baseline Adjustment	80,000,000
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A.R.S. § 15-910.04 requires State funding for excess utilities costs beginning in fiscal year 2010. This estimate is \$80 million in fiscal year 2010. The Executive recommendation repeals this requirement.

Eliminate New Excess Utilities	(80,000,000)
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The Executive recommends using a combination of performance contracting, new federally-funded energy and sustainability programs, and strategic partnerships with school districts and charter schools to upgrade our schools to conserve energy and create greater cost-efficiency.

To provide additional relief to schools the Executive recommends BRB language be adopted to allow local funding for up to \$40 million of excess utilities costs.

Soft Capital Suspension	(175,000,000)
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The Executive recommends a one-time suspension of (\$175 million) of soft capital. This would be significantly mitigated by the use of federal stimulus funds. Pursuant to A.R.S. § 15-962 soft capital includes books, technology, instructional aids, vehicles, furniture, and equipment.

K-12 Lump Sum Reduction	(100,000,000)
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The Executive proposal is for a balanced combination of targeted one-time reductions such as a soft capital funding suspension and manageable temporary lump sum suspensions. For fiscal year 2010 the district lump sum reduction is (\$100 million). This reduction would be significantly mitigated by the use of federal stimulus funds.

It should be noted that the Executive baseline fully funds the Proposition 301 2% inflator. Funding only the transportation component, by comparison, would result in a reduction of \$102 million to schools in real terms.

TAPBI Reduction	(3,000,000)
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The Executive recommends a reduction of TAPBI funding of (\$3.0 million).

Desegregation Hard Cap	(797,900)
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This recommendation prohibits additional funding for desegregation.

The Executive recommends BRB language be enacted as permanent law to prohibit increases for desegregation funding.

Department Lump Sum Reduction	(830,000)
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The Executive recommends a lump sum reduction of (\$830,000) for Department administrative costs.

The Executive recommends BRB language be enacted to require this reduction be taken from Department operating administrative expenditures.

Early Kindergarten Tuition	(11,200,000)
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The Executive recommends eliminating state support for kindergarten repeaters and replacing such funding with tuition where applicable. Early kindergarten repeaters are children who take kindergarten before the age of 5 and repeat kindergarten the following year.

The Executive recommends BRB language be enacted to provide schools the ability to charge tuition to cover the costs of early kindergarten programs. By providing schools authority to charge tuition, the recommendation would still provide a mechanism to continue programs for children who repeat.

Suspend Early Graduation Scholarship State Funding	(4,682,800)
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The Executive recommends suspending state funding for the Early Graduation Scholarship Program.

The Executive recommends BRB language be enacted to provide statutory authority for the Commission for Postsecondary Education to solicit and administer federal funds and private donations as alternative sources of funding.

General Fund Total	4,059,037,800
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Fund Total Change	51,110,100
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FY 2010 General Fund Executive Budget - Issue by Issue

Emergency Services and Military Affairs

2009 Adjusted Appropriation 12,401,900

State Land Lease 387,000

The Executive recommendation provides for State Land Lease increases. Previously, federal monies were used to pay for these leases, but DEMA has been advised that federal monies may not be used for that purpose.

Annualization of FY 2009 Reductions 21,600

The Department generated savings in FY 2009 from various programs. Some of those reductions cannot be annualized for FY 2010.

NEMF Fee (828,000)

The Executive recommends a decrease of (\$828,000) for the Nuclear Emergency Management Fund (NEMF) which is a portion of the fee assessed against each public service corporation and municipal corporation engaged in constructing or operating a commercial nuclear generating station. The fee and the FY 2010 appropriation will be addressed in separate legislation.

Facilities Maintenance (27,700)

The Executive recommends a reduction of (\$22,700) from DEMA's facilities maintenance budget. DEMA will continue to fund basic maintenance and repair of its facilities.

AZ 211 Funding (31,100)

The Executive recommends the elimination of the AZ 211 funding for DEMA. The savings is the remainder of the existing program at DEMA after the FY 2009 reductions.

Administration (200,000)

The Executive recommends a reduction of (\$200,000) from DEMA's Administration budget. This would stop all life cycle replacement of equipment, defer training and halt travel.

Governor's Emergency Fund (600,000)

The Executive recommends reducing the General Fund appropriation for Governor declared emergencies by (\$600,000) in FY 2010. This money is not appropriated for use by DEMA, but is often included in their General Fund appropriation total. DEMA is not allowed to use any of the money in the fund for administration of the fund. The Executive recommends session law be enacted to reduce the Governor's Emergency Fund to \$2.9 million in FY 2010.

Lump Sum Reduction (983,900)

The Executive recommends a lump reduction of (\$983,900). Guardsmen Tuition Reimbursement, Military Gift Packages, and Officer Uniform Allowance are programs that may be affected.

General Fund Total 10,139,800

Fund Total Change (2,262,100)

Environmental Quality

2009 Adjusted Appropriation 19,686,200

FY 09 Annualization (176,900)

Reduce General Fund Support for Air Program (103,000)

Administration

The measure would reduce General Fund appropriation for the administration of the Air Program. The Department may explore ways to use other available resources to offset any impact from this reduction.

Reduce General Fund Support for Waste Program Administration (105,000)

The measure would reduce General Fund appropriation for the administration of the Waste program. The Department is encouraged to explore ways to use other available resources to mitigate any impact that may result from this reduction.

Cost Allocation and Realignment in Administration Services (75,000)

The measure would reduce General Fund appropriation for the Agency's central administration services. It is recommended that the Department explore ways to use other available resources to mitigate any impact that may result from this reduction.

WQARF Statutory Transfer (8,000,000)

The FY 2010 Executive recommendation limits to \$5.0 million the amount transferred from the General Fund (Corporate Income Tax) to the Water Quality Assurance Revolving Fund. In accordance with A.R.S. § 49-282, the Quality Assurance Revolving Fund (WQARF) annually receives \$15 million from corporate income tax for remediation of sites that have been contaminated and are on the State's Superfund list. The (\$8.0 million) reduction reflects a technical adjustment from the FY 2009 revised WQARF base of \$13.0 million. The Executive recommendation supports including a session law provision to temporarily suspend A.R.S § 49-282 and direct a transfer of \$5.0 million in FY 2010 to the WQARF program.

Fee-Based Funding Continuation 0

The Executive recommendation continues the session law provision enacted under Section 12 in Laws 2008, Chapter 291. This section provided fee authority to the Department and established a spending limit of \$600,000 from the revenues collected.

General Fund Total 11,226,300

Fund Total Change (8,459,900)

Equal Opportunity

2009 Adjusted Appropriation 249,300

Lump Sum Reduction (36,800)

The Executive recommends a lump sum reduction of (\$36,800).

General Fund Total 212,500

Fund Total Change (36,800)

Equalization

2009 Adjusted Appropriation 602,500

General Fund Total 602,500

Fund Total Change 0

Executive Clemency

2009 Adjusted Appropriation 1,047,600

FY 2010 General Fund Executive Budget - Issue by Issue

Board Member Compensation (96,000)

The Board of Executive Clemency currently has five board members, one of whom serves as Chairman and Executive Director of the Board. The Executive recommends the four other board members be compensated on a per diem basis. This will generate a savings of approximately \$96,000. Compensation will be at the Board's current hourly rate of \$23.48/hour, prorated for actual time spent performing duties. Proration shall be calculated based on an eight-hour day, with the duties and payment not to exceed a 30-hour work week. The Executive recommends session law be enacted to permit board member compensation on a per diem basis, not including the Board Chairman, and to continue to allow the Board Chairman to serve as the Executive Director.

General Fund Total	951,600
Fund Total Change	(96,000)

Financial Institutions

2009 Adjusted Appropriation 3,304,900

General Fund Total	3,304,900
Fund Total Change	0

Forester

2009 Adjusted Appropriation 3,455,100

Elimination of Four Support Staff Positions (229,800)

The Executive recommends eliminating funding for four support staff positions within the Agency.

Wildland Fire Crew Carrier Replacement (200,000)

The Executive recommends deferring replacement of the Agency's aging crew carriers used to transport inmate fire crews.

General Fund Total	3,025,300
Fund Total Change	(429,800)

Fire, Building and Life Safety

2009 Adjusted Appropriation 3,128,300

Personnel Reduction (139,700)

Staff Reduction (468,300)

The Executive recommends the elimination of 12 positions, 6 administrative positions and 3 positions each from the Office of Manufactured Housing and the Office of the State Fire Marshall.

Release of Temporary Employees (158,100)

The Department has been utilizing temporary workers to offset the current number of vacancies. The Executive recommends elimination of four temporary workers for a savings of \$158,080.

General Fund Total	2,362,200
Fund Total Change	(766,100)

Geological Survey

2009 Adjusted Appropriation 962,800

Shift Research Geologist Position to Non-Appropriated Funds (48,100)

The Executive recommends allowing the Agency to find other, outside sources for one geologist as of October 1, 2009.

Substitute IT Manager with Part-Time Technician (48,400)

The Executive recommends substituting the Agency's IT manager position with a quarter-time employee, effective September 1, 2009.

General Fund Total	866,300
Fund Total Change	(96,500)

Government Information Technology Agency

2009 Adjusted Appropriation 1,228,500

Eliminate 2-1-1 (425,300)

The 2-1-1 program was eliminated during FY 2009, so this reduction is simply a technical adjustment. The program provided referrals for health and human services programs. It was also used to communicate updates during emergencies.

General Fund Total	803,200
Fund Total Change	(425,300)

Governor

2009 Adjusted Appropriation 7,384,900

General Fund Total	7,384,900
Fund Total Change	0

Strategic Planning and Budgeting

2009 Adjusted Appropriation 2,149,600

General Fund Total	2,149,600
Fund Total Change	0

Health Services

2009 Adjusted Appropriation 594,438,100

Administration Operating Budget (687,600)

The Executive recommends a (\$687,600) reduction to the administration division's operating budget in FY 2010. This Division provides agency-wide support services such as information technology, accounting, and human resources. Currently many of the Agency's support services are funded through the Indirect Fund and the General Fund Administration Operating Budget. The Division and the Director's Office currently have a vacancy rate of 25% and anticipate additional attrition through FY10. To accommodate this reduction, the Division and the Director's Office will need to remain understaffed. Between 20 % and 35% of the Department's total support services will need to be reduced or eliminated while other services will experience lengthy delays.

Arizona Community Protection and Treatment Center (ACPTC) (2,149,500)

The Executive recommends BRB language be enacted for the Arizona State Hospital (ASH) to temporarily collect fees from counties for sexually violent persons in the hospital's care. A (\$2.1 million) General Fund reduction from the Community Protection and Treatment Center would be offset by counties reimbursing the ASH Fund 100% of the cost of care for sexually violent persons (SVP) civilly committed by their courts. This would require amendment to A.R.S. § 36-545.08 to add, "Monies collected from counties for the cost of a commitment of a Sexually Violent Person to the Arizona Community Protection and Treatment Center are allowed to be collected and used to offset costs of care."

FY 2010 General Fund Executive Budget - Issue by Issue

Arizona State Hospital Operating Budget (1,377,400)

There is an existing \$2.0 million funding shortfall in the Arizona State Hospital (ASH) due to decreased revenues in the ASH Fund. The Executive recommends increasing the required reimbursement from all counties by \$3.4 million, offsetting this shortfall and allowing an additional (\$1.4 million) General Fund reduction from the ASH budget. Specifically, the Executive recommends BRB language be enacted for:

- Expansion of billing TXIX for entire length of stay for TXIX-eligible civil adult patients instead of only 30 days. In July 2008, AHCCCS allowed patients at the Hospital to remain TXIX eligible for outside medical services and for the first 30 days of their inpatient stay. The provision does not prohibit the state from allowing the hospital to bill for the full hospital stay for every eligible patient, although this would impact the Regional Behavioral Health Systems who only have to pay for the first 30 days of care with the state covering the remainder of the stay.
- Temporarily charge counties the full cost of restoration to competency (RTC) fees without reducing the hospital's General Fund allocation by the increased collections. Currently, the hospital is able to bill Maricopa and Pima County 86% and rural counties 50% of the per-patient per-day cost, which is deposited into the ASH Fund. These billings do not support the full operation of these programs. Maricopa County began its own RTC program in 2004 and Pima County began its own program in 2007. Both counties rarely send RTC patients to the hospital. Most referrals have been from the rural counties who were not required to pay for RTC services at the hospital. Temporarily changing the legislation to require the rural counties to pay for the full daily rate at the hospital would shift the cost of care onto the counties that send patients to ASH.

Arizona Statewide Immunization Information System (30,000)

The Executive recommends a (\$30,000) reduction to the Arizona Statewide Immunization Information System (ASIIS). Because of this reduction, the ASIIS database programmer position must be eliminated. This will result in a total staff reduction of 37% overall. This staffing reduction will affect 1) database programming, 2) the ability to query the database and produce complex reports, and 3) school enrollment and provider enrollment into the ASIIS system. All but the highest priority projects in this area will be eliminated.

The ASIIS database programmer position will be reduced from 0.72 FTE to 0.11 FTE, along with associated costs of ERE and office supplies. The ASIIS database position has high level and specialized programming skills and is responsible for supplementing and updating software program applications, performing specialized data queries, and producing reports to address vaccine uptake, disease outbreaks, and vaccination series completion by geographic location.

Assurance and Licensure (4,493,400)

The Executive recommends a (\$4.5 million) General Fund reduction, a (\$18,600) reduction from the Hearing and Speech Professionals Fund, and a (\$38,000) reduction from the Nursing Care Institution Protection Fund in FY 2010 in the division of licensing services.

The division is charged with protecting the health and safety of thousands of Arizonans who utilize the services of licensed healthcare, childcare and developmental disability facilities as well as Arizonans who utilize the services of speech language pathologists, midwives and audiologists.

In order to offset this reduction, the Executive also recommends that BRB language be enacted to allow the division to increase fees in order to become a self-funded entity. While the increased fees will impact the facilities and entities being overseen by the division, it will eventually lead to more timely processing of licenses and will reduce or eliminate the current backlog of federal surveys.

As of December 2008, the division of licensing services (DLS) licensed 4,511 healthcare institutions, 2,757 childcare facilities and 4,285 other licensing programs (audiologists, speech language pathologists, midwives developmental disabilities group homes etc.). There has been a 37% increase in the number of healthcare-only licenses in the last 5 years (FY 2003 to FY 2008), which is expected to continue. For FY08 (healthcare and childcare only), DLS received 3,301 complaints, performed 6,307 annual surveys, 8,093 follow-up/monitoring surveys, 198 change of ownership surveys and performed 899 initial surveys. Additionally, DLS initiated 542 enforcement actions, which resulted in a return of \$528,210 to the General Fund. The average backlog of surveys for healthcare and childcare in FY08 was 901, and it rose to 942 in January of 2009. This backlog represents a 13% reduction in the amount of renewal surveys that should be performed each year.

Facilities in Arizona pay annual fees well below other comparable states (for example, California). Therefore, the licensing costs in Arizona have historically been subsidized by the General Fund. Arizona currently charges an annual fee of \$2,400 for a non-accredited hospital, while California charges \$27,192. For a large assisted living center, Arizona's fees are \$4,400 while California's are \$39,156. Long term care centers in Arizona have an annual fee of \$3,250, while in California, the fee is \$29,618. Finally large behavioral health facilities in Arizona have an annual fee of \$750, while in California, they pay \$2,297.

Attorney General Legal Fees (23,700)

The Executive recommends a (\$23,700) General Fund reduction from the Attorney General special line item within the Department's budget. The reduction is approximately 6% of the appropriation and the Agency would expect to receive about the same reduction in the amount of services received. Reduced or delayed involvement by the Attorney General in the Agency's legal issues could result in additional litigation or more severe consequences for the Agency.

FY 2010 General Fund Executive Budget - Issue by Issue

Behavioral Health Operating Budget (350,000)

The Executive recommends a (\$350,000) General Fund reduction from the behavioral health services operating budget. The Division of Behavioral Health Services has a 30% vacancy rate and anticipates additional attrition through FY 2010. The Division will accommodate this additional reduction through a combination of vacancies, continued reductions in travel, training and conferences, continued reductions in equipment purchases, and additional contract terminations.

Community Health Centers (641,900)

The Executive recommends a (\$641,900) General Fund reduction and a (\$900,000) reduction in Tobacco Tax - Medically Needy Account Funds from the community health centers in FY 2010. This recommendation will be offset by the ARRA funds distributed directly to these centers through a competitive bid process. The Arizona Primary Care Program (AZ PCP) serves the uninsured, medically underserved Arizona residents by providing comprehensive primary care services on a sliding fee scale with an average cost of \$145/visit in 140 clinic sites statewide.

These reductions are far below the \$5.6 million awarded to local federally-qualified health centers through the American Recovery and Reinvestment Act. The above reductions will be targeted toward centers receiving federal stimulus dollars, holding those centers that did not receive additional funding harmless.

Diabetes Prevention and Control (12,500)

The Executive recommends a (\$12,500) General Fund reduction from the diabetes prevention and control program. The diabetes program does not provide direct services and much of this funding is for informational materials. The elimination of funds reduces the capacity of communities awarded grants to develop, implement, and evaluate evidence-based diabetes self-management support projects, which ultimately reduce diabetes-related costs in their community.

Family Health Operating Budget (300,000)

The Executive recommends a (\$300,000) General Fund reduction from the family health operating budget in FY 2010 in addition to the FY 2009 reduction of (\$223,200). This funding will come from maintaining existing vacancies and deferrals in travel, training, equipment purchases, operating expenses, and contract terminations. The Department will try to manage its resources so that federal funding, such as the Maternal and Child Health Block Grant, are not jeopardized as a result of not meeting performance measures.

Annualization of FY 2009 Reductions (16,008,300)

The Executive recommends a (\$16.0 million) General Fund reduction in FY 2010 in order to annualize the reductions made in the FY 2009 special session. When SB 1001 passed, agencies had 4-5 months remaining in the fiscal year to make their reductions. In FY 2010, it is anticipated that the agencies will continue many of the reductions or program eliminations, which will generate additional savings without expanding the impact of the reductions to additional clients or staff.

Behavioral Health Services- Title XIX State Match 48,509,000

The Executive recommends \$48.5 million from the General Fund for 9% caseload growth and 0% capitation growth. The Department of Health Services is responsible for providing behavioral health services to Title XIX-eligible clients from the Seriously Mentally Ill (SMI), General Mental Health/Substance Abuse, Children's Behavioral Health populations, and the DES-Developmentally Disabled populations.

Because capitation growth is assumed at 0% and utilization is increasing, provider rates may be reduced in FY 2010. It is the intent of the Executive that the capitation rate freeze should be achieved through a combination of RBHA and provider reductions, and that RBHAs do not reduce provider rates by more than is required to achieve the capitation rate freeze.

New Forensic Unit at the Arizona State Hospital 3,111,700

In FY 2008, the Legislature approved \$32.2 million in lease-purchase financing for the demolition and construction of a new forensic building at the Arizona State Hospital. The debt-service payment due in FY 2010 is for \$3.1 million.

Personnel Reduction (3,315,600)

The Executive recommends a (\$3.3 million) reduction over the FY 2009 personnel reduction. DHS will accomplish these cuts through personnel decisions made by management.

Removal of FY 09 Supplemental (11,050,300)

This (\$11.0 million) reduction is a technical adjustment in which the FY 2009 supplemental for behavioral health services is backed out of the base budget for FY 2010. There is no impact to the agency, as Behavioral Health caseload growth for FY 2010 is addressed in a separate issue.

General Fund Total	605,618,600
Fund Total Change	11,180,500

Historical Society

2009 Adjusted Appropriation 4,017,800

5 Year Phase Out of State Funding (473,100)

The Executive recommends a gradual phasing out of state funding for the Arizona Historical Society. The plan would remove 20% of the original FY 2009 level of funding in each of the next 5 years giving the Historical Society an opportunity to transition assets, staff and funding from state funding to private donations and revenue. In FY 2010, the Executive recommendation is a (\$473,100) General Fund reduction.

General Fund Total	3,544,700
Fund Total Change	(473,100)

Prescott Historical Society of Arizona

2009 Adjusted Appropriation 663,100

5 Year Phase Out of State Funding (52,900)

The Executive recommends a gradual phasing out of funding for the Prescott Historical Society. The plan would remove 20% of the original FY 2009 appropriation in each of the next 5 years giving the Historical Society an opportunity to transition assets, staff and funding from state funding to private donations and revenue. In FY 2010, the Executive recommendation is a (\$52,900) General Fund reduction.

FY 2010 General Fund Executive Budget - Issue by Issue

Indian Affairs		
	General Fund Total	610,200
	Fund Total Change	(52,900)
2009 Adjusted Appropriation		211,000
Lump Sum Reduction		(84,400)
The Executive recommends a lump sum reduction of (\$84,400).		
	General Fund Total	126,600
	Fund Total Change	(84,400)

Insurance		
2009 Adjusted Appropriation		6,416,800
	General Fund Total	6,416,800
	Fund Total Change	0

Judiciary		
2009 Adjusted Appropriation		121,915,900
New Judgeship		95,500
The Executive recommends \$95,500 in FY 2010 to fund a judgeship in Yavapai County that was filled in FY 2008. Per A.R.S. § 12-128, the State pays one-half of the salary for a Superior Court judge, with the other half paid by the county.		
Lump Sum Reduction		(1,148,800)
Judicial Salary Increase		1,544,200
CASA Appropriation		2,232,900
Risk Management Fund Shift/Probationer Fee		(2,296,600)
GPS Cost Shift to JCEF		(435,200)
Probation Cost Shift to JCEF		(1,000,000)
	General Fund Total	120,907,900
	Fund Total Change	(1,008,000)

Juvenile Corrections		
2009 Adjusted Appropriation		72,200,400
Fund Shift - Land Fund		3,200,000
For FY 2009, \$3.2 million was shifted on a one-time basis from the General Fund to the State Charitable, Penal and Reformatory Land Fund to offset expenses at the Department. The Executive recommendation reverses this one-time shift.		
Lump Sum Reduction		(8,770,900)
The Executive lump-sum recommendation for the General Fund includes the following changes:		
<ul style="list-style-type: none"> • Elimination of various stipends • Reduction of personnel costs including overtime • Implementation of Day/Evening Support Center • Implementation of Skills for Work Program • Eliminate contract for the culinary program and run program in-house • Closure of Housing Units 		
	General Fund Total	66,629,500
	Fund Total Change	(5,570,900)

Land Department		
2009 Adjusted Appropriation		13,455,900
Aerial Photography		(10,000)
The Executive recommends a reduction in professional and outside services paid for aerial photography of State Trust land.		
Earth Fissure Map Program		(22,000)
The Executive recommends reducing funding for online public resources pertaining to earth fissures, such as maps.		
Litigation		(10,000)
The Executive recommends reducing the agency's budget for litigation costs by (\$10,000).		
Market Demand for GIS		(40,000)
The Executive recommends the agency no longer set aside funding to contract for market demand analysis.		
Planning & Engineering P&O		(394,600)
The Executive recommends reducing the funding for contracts awarded for the purpose of preparing State Trust land for auction.		
Reduce ISA Costs with Attorney General		(185,000)
The Executive recommends eliminating funding for one attorney and one legal secretary contracted through an interagency service agreement with the Attorney General's office.		
Trust Management Self-Funding		(6,000,000)
The Executive recommends eliminating General Fund support for the Agency's trust management program. A portion of receipts from the Permanent Fund would be used for trust management instead. Other programs requiring General Fund support will continue. The recommendation also redirects a portion of trust management administrative fees to be deposited in the newly-created Trust Management Fund. The combination of permanent fund receipts and fees will provide a stable, reliable fund source to better manage the Trust and support its beneficiaries. Budget reconciliation bill language is proposed to enact this recommendation.		
Elimination of General Fund in NRCD SLI		(378,400)
The Executive recommends no appropriation from General Fund to the special line item for Natural Resource Conservation Districts (NRCDs). It is recommended that \$260,000 currently appropriated to NRCDs and their Education Centers through the Environmental Special Plate Fund continue. The NRCDs would have the authorization to spend this money on their respective education centers. Budget reconciliation bill language is also proposed to enact this recommendation. The Executive also anticipates additional funding for Arizona NRCDs as part of the American Recovery and Reinvestment Act.		
	General Fund Total	6,415,900
	Fund Total Change	(7,040,000)

Law Enforcement Merit System Council		
2009 Adjusted Appropriation		76,900
	General Fund Total	76,900
	Fund Total Change	0

Auditor General		
2009 Adjusted Appropriation		15,179,400

FY 2010 General Fund Executive Budget - Issue by Issue

	General Fund Total	15,179,400
	Fund Total Change	0
<u>House of Representatives</u>		
	2009 Adjusted Appropriation	13,653,400
	General Fund Total	13,653,400
	Fund Total Change	0
<u>Joint Legislative Budget Committee</u>		
	2009 Adjusted Appropriation	2,734,000
	General Fund Total	2,734,000
	Fund Total Change	0
<u>Legislative Council</u>		
	2009 Adjusted Appropriation	4,724,700
	General Fund Total	4,724,700
	Fund Total Change	0
<u>Library, Archives & Public Records</u>		
	2009 Adjusted Appropriation	6,441,700
	General Fund Total	6,441,700
	Fund Total Change	0
<u>Senate</u>		
	2009 Adjusted Appropriation	8,635,000
	General Fund Total	8,635,000
	Fund Total Change	0
<u>Liquor Licenses and Control</u>		
	2009 Adjusted Appropriation	3,031,800
	Lump Sum Reduction	(39,500)
	The Executive recommendation annualizes the Department's FY 2009 budget reductions.	
	Personnel Reduction	(134,000)
	The Executive recommendation annualizes the Department's FY 2009 reduction.	
	Return Three Vehicles to the ADOA Fleet	(17,300)
	The Department laid off three investigators due to the budget reductions enacted in FY 2009. Due to these layoffs, the Department can return three vehicles to the ADOA fleet. Each vehicle cost the Department \$480 per month in maintenance costs. The Executive recommends a reduction of (\$17,300) due to the elimination of maintenance costs for these vehicles.	

Self-Funding (2,841,000)

Arizona offers seventeen different types of liquor licenses and currently there are 11,139 active licenses in the State. In FY 2007, license applications, renewals, and associated fees generated approximately \$4.7 million. In FY 2008, approximately \$4.5 million in revenue was generated. In addition to the yearly application and renewal fees paid to the General Fund, the Department also operates a liquor license lottery. Laws 2005, Chapter 284, requires the Department to conduct a liquor license lottery for five years, beginning in FY 2006. To date, the liquor license lottery has generated approximately \$15.1 million for the General Fund. While the Department of Liquor Licenses and Control generates approximately \$11-\$13 million in revenue each year, the Department retains only 27% of collected fees for agency operations.

The Executive recommends the creation of a legislatively appropriated Liquor Licenses Fund, which would be administered by the Department of Liquor Licenses and Control. Fees collected for license applications and annual license renewals, as well as the proceeds from the liquor license lottery, would be deposited in the fund to be used for Department operations.

General Fund Total	0
Fund Total Change	(3,031,800)

Medical Student Loans

2009 Adjusted Appropriation	1,121,000
Reduce Funding for New Private School Medical Students	(238,000)

The Medical Student Loans program provides medical students with tuition and a stipend for living expenses under the condition that the student practices medicine in underserved and rural areas of Arizona for a minimum of two years after graduation. The Executive recommends a (\$238,000) reduction, leaving the Medical Student Loans Board with sufficient funds to renew all 18 continuing students, while eliminating funding for three new private medical school students in FY2010.

The Executive recommends budget reconciliation bill language be enacted that eliminates the requirement that at least 50% of the monies in the Medical Student Loans program be spent on students attending private medical schools.

General Fund Total	883,000
Fund Total Change	(238,000)

Mine Inspector

2009 Adjusted Appropriation	1,467,500
Lump Sum Reduction	(162,600)

The Mine Inspector's Office is broken into five programs: administration, abandoned mines, education & training, inspections, and reclamation. The Executive recommends an operating budget reduction of (\$162,600) which will reduce all five programs by 11%. This is the maximum the Mine Inspector's Office can be reduced without significantly impacting public safety. Additionally, the Executive recommends session law be enacted to continue to allow the Mine Inspector's Office to use monies in the Aggregate Mining Reclamation Fund for plan review and evaluation.

FY 2010 General Fund Executive Budget - Issue by Issue

Personnel Reduction	(54,100)
General Fund Total	1,250,800
Fund Total Change	(216,700)

Mines and Mineral Resources

2009 Adjusted Appropriation	883,000
Eliminate Public Information Officer Position.	(46,800)
The Executive recommends eliminating funding for the Agency's public information officer position.	
General Fund Total	836,200
Fund Total Change	(46,800)

Navigable Stream Adjudication Commission

2009 Adjusted Appropriation	160,100
Outside Professional Services Attorney Fees	(32,000)
The Executive recommends decreasing the amount of funding the Agency has for legal services in FY 2010.	
General Fund Total	128,100
Fund Total Change	(32,000)

Nursing

2009 Adjusted Appropriation	97,600
Lump Sum Reduction	(97,600)
The Executive recommends annualizing the FY 2009 special session reduction through a further reduction of (\$97,600) in FY 2010. This reduction eliminates General Fund support for the Certified Nursing Assistant program.	
General Fund Total	0
Fund Total Change	(97,600)

Osteopathic Examiners

General Fund Backfill	411,900
Laws 2008, Chapter 285, included a \$541,100 transfer from the Board's fund to the General Fund, which leaves the Fund with cash flow issues at the beginning of FY 2010. The Executive recommends \$411,900 from the General Fund to provide stability for the Board's fund at the beginning of the fiscal year. Without the additional support from the General Fund, the Board will not have sufficient funds to operate.	
General Fund Total	411,900
Fund Total Change	411,900

Parks Board

2009 Adjusted Appropriation	23,610,200
Self-Funding Mechanism	(3,610,200)
The Executive recommends that the State Parks Board be authorized to use other available fund sources to offset the park system's operational costs that are currently paid out of the General Fund. Budget reconciliation bill language is proposed to enact this recommendation.	
General Fund Total	20,000,000
Fund Total Change	(3,610,200)

Personnel Board

2009 Adjusted Appropriation	329,100
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Shift General Fund to Personnel Board Fund	(329,100)
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The Executive would replace the Board's entire General Fund appropriation with a new Personnel Board Fund. Its revenues would come from a personal services pro rata fee paid by other state agencies. The Executive recommends a statutory change that would create the new fund and establish the pro rata share percentage payment.

General Fund Total	0
Fund Total Change	(329,100)

Postsecondary Education

2009 Adjusted Appropriation	4,369,700
Lump Sum Reduction	(1,000,000)

The Executive recommends a lump sum reduction of (\$1.0 million).

One-Time Adjustment IT Database	(300,000)
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The Executive recommends a decrease of (\$300,000) for fiscal year 2010 and 2011. The Commission received appropriations of \$300,000 in both fiscal year 2008 and 2009 for an IT database project.

Eliminate Case Managers	(100,000)
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The Executive recommends removing funding for unfilled case manager positions for a total savings of (\$100,000).

General Fund Total	2,969,700
Fund Total Change	(1,400,000)

Psychologist Examiners

Psychology Fund Adjustment	300,000
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Laws 2008, Chapter 285, included a \$563,000 transfer from the Board's Fund to the General Fund. The transfer leaves the Board with insufficient funds to cover its FY 2010 expenditures. The Executive recommends a transfer of \$300,000 from the General Fund to allow the Psychology Fund to remain solvent through FY 2010.

General Fund Total	300,000
Fund Total Change	300,000

Public Safety

2009 Adjusted Appropriation	55,407,400
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Restoration of Crime Lab Funding	7,800,000
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Laws 2008, Chapter 285, eliminated \$7.8 million General Fund for the operation of the DPS Crime Lab. Laws 2008, Chapter 291, gave the DPS Director authority to charge fees to local law enforcement agencies for DPS Crime Lab services. Local law enforcement agencies had not budgeted for crime lab fees, so DPS used approximately \$5.2 million in one-time GIITEM monies to reduce the amount to be collected in fees to \$2.6 million. To date, DPS has collected only \$9,200 in fees paid by local law enforcement agencies. The Executive recommends the restoration of \$7.8 million General Fund for the operation of the crime lab.

Lump Sum Reduction	(1,467,200)
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The Department's operations and the State's public safety needs are constantly changing. To give the Department flexibility in deciding where to take additional reductions, the Executive recommends a lump sum reduction of (\$1.5 million). The Executive opposes any restrictions on how the reduction can be managed by the Department.

Personnel Reduction	(1,550,200)
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FY 2010 General Fund Executive Budget - Issue by Issue

Public Safety Communications Commission (358,500)

Laws 2004, Chapter 275, appropriated \$3.0 million in non-lapsing monies to DPS for the development and implementation of interoperability by the Public Safety Communications Commission. Laws 2008, Chapter 285, transferred \$880,600 and operation of the Public Safety Communications Commission from DPS to GITA. The Executive recommends a (\$358,500) General Fund reduction to transfer the remaining FY 2005 non-lapsing monies to GITA for the Public Safety Communications Commission.

Eliminate County Attorney Gang Prosecution Funding (700,000)

Laws 2008, Chapter 285, appropriated \$1,000,000 to DPS for County Gang Prosecution Grants in the GIITEM special line item. This amount was lowered to \$700,000 due to FY 2009 budget reductions. Monies in this line item are used for grants to county attorneys' offices to prosecute gang members accused of crimes. The Department currently has Intergovernmental Agreements (IGAs) signed with three County Attorneys' offices (Maricopa, Pima, and Pinal) to reimburse them for attorney and support staff costs. The Executive recommends a reduction of (\$700,000) to eliminate the remaining funding for this program.

Increase Local Agency GIITEM Match to 25% (650,000)

The Gang Intelligence and Immigration Team Enforcement Mission (GIITEM) program provides partial funding to local agencies that commit officers to work on the task force. These officers serve in both the gang enforcement and immigration enforcement aspects of GIITEM. Laws 2008, Chapter 285 requires local agencies to pay "not less than 15 per cent" of the cost of their officers. Currently, DPS pays 85% and local agencies pay 15%. To date, 35 local law enforcement agencies participate in the program with a total of 55 officers on the task force. The Executive recommends a reduction of (\$650,000) to the GIITEM program to increase the local match to 25%.

Shift Funding for the Arizona Fraudulent ID Task Force (1,000,000)

The Arizona Fraudulent Identification Task Force (AFIT) was created in 2005 to attack the use of fraudulent identity documents for crimes, including human smuggling. Based on its experience with fraudulent IDs being used for under-aged alcohol purchases, the task force had been operated by the Department of Liquor License and Control until September 2007, when DPS took over. AFIT now operates as part of the Gang Intelligence and Team Enforcement Mission (GIITEM) task force. The Executive recommends a reduction of (\$1.0 million) General Fund and shifts funding for the Task Force to the Liquor Licenses Fund administered by the Department of Liquor License and Control.

Eliminate 15 Positions Authorized in FY 2008 (939,800)

In FY 2008, the Department was authorized 53 new positions. Due to several factors, including the hiring freeze, some of these positions are currently vacant. The Executive recommends a reduction of (\$939,800) to eliminate 15 positions authorized in FY 2008. DPS will make a specific determination on which positions will be eliminated at a later date.

Suspend Crime Lab Replacement Equipment (700,000)

The DPS Crime Labs operate sophisticated equipment to analyze all types of cases from toxicology to DNA to materials analysis, such as paint and fibers. In order to maintain reliable instruments, a five-year schedule for replacement is maintained – costing at least \$700,000 per year. The Executive recommends a (\$700,000) reduction for the suspension of crime lab replacement equipment. The Department can manage without replacing equipment for one year, but then funding should be restored.

Reduce Motor Vehicle Fleet Expenses (306,600)

The Department maintains a fleet of approximately 1,826 vehicles, which does not include any speciality vehicles such as armored trucks, DUI vans, or trailers. With a reduction in motor vehicle fleet expenses, this option would generate savings from a variety of actions such as more fuel efficient vehicles, improved driving practices, improved maintenance, and a reduction in travel. Additionally, DPS would reduce its fleet by approximately 70 vehicles. The Executive recommends a reduction of (\$306,600) for reduced motor vehicle fleet expenses.

Reduce Overtime Budget (726,100)

DPS views a reduction in overtime expenses as an efficient way for the Department to absorb a reduction in work hours. As public safety needs change over time, the reduction can be channeled to where it can best be absorbed. The Executive recommends a reduction of (\$726,100), which will reduce overtime expenditures by 15%.

Suspend Work on Western Microwave Loop (1,679,000)

DPS owns and operates a statewide radio system for its own use and for the use of other State agencies (DOC, Game and Fish, ADOT, etc), which is comprised of over 70 towers that broadcast radio signals in their immediate areas. The microwave paths are configured in three independent loops: south, west and north. The radio system's analog microwave equipment is 20-30 years old and is no longer supported by manufacturers, prompting the need to upgrade to digital technology. The microwave upgrade for the south loop has been fully funded and will be complete by the end of FY 2009. After the completion of the southern loop, DPS estimates having \$1.7 million in appropriated funds remaining to carry forward to the western loop portion of the project. The Executive recommends a reduction of (\$1.7 million) to eliminate funding for the microwave upgrade. An opportunity to fund this project with federal stimulus dollars is currently being explored.

Shift ACTIC Expenditures from the General Fund to Federal Grants (800,000)

In the wake of the 9/11 terrorist attacks, DPS created the Arizona Counter-Terrorism Information Center (ACTIC) in order to better coordinate information sharing and response across law enforcement agencies. ACTIC is located in a leased facility and is staffed by personnel from 44 federal, state, and local agencies. While each participating agency pays its own personnel costs, DPS pays for the majority of the facility costs. Until FY 2008, Federal Homeland Security grants funded the majority of the facility costs. However, in each of the past two fiscal years, DPS has absorbed approximately \$1.6 million in facility costs. Recently, the Department was notified by the Arizona Department of Homeland Security that they will receive grant funding to help pay for facility costs for ACTIC. Due to the recent award of federal funding to the Department for ACTIC, the Executive recommends a (\$800,000) General Fund reduction.

FY 2010 General Fund Executive Budget - Issue by Issue

GIITEM Local Immigration Grants 6,400,000

As part of the FY 2009 budget reduction enacted in Laws 2009, Chapter 1, 1st Special Session, the Department reverted \$6.4 million of FY 2008 non-lapsing GIITEM Local Immigration Grant funds. This was a one-time reduction to the GIITEM program. The Executive recommends an increase of \$6.4 million to return funding for the Local Immigration Grants to prior year levels.

Annualize FY 2009 GIITEM Reductions (8,558,800)

As part of the FY 2009 budget reductions implemented by Laws 2009, Chapter 1, 1st Special Session, the Department reduced the GIITEM budget by (\$8.6 million). The Executive recommends that these reductions be continued in FY 2010, which will still allow the current level of GIITEM operations to continue.

	General Fund Total	50,171,200
	Fund Total Change	(5,236,200)

Racing

2009 Adjusted Appropriation 2,280,200

Source Shift from Unclaimed Property to GF Approp 4,315,000

Currently, the Racing Department receives revenues from a portion of the state's unclaimed property and from fees and licenses. Per A.R.S. § 5-113, the Department distributes a portion of these funds to eight funds associated with racing, county fairs, and related activities.

Historically, there has been more revenue than statutory distribution authority, with the excess being deposited into the General Fund. The Executive recommends depositing all of these revenues into the General Fund and appropriating the following amounts to each of the funds as follows: Breeders Award \$800,000; County Fairs Racing Betterment \$800,000; County Fair Racing \$300,000; Stallion Award \$40,000; Racing Administration Fund \$67,000; County Fairs Livestock and Agriculture Promotion Fund \$1,779,500; Agricultural Consulting and Training Fund \$128,500; and Arizona Expo and State Fair Fund \$400,000. The Executive recommends statutory change language be enacted to make these adjustments.

Staff Reductions (163,500)

The Executive recommends a reduction of five positions. The Department will transfer responsibilities among other personnel and will stay within Title 5 staffing requirements. The Executive supports the long term goal of making the agency self sustaining. Statutory language is proposed allowing the Agency the ability to manage fees to work toward this directive.

	General Fund Total	6,431,700
	Fund Total Change	4,151,500

Radiation Regulatory Agency

2009 Adjusted Appropriation 1,603,700

Nuclear Emergency Management Fund (612,600)

	General Fund Total	991,100
	Fund Total Change	(612,600)

Rangers' Pension

2009 Adjusted Appropriation 13,700

Inflation Adjustment 300

A.R.S. § 41-951(B) requires that the Rangers' Pension receive an annual inflation adjustment based on the annual change in the gross domestic product (GDP) price deflator. A.R.S. § 41-563 defines the GDP price deflator as the average of the four implicit price deflators for the GDP reported by the U.S. Department of Commerce for the four quarters of the calendar year. The Executive recommends an increase of \$300.

	General Fund Total	14,000
	Fund Total Change	300

Real Estate

2009 Adjusted Appropriation 3,686,700

Appropriated FTE Reduction (129,200)

The Executive recommends eliminating 19 unfunded FTE positions and decreasing the (\$129,200) in health and dental costs associated with those positions.

Vacancy Savings (153,700)

The Executive recommends decreasing the Department's General Fund appropriation by (\$153,700). This is the amount of vacancy savings the Agency expects to accrue over and above continued FY 2009 reductions.

One-Time IT Funding (31,300)

	General Fund Total	3,372,500
	Fund Total Change	(314,200)

Revenue

2009 Adjusted Appropriation 64,433,200

FY2009 Annualization: Electronic Funds Transfer (60,000)

Vendor Savings

During FY2009, the Department transitioned from receiving Electronic Fund Transfer payments from a third party vendor that charged a fee to receiving these same payments via AZTaxes.gov. The reduction amount reflected here is the annualization of an FY2009 budget cut that has been implemented.

FY2009 Annualization: Telecomm Savings from RIF (190,400)

Based on the FY2009 FTE reduction, the Department will no longer need phone lines for 297 positions. This measure will allow a total cost avoidance of (\$190,400). No additional adverse impact is expected beyond that experienced with the loss of 297 positions.

Reduce Printing Costs (100,000)

The Department is currently evaluating the impact of consolidating the printing and mailing of monthly TPT forms, reducing the number of tax booklets printed annually, and reducing/eliminating property tax forms/notices. In order to mitigate any effects from this reduction, and rather than continually printing forms, booklets, and monthly documents taxpayers will be directed to websites to find what is required and download this information/forms to their own computer or printer.

FY 2010 General Fund Executive Budget - Issue by Issue

Reduce Administrative Costs (850,000)

This measure would eliminate agency wide administrative duplications and overhead costs at various non-revenue generating sections of the Department. The reduction includes (\$450,000) from the central administration, (\$400,000) from Information Technology Services, (\$200,000) from Tax Policy Section, (\$120,000) from the Executive Management Office, (\$100,000) from External Services Section. It is expected that the proposed reduction would reduce the Department's ability to process and handle workloads, including addressing inquiries from business and citizens in a timely and reasonable manner.

Outsourcing Collections - Revenue Generating 2,100,000

The recommendation provides \$2.1 million to enable the Department to outsource a portion of its collections inventory and generate about \$30 million. The Agency's income tax collection functions have primarily been handled by in-house staff. The Executive recommended measure will target to bring to compliance high-liability accounts consisting of already-established debts. The Department reports that this collection inventory has grown from \$367 million as of July 1, 2008 to \$420 million as of May 4, 2009, an increase of almost 15%. The additional funding would allow the Department to contract the services of private collection agencies and focus its collection efforts on high liability accounts. The recommendation also supports amending current statute to remove the existing \$500 cap for account collection and clarify any confidentiality related provisions.

General Fund Total	65,332,800
Fund Total Change	899,600

School Facilities Board

2009 Adjusted Appropriation 87,765,500

New Construction Lease-to-Own Debt Service 29,414,900

Building Renewal Grants 3,000,000

The Executive recommends \$10.0 million for Building Renewal Grants. This amount would represent a decrease of (\$10 million) from the original fiscal year 2009 appropriation and an increase of \$3.0 million above the revised fiscal year 2009 baseline. The School Facilities Board manages the grants to provide building renewal projects prioritized based on need. Projects such as roof stabilization and HVAC replacement are just two examples of critical-need projects that are likely to be required in fiscal year 2010.

The Executive recommends BRB language be enacted that continues the suspension of the building renewal formula.

Lump Sum Reduction 102,500

The Executive recommends a lump sum reduction of (\$292,400) from the original fiscal year 2009 appropriation. This represents an increase of \$102,000 from the revised fiscal year 2009 baseline. The Board is responsible for administering new construction projects and building renewal for school sites statewide. In addition, the Board performs critical safety reviews, funding determinations, and training for K-12 school construction. The Board is also responsible for helping coordinate new statewide energy efficiency initiatives.

ARRA Lease-Purchase 0

The School Facilities Board expects the State will require \$100 million for new schools next year. The Executive will meet this critical need by utilizing funding mechanisms provided by the federal stimulus package for interest-free financing for schools. By taking advantage of this unique opportunity afforded by stimulus programs, the Executive will be able to fund new schools without expending General Fund monies in fiscal year 2010.

The Executive recommends BRB language be enacted as session law providing SFB the authority to enter into lease-purchase agreements for new school construction of up to \$100 million in fiscal year 2010 utilizing new federal stimulus authorized programs.

General Fund Total	120,282,900
Fund Total Change	32,517,400

Secretary of State

2009 Adjusted Appropriation 6,830,700

Eliminate Paper Publications (70,000)

The Executive recommends statutory changes be enacted to amend A.R.S. §§ 33-1322 (B), 41-121.12, and 40-1013 to permit the Secretary of State to publish the Residential Landlord and Tenant Act and the Arizona Administrative Register online rather than publishing paper copies. This change would create a savings of (\$70,000) which could be reduced from the Agency's budget with little impact on services.

Cancel Phones (11,200)

The Executive recommends a reduction of (\$11,200) by canceling phones not in use.

Primary & General Election (3,350,000)

Special Election 10,500,000

The Executive recommends a special line item of \$10,500,000 be added to the Agency's General Fund budget to fund a special election in FY 2010.

Help America Vote Act 0

The Executive recommends a footnote be added to the General Appropriations Act noting that \$133,000 of the Agency's General Fund appropriation may be used to draw down an additional \$3,720,800 in federal Help America Vote Act monies.

General Fund Total	13,899,500
Fund Total Change	7,068,800

Tax Appeals

2009 Adjusted Appropriation 284,200

Lump Sum Reduction (5,900)

The Executive recommends a lump sum reduction of (\$5,900). This would postpone equipment purchases and require some small cuts to other operating expenditures.

General Fund Total	278,300
Fund Total Change	(5,900)

Tourism

2009 Adjusted Appropriation 14,296,500

FY 2010 General Fund Executive Budget - Issue by Issue

Lump Sum Reduction (3,200,000)

The Executive recommendation includes a total reduction of (\$3.2 million) from the General Fund revenue provided to the Arizona Office of Tourism under A.R.S. § 42-5029. The FY 2010 recommendation does not support amending the current statutory formula funding that is designed to support funding for the Tourism Promotion program.

	General Fund Total	11,096,500
	Fund Total Change	(3,200,000)

Transportation

2009 Adjusted Appropriation 72,500

	General Fund Total	72,500
	Fund Total Change	0

Treasurer

2009 Adjusted Appropriation 4,721,600

Lump Sum Reduction 20,200

The Executive recommends a lump sum reduction of (\$255,200) in FY 2010 from the original FY 2009 appropriation. This reduction excludes Justice of the Peace salaries.

Personnel Reduction (110,000)

The Executive recommendation annualizes the FY 2009 special session personnel reductions.

	General Fund Total	4,631,800
	Fund Total Change	(89,800)

Regents

Federal Stimulus Dollars

Federal Stimulus Allocation 148,100,000

The Executive provides \$148 million of fiscal year 2010 federal stimulus funding to universities. These funds will be used to mitigate tuition increases, save jobs, preserve instructional quality, and promote fundamental reform.

The Board of Regents and the universities will work with the Executive to develop higher education reform strategies to adapt to rapid enrollment growth and meet the need of the State's high school graduates for more access, opportunity, and variety of choices for both rapid-growth metropolitan environments and rural Arizona.

In addition to federal funding, the the Executive protects the SPEED project (university capital projects funded through lottery revenues) as crucial capital funding for life and safety repairs and upgrades, structural repairs, and expanded medical care training through the Phoenix Biomedical Campus to meet the growing health care needs of Arizona. These are non-General Fund monies and a portion have already been pledged by the universities for projects.

The Executive Budget does not include fund sweeps that would breach federal maintenance-of-effort requirements and therefore threaten federal stimulus funding.

In order to protect the operational functionality of the university system and the integrity of the financial aid provided to students the Executive continues existing frameworks for tuition and fee allocation and does not recommend legislative appropriation of 100% of tuition and fees.

	Federal Stimulus Dollars Total	148,100,000
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2009 Adjusted Appropriation 18,524,000

FY 2010 Lump Sum Reduction (42,900,000)

The Executive recommends a lump sum reduction of (\$42.9 million) to be allocated by the Board of Regents.

	General Fund Total	(24,376,000)
	Fund Total Change	(42,900,000)

ASU - Tempe

2009 Adjusted Appropriation 344,192,800

	General Fund Total	344,192,800
	Fund Total Change	0

ASU - Polytechnic

2009 Adjusted Appropriation 26,471,800

	General Fund Total	26,471,800
	Fund Total Change	0

ASU - West

2009 Adjusted Appropriation 46,259,200

	General Fund Total	46,259,200
	Fund Total Change	0

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Northern Arizona University

2009 Adjusted Appropriation	140,272,600
General Fund Total	140,272,600
Fund Total Change	0

University of Arizona - Main Campus

2009 Adjusted Appropriation	288,371,200
General Fund Total	288,371,200
Fund Total Change	0

University of Arizona - Health Sciences Center

2009 Adjusted Appropriation	74,822,500
General Fund Total	74,822,500
Fund Total Change	0

Veterans' Services

2009 Adjusted Appropriation	7,971,500
Lump Sum Reduction	(306,000)
The Executive recommends annualizing the FY 2009 special session reduction at (\$306,000) for FY 2010.	
General Fund Total	7,665,500
Fund Total Change	(306,000)

Veterinary Medical Examining Board

Veterinary Fund Adjustment	250,000
Laws 2008, Chapter 285, included a \$609,500 transfer from the Board's Fund to the General Fund. The transfer leaves the Board with insufficient funds to cover its FY 2010 expenditures. The Executive recommends a transfer of \$250,000 from the General Fund to allow the Veterinary Fund to remain solvent through FY 2010.	
General Fund Total	250,000
Fund Total Change	250,000

Water Resources

2009 Adjusted Appropriation	11,632,300
Lump Sum Reduction	(114,000)
Water Banking Fund - One Time Funding	6,900,000
Laws 2008, Chapter 285 (General Appropriations Act), reduced the Department's operating budget by \$9.9 million and authorized it to temporarily use the Water Banking Fund. For FY 2010, the Executive recommends eliminating reliance on the Water Banking Fund for operations and includes \$6.4 million from the General Fund to help restore the Department's operating budget.	

Decrease Travel	(6,200)
This action would require a reduction of (\$6,200) in the travel expenditure line. This adjustment would be in addition to the reductions implemented by the Department in FY 2008 and FY 2009. In FY 2010, this reduction will involve further prioritizing in-state travel by limiting overnight trips and work assignments requiring per diem payments. Such restrictions could indirectly delay business activity, and employees may bear some of travel costs, should they feel it important to handle projects in a timely manner.	

Decrease/Eliminate Additional Outside Contracts & Grants (381,300)

This measure would include reductions to contracts for Rural Studies and for consultants providing technical expertise on Colorado River salinity control matters. The Department will be required to decrease approximately (\$50,000) from the funding allocation for Rural Studies, potentially eliminating all funding support for Adjudication Technical Support and (\$120,000) from the allocation supporting the Colorado River salinity project. Eliminating these agreements will mean the Department will operate for the short-term without expertise and will be unable to participate fully in these negotiations until in-house staff can be trained in these areas. The Department's contract with the U.S. Geological Survey for core data collection, surface water monitoring and flood warning system gages will be eliminated. For core data collection and surface water measurement, the long period of record for these fundamental water measurements will be broken. This broken record of data may become problematic and unreliable to make informed decisions on water supply conditions from which permitting and development decisions are derived.

Defer Equipment Purchases (101,100)

The Department has been on a three year IT replacement schedule. In order to implement the reductions in FY 08 and FY 09, the replacement schedule was adjusted to a four-year rotation. The FY 2010 recommended reduction will impose a freeze on any replacement, except for mission critical emergencies. In order to mitigate any loss in productivity as result of this reduction, the Department will rely on staff to find ways to optimize existing infrastructure including reconfiguration.

Defer Legal Microfilming of Records and Digital Imaging (5,000)

Currently the Courts require the Department to retain certain records, either as originals or on microfilm. Digital images are not currently recognized by the courts as official copies. The Department pays the services of the State Library and Archives to microfilm the files. Paper copies deteriorate over time, so this activity requires that files be imaged in a timely manner to preserve the records in a court-recognized format and to disposed of to save on monthly costs for storage fees for thousands of boxes of records.

Turn in Cell Phones/Blackberries (8,000)

This cost avoidance action will reduce the number of portable phones and blackberries to generate a savings of (\$8,000). In order to mitigate any negative impact on business communications, the staff would be required to better plan ahead and use other existing ways of communication including emails and line telephones. As needed, employees may have to use their personal cell phones for business purposes and request reimbursement for minutes charged in excess of their individual plan allowances. Employees may potentially have to absorb some of these expenses personally.

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Turn in DOA Fleet Vehicles (25,000)

Under this measure, the Department will no longer lease vehicles from the State (ADOA) Fleet Vehicles, except to those isolated field offices. This will require prioritizing and limiting travel plans to the most critical trips only. Trips and regional meetings outside of the main offices will have to be further curtailed. As result, the Public would be required to visit the Department in order to receive information and assistance needed. As appropriate, the elimination of fleet cars would call on employees to use their own vehicles and then request reimbursement under applicable standards

Personnel / Staff Reduction (275,000)

The recommendation includes a (\$275,000) reduction in personnel and employee related expenditures.

General Fund Total	17,616,700
Fund Total Change	5,984,400

Weights and Measures

2009 Adjusted Appropriation 1,387,900

General Fund Total	1,387,900
Fund Total Change	0