

Appropriations Committee

Senator Russell Pearce, Chairman



Katy Yanez, Research Analyst
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APPROPRIATIONS COMMITTEE

LEGISLATION ENACTED

~~technical correction; bonds; tax considerations~~ (NOW: capital outlay; FY 2009-2010) (S.B. 1027/H.B. 2634) – Chapter 10

Effective July 1, 2009, S.B. 1027 makes appropriations and session law changes related to capital outlay for the FY 2009-2010 state budget.

Building Renewal – Appropriates the following amounts in FY 2009-2010 to the selected agencies from the specified funds for major maintenance, building repair or building renewal:

Agency	Fund	Amount
Arizona Department of Administration (ADOA)	Capital Outlay Stabilization Fund	\$1,000,000
Arizona Department of Transportation (ADOT)	State Highway Fund	\$1,000,000
	State Aviation Fund	\$50,000
Arizona Exposition and State Fair Board	Arizona Exposition and State Fair Fund	\$1,832,900
Game and Fish Department (G&F)	Game and Fish Fund	\$473,200

Major Capital Projects – Appropriates the following amounts in FY 2009-2010 to the selected agencies from the specified funds for the following major capital projects:

Agency	Project	Fund	Amount
G&F	Regional (Pinetop) Office Canopies	Game and Fish Fund	\$30,000
G&F	Radio Tower	Watercraft Licensing Fund	\$250,000
G&F	Shooting Range Access Improvements	Game and Fish Fund	\$150,000
G&F	Statewide Preventative Maintenance	Game and Fish Fund	\$30,000
G&F	Ben Avery Improvements	Game and Fish Capital Improvement Fund	\$950,000
G&F	Regional (Kingman) Office Remodel/Expansion	Game and Fish Capital Improvement Fund	\$889,500
G&F	Regional (Pinetop) Office Paving Project	Game and Fish Fund	\$75,000
G&F	Silver Creek Hatchery Remodel/Expansion	Game and Fish Capital Improvement Fund	\$1,900,000
ADOT	Statewide Highway Construction	State Highway Fund	\$187,850,000
ADOT	Airport Planning and Development	State Aviation Fund	\$27,128,000

Miscellaneous – Reduces funding from the state General Fund (GF) to the Historical Advisory Commission from \$500,000 to \$50,000 for deposit into the Arizona Centennial Account.

Eliminates a \$450,000 appropriation to Legislative Council for State Capitol Building renovations.

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Appropriates \$400,000 in FY 2009-2010 from the state GF to the Arizona Exposition and State Fair Fund for capital outlay projects to offset losses in pari-mutuel revenues.

Requires ADOA to report the status of project-specific full-time equivalent (FTE) positions in its annual capital budget request and allows ADOA to reassign FTE positions if funding is cost allocated among the projects receiving benefit. ADOA is also required to report any FTE position reallocations to the Joint Committee on Capital Review by December 31, 2009.

~~federal monies; report~~ (NOW: storage; firearms; motor vehicles) (S.B. 1168) – Chapter 177

Restricts, with specified exceptions, a property owner, tenant, employer or business entity from prohibiting a person from lawfully transporting or lawfully storing any firearm that is in the person's locked and privately owned motor vehicle or locked compartment on a motorcycle and not visible from the outside of the motor vehicle or motorcycle. Specifies that prohibiting firearms in parking lots is contrary to public policy, is null and void and does not have legal force or effect. States that the Legislature finds the Arizona and U.S. Constitutions protect an individual's right to bear arms in self-defense and to exercise and enforce the individual's fundamental right in the individual's movements throughout this state. The Legislature also finds that this right would be impaired if individuals are deprived of the means of self-defense in their personal motor vehicles by property owners, tenants, employers or business entities who are not unduly burdened by the presence of legally possessed and secure items within the motor vehicle.

vehicle impoundment; administrative towing fund (S.B. 1169) – Chapter 158

Retroactive to January 1, 2008, creates the Capitol Police Administrative Towing Fund (Fund). The Fund consists of monies from administrative fees relating to the removal, immobilization, impoundment, storage or release of a vehicle performed by the Capitol Police Department. Monies in the Fund may be used by the Capitol Police Department for law enforcement purposes and are administered by the Arizona Department of Administration. Prohibits administrative fees relating to an impoundment from being charged to a towing company that performs the removal, immobilization, impoundment, storage or release of a vehicle. Requires a person to obtain a bond before operating a tow truck for the purpose of towing vehicles. Requires abandoned vehicle reports and applications for transfer of ownership to be submitted electronically in a form prescribed by the Director of the Arizona Department of Transportation.

~~technical correction; disincorporation~~ (NOW: conformity; internal revenue code) (S.B. 1185/H.B. 2082) – Chapter 2 E

An emergency measure, effective April 2, 2009, that conforms Arizona income tax statutes with the 2009 Internal Revenue Code, retroactively and for tax year 2009. Temporarily modifies the state withholding tax rates for the following periods: 1) May through December 2009 and 2) January through June 2010. Requires the Department of Revenue to develop new withholding tables by March 15, 2010, and requires the state of Arizona to decouple from the federal withholding rates as of July 1, 2010.

APPROPRIATIONS COMMITTEE (Cont'd.)

fiduciary funds; deposits; technical correction- (NOW: general appropriations; FY 2009-2010) (S.B. 1188/H.B. 2633) – Chapter 11 LIVS

Effective July 1, 2009, makes state General Fund and other fund appropriations for FY 2009-2010 for the operation of state government. As transmitted to the Governor, S.B. 1188 included approximately \$8.4 billion in spending.

Line-item Vetoes – In her veto message the Governor states that the use of the line item veto reflects her view that a shutdown of government services is not in Arizona's best interest and that the public interest would not be well served by a complete or broader set of vetoes. Her vetoes included the restoration of lump sum reductions to the Departments of Economic Security, Environmental Quality, Health Services and the state university system. The Governor also line item vetoed the entire \$3.2 billion appropriation for K-12 education, along with provisions detailing legislative intent to disburse federal funds provided by the American Reinvestment and Recovery Act. (H.B. 2001 Forty-Ninth Legislature, Third Special Session restores FY 2009-2010 K-12 funding).

State Budget as Enacted – S.B. 1188 and H.B. 2643, Forty-Ninth Legislature, First Regular Session, along with H.B. 2001 and H.B. 2006, Forty-Ninth Legislature, Third Special Session represent the enacted FY 2009-2010 state budget. The Joint Legislative Budget Committee (JLBC) estimates that the combined effect of the line item veto results in a \$463 million state budget deficit for FY 2009-2010.

For complete information on the FY 2009-2010 budget as enacted, please see the summaries for H.B. 2643, Forty-Ninth Legislature, First Regular Session, and H.B. 2001 and H.B. 2006, Forty-Ninth Legislature, Third Special Session. Also refer to the *JLBC FY 2010 Appropriations Report* at <http://www.azleg.gov/jlbc.htm>.

nuclear emergency management; appropriations; assessments (S.B. 1316) – Chapter 73 E

An emergency measure, effective July 10, 2009, that appropriates \$1,523,108 in FY 2009-2010 and \$1,569,091 in FY 2010-2011 from the state General Fund (GF) to the Nuclear Emergency Management Fund to support the state response plan for commercial nuclear emergencies. Assesses the same amounts, plus interest, against consortiums of public service and municipal corporations engaged in constructing or operating a commercial nuclear generating station.

DUI; juvenile adjudication (PREV NOW: juvenile adjudication; DUI) (NOW: juvenile; adjudication; diversion) (S.B. 1420) – Chapter 189

Increases penalties for juveniles who are adjudicated delinquent for driving under the influence (DUI) offenses and makes changes relating to juveniles who are adjudicated delinquent and alleged to have committed an offense involving alcohol or drugs.

Currently, a juvenile must be incarcerated for 24 hours for a first offense DUI or extreme DUI and for 30 consecutive days for a second offense DUI or extreme DUI. S.B. 1420 increases the period of detainment for a DUI to 10 consecutive days for a first offense and 90 days for a second offense. A first extreme DUI requires 30 or 45 days of detention, depending on the juvenile's blood alcohol concentration (BAC). A juvenile adjudicated delinquent for a second offense extreme DUI is detained for 120 or 180 days, depending on the juvenile's BAC. In all cases, the judge may suspend

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a portion of the sentence if the juvenile completes alcohol or other drug screening. The minimum fine for DUI offenses is increased from \$100 to \$250 and the juvenile or the juvenile's parents must pay the detention costs, subject to restrictions. Requires ignition interlock device installers to inform a juvenile's parent or guardian of certain information.

Prohibits juveniles who are alleged to have committed drug or alcohol related offenses and who have participated in a diversion or community based alternative program at least twice within 24 months from participating in a program. Requires a law enforcement agency or city or town prosecutor that establishes a diversion program, beginning January 1, 2011, to report the citation number, name and date of birth of each juvenile who participates in a program to the juvenile court. Requires the parents' recommendation to be included in a juvenile probation officer's disposition summary report. The court may order the juvenile on probation to submit to drug and alcohol testing. If the juvenile is found to have consumed any spirituous liquor or used a drug, the juvenile is in violation of probation and is subject to a list of possible consequences for the violation. Allows the Arizona Department of Juvenile Corrections to require the juvenile to complete alcohol or other drug screening, education or treatment and to submit to random drug and alcohol testing at least twice per week as a condition of the youth's conditional liberty.

~~jury duty; motor vehicle parking~~ (NOW: supplemental reductions; appropriations; FY 2008-2009 (H.B. 2028/S.B. 1189) – Chapter 5

Effective May 14, 2009, reduces state General Fund (GF) appropriations and makes current and future year appropriations in order to reconcile an anticipated FY 2008-2009 state GF shortfall. Estimated savings as a result of this legislation is \$650 million.

Universities – Reduces the FY 2008-2009 appropriation made to the Arizona Board of Regents (ABOR) by \$100 million and transfers the monies to the state GF. In turn, the same amount is appropriated to ABOR in FY 2009-2010.

K-12 Education – The FY 2008-2009 appropriation made to the Arizona Department of Education (ADE) for Basic State Aid and Additional State Aid is reduced by \$300 million. Conditioned on receiving \$250 million from the Federal Education Stabilization Fund (FESF), further reduces the FY 2008-2009 state GF appropriations made to the ADE by the same amount and transfers the monies to the state GF. States that in the same year, \$250 million is disbursed from the FESF to restore the funding reduction.

~~school districts; liability; immunity waiver~~ (NOW: school district balances; allocations) (H.B. 2029/S.B. 1190) – Chapter 6

Directs the Arizona Department of Education (ADE) to calculate the repayment of each school district's deferred May 15, 2009 apportionment of Basic State Aid and Additional State Aid (state aid) using a specified formula to reduce the amount of state aid received by each school district (See H.B. 2028/S.B. 1189). This does not apply to accommodation school districts. ADE is directed to deduct the amount of each school district's excess cash balances, after allowable adjustments. The bill requires each county treasurer and county school superintendent to provide ADE with information, upon request, necessary to make the directed calculations. The legislation allows school districts to budget for estimated interest and expenses resulting from the deferred payment and requires ADE to calculate and apportion monies to school districts for these costs. School districts

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must include their calculated repayment amount in their revenue estimates used to calculate their FY 2009-2010 tax rates.

technical correction; cease; desist order (NOW: 2008-2009; appropriations; budget revisions (H.B. 2051/S.B. 1184) – Chapter 1

Effective March 12, 2009, makes session law changes to implement a revised FY 2008-2009 budget. Restores funding to specified agencies, reverts monies to specified funds and makes supplemental appropriations.

Supplemental Appropriations/Fund Restorations – In FY 2008-2009 restores the following amounts from the state General Fund (GF) to the sources indicated below:

Agency	Fund	Amount Restored	Comments
Arizona Department of Agriculture	Egg Inspection Fund	44,900	Fund Expenditure Reduction
	Arizona Federal-State Inspection Fund	516,100	
	Arizona Federal-State Inspection Fund	171,400	Fund Expenditure Reduction
Arizona Department of Environmental Quality	Clean Water Revolving Fund	10,700,000	
	Drinking Water Revolving Fund	5,000,000	
Department of Health Services	Nursing Care Institution Protection Fund	353,700	
Arizona Power Authority	Arizona Power Authority General Operating Fund	1,000,000	
	Fund Deposits Fund	1,000,000	

- Appropriates \$5,559,200 from the state GF and provides an additional \$20,433,800 in federal expenditure authority to the Arizona Health Care Cost Containment System (AHCCCS) to restore funding for Graduate Medical Education services.
- Appropriates \$2,500,800 from the state GF and provides \$9,657,300 in additional federal expenditure authority to AHCCCS to restore funding for Rural Hospital Reimbursement.
- Appropriates \$18,200,000 from Child Care and Development Fund to the Department of Economic Security to maintain existing child care services.
- Restores \$4,202,300 from the state GF to Maricopa County Special Health Care District for federal disproportionate share hospital (DSH) payments, and \$8,922,200 to AHCCCS to restore DSH payments to private hospitals.
- Appropriates in FY 2011-2012 through FY 2013-2014 the following amounts from the state GF to reimburse FY 2008-2009 fund transfers and acknowledges the exclusive purposes of the funds:
 - Arizona Property and Casualty Insurance Fund - \$4,659,666
 - Life and Disability Insurance Guaranty Fund - \$5,204,466

state treasurer; independent legal counsel (H.B. 2103) – Chapter 162

Adds the Office of the State Treasurer (Treasurer) to a list of agencies exempted from employing the state Attorney General's Office as legal counsel. The legislation also allows the Treasurer to enter into agreements with legal advisors with regard to the investment of treasury monies.

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appropriations for named claimants (H.B. 2281/S.B. 1032) – Chapter 79

Effective July 10, 2009, H.B. 2281 is the annual general relief bill for named claimants. The act appropriates \$255,778.25 to the Arizona Department of Administration to pay various claims made against the state. Of that amount, \$209,160.35 is appropriated from the state General Fund and the remaining \$46,617.90 is appropriated from other funds.

premium tax credit; STO contribution (H.B. 2288/S.B. 1023) – Chapter 168

Creates a new premium tax credit for insurers who make a donation to a school tuition organization (STO) that provides scholarships to students of low-income families. Allows the credit to be carried forward for up to five years. Limits the amount of the credit to the total amount of the insurer's contributions for the tax year, as pre-approved by the Department of Revenue. A credit is not allowed if the insurer designates the contribution for a particular student. Requires the Departments of Insurance and Revenue to adopt rules and procedures to implement the credit. Stipulates that the requirements already existing in statute for the corporate income tax credit for contributions to STOs also apply to the premium tax credit for insurers that provide contributions to STOs. Eliminates the sunset date of June 30, 2011, for the corporate income tax credit for contributions to STOs.

state treasurer; management fees (H.B. 2425) – Chapter 89

Reduces the monthly management fee deducted by the State Treasurer (Treasurer) and directs monies collected from the fees to the Treasurer's annual operating budget. Requires that any excess management fees be deposited in the state General Fund.

civil air patrol; federal monies (H.B. 2482) – Chapter 107

Allows the Arizona Civil Air Patrol (CAP) to receive monies directly or indirectly from the United States Department of Homeland Security. States legislative intent recognizing the Arizona CAP as a critical and necessary part of Arizona's homeland security, disaster relief and emergency management infrastructure.

~~technical correction; abandoned vehicles; monies~~ (NOW: general appropriations; FY 2009-2010; trailer) (H.B. 2643/S.B. 1470) – Chapter 12 LIVS

Effective July 1, 2009, makes state General Fund (GF) and other fund (OF) appropriations for FY 2009-2010 for the operation of state government and makes various budget revisions and transfers. On June 4, 2009, the Arizona State Legislature passed a series of bills to enact the FY 2009-2010 state budget. S.B. 1188, Forty-Ninth Legislature, First Regular Session was the general appropriations act for that package.

H.B. 2643 amends S.B. 1188 to enact the FY 2009-2010 state budget. As transmitted to the Governor, H.B. 2643 in concert with S.B. 1188, included approximately \$8.4 billion in GF spending and the following major provisions:

- GF Agency Reductions - \$630 million
- Payment Deferrals - \$160 million

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- OF Transfers to the GF - \$262 million
- Asset Sale/Lease Back - \$735 million
- Prison Concession Agreement - \$100 million
- Temporary Federal Assistance via the American Reinvestment Recovery Act (ARRA)
 - Enhanced Medicaid Match Rate - \$816 million
 - Stabilization Funds - \$311 million

Line-item Vetoes – In her veto message, the Governor states that the use of the line item veto reflects her view that a shutdown of government services is not in Arizona’s best interest and that the public interest would not be well served by a complete or broader set of vetoes. The message further states that although H.B. 2643 reflects many improvements to S.B. 1188, it does not provide a comprehensive solution to the FY 2009-2010 fiscal crisis.

As with S.B. 1188, her vetoes included the restoration of lump sum reductions to the Departments of Economic Security, Environmental Quality, Health Services and the state university system. The Governor also line item vetoed the entire \$3.2 billion appropriation for K-12 education, along with provisions detailing legislative intent to disburse federal funds provided to the state by ARRA. (H.B. 2001 Forty-Ninth Legislature, Third Special Session restores FY 2009-2010 K-12 funding).

State Budget as Enacted – S.B. 1188 and H.B. 2643, Forty-Ninth Legislature, First Regular Session, along with H.B. 2001 and H.B. 2006, Forty-Ninth Legislature, Third Special Session represent the enacted FY 2009-2010 state budget. The Joint Legislative Budget Committee (JLBC) estimates that the combined effect of the line item veto results in a \$463 million state budget deficit for FY 2009-2010.

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LEGISLATION VETOED

~~technical correction; private funds; disposition~~ (NOW: budget reconciliation; criminal justice) (S.B. 1028/H.B. 2638) – VETOED

Makes necessary statutory and session law changes relating to the criminal justice system in order to reconcile the FY 2009-2010 budget.

Probation – Increases the surcharge imposed for criminal offenses and specified civil penalties. Raises the intensive probation fees and allows any amount of the fee to be used to supplement officer salaries and the probation department’s programs and services. Makes conforming changes relating to the increase of probation supervision fees for adults supervised under the Interstate Compact. Increases the maximum number of probationers that a deputy adult probation officer is required to supervise and allows an intensive probation team to consist of two adult probation officers.

Courts – Changes, retroactively to July 1, 2009, in specified counties, the county’s and

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state's payment of the compensation and employee related expenditures of a justice of the peace and requires the county to pay 100 percent of the payment beginning July 1, 2010. Continues, in FY 2009-2010, the prohibition of state photo enforcement citations from being included in judicial productivity credit calculations. Suspends, in FY 2009-2010, the provisions relating to supplanting of state monies contained in various court funds and specifies reporting requirements for identification of any decrease in county funding related to these suspended provisions. Suspends, for FY 2009-2010, and requires, beginning FY 2010-2011, electronic submittal of various court reports.

Arizona Department of Corrections (ADC) – Requires, subject to certain conditions and timeframes, the issuance of a Request for Proposal (RFP) for health services, food and commissary contracts and a concession agreement that allows a private vendor to operate a prison facility, including the ability to operate a maximum security prison facility. Specifies requirements for the concession agreement, including the private operation of one or more prison complexes, the term length, cost efficiency savings, statutory exemptions, the review of the RFP by the Joint Committee on Capital Review and the deadline to award the agreement. Contains an intent clause relating to the privatization of prison operations. Requires, by May 1, 2010 and in consultation with ADC, the Arizona Department of Administration (ADOA) to enter into a lease-purchase finance agreement subject to requirements relating to the net available proceeds, the term length, the timing of the initial lease-purchase payment, and the use of ADC prison facilities as collateral. Specifies expenditure reporting requirements when ADC submits the FY 2010-2011 budget request. Allows, notwithstanding any other law, any monies deposited in the Transition Office Fund to be used for any costs to operate transition programs.

Department of Public Safety (DPS) – Establishes the Crime Laboratory Operations Fund consisting of the \$45 defensive driving surcharge and requires, subject to legislative appropriation, that the monies be used for crime laboratory services pursuant to a deposit schedule. Redistributes, for FY 2009-2010, the Criminal Justice Enhancement Fund (CJEF) monies deposited into the state General Fund to the Crime Laboratory Assessment Fund and specifies, notwithstanding DPS' required quarterly distribution, that the monies are for use by DPS and exempt from distribution to political subdivisions. Decreases, for FY 2009-2010, the appropriation to the Deoxyribonucleic Acid Identification System Fund. Suspends, for FY 2009-2010 and notwithstanding the payment installment schedule, the statutory caps limiting the level of Highway User Revenue Fund monies and State Highway Fund monies available to fund the DPS Highway Patrol costs.

Retirement – Changes retirement benefit computations for the Public Safety Personnel Retirement System relating to third party contracts and for the Corrections Officer Retirement Plan by restricting full-time dispatchers based on the date of employment and the entry into a joinder agreement.

Attorney General – Allows, for FY 2009-2010 and notwithstanding monies used for the consumer protection division, the Attorney General to use monies in the Consumer Protection-Consumer Fraud Revolving Fund for any operating expenses incurred by the Department of Law.

Miscellaneous – Requires deposit of the 11.70 percent of the CJEF to be directly distributed or deposited to the county sheriffs, instead of allocation to ADC. Requires, in FY 2009-2010, an agreement between the Drug and Gang Prevention Resource Center and the Arizona Criminal Justice Commission to fund the Arizona Youth Survey.

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The Governor indicates in her veto message that S.B. 1028, along with the other FY 2009-2010 budget bills adopted by the Legislature, does not balance the state budget. Further, the budget bills would prevent the proper function of many critical components of state government, as well as undermine efforts to develop and encourage a prosperous future.

technical correction; budget estimates (NOW: budget reconciliation; higher education) (S.B. 1029/H.B. 2640) – VETOED

Makes necessary statutory and session law changes relating to higher education in order to reconcile the FY 2009-2010 budget.

Community Colleges – Eliminates the requirement for community college annual reports to include individual course data and includes the reporting requirements, with some modifications, for dual enrollment programs. A community college governing board must publish its proposed budgets on its website. Effective July 1, 2010, eliminates the hold harmless provision and allows a community college's operating state aid to decrease if its enrollment declines and changes the eligibility threshold for growth funding from the highest level after FY 2003-2004 to any growth exceeding the currently funded enrollment level. In FY 2009-2010 suspends the operating state aid formula, funds dual enrollment at 50 percent, suspends capital outlay funding and allows community college districts to use capital outlay monies for operating expenses.

Universities – Identifies Arizona State University (ASU) West and the ASU Polytechnic campuses as separate budget units in the General Appropriations Act. Requires the ASU Tempe campus to provide administrative support to the ASU West campus and the ASU Polytechnic campus. The Arizona Board of Regents (ABOR) and the Auditor General must develop a uniform accounting and reporting system. Requires ABOR to include information on paid invited speakers and associated costs in its annual report. Limits the university Capital Improvement Lease-to-Own and bond fund to building renewal projects.

Repeals \$623.3 million of ABOR's \$800 million lease-to-own and bond transactions authority. Repeals the requirement for funding construction at the Phoenix biomedical campus with bond proceeds. Suspends the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into the Arizona Financial Aid Trust (AFAT) for FY 2009-2010. Appropriates \$100 million from the state General Fund in FY 2010-2011 and directs ABOR to distribute the monies to the universities in an amount equal to the reduction made by the General Appropriations Act.

Board of Medical Student Loans – Retroactively effective June 30, 2009, suspends the requirement that at least 50 percent of loan monies be apportioned to students attending private medical schools.

Arizona Commission for Postsecondary Education – Restricts Leveraging Education Assistance Partnership (LEAP) grants to Arizona residents demonstrating financial need and attending an approved Arizona university at least half-time.

Governor's Council on Workforce Policy (Council) – Changes the deadlines for the Council's written annual report from September 1 to December 1 and for each state agency and community college to submit its annual required information to the Council from August 1 to November 1.

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The Governor indicates in her veto message that S.B. 1029, along with the other FY 2009-2010 budget bills adopted by the Legislature, does not balance the state budget. Further, the budget bills would prevent the proper function of many critical components of state government, as well as undermine efforts to develop and encourage a prosperous future.

~~tax exemption; technical correction~~ (NOW: budget reconciliation; assets) (S.B. 1031/H.B. 2637) – VETOED

Arizona Department of Administration (ADOA) – Authorizes ADOA to sell the State Agricultural Laboratory property and directs all proceeds from the sale be deposited in the state General Fund (GF). Mandates that prior to the sale, two independent appraisals and an independent title search be conducted and that the sale must occur before July 1, 2010, subject to review by the Joint Committee on Capital Review (JCCR).

Arizona Department of Public Safety (DPS) – Requires DPS to sell one of two twin engine airplanes and one helicopter, as determined by the Director, and directs all proceeds from the sale to be deposited in the state GF. Stipulates that the sale must occur before July 1, 2010 and is subject to review by JCCR.

The Governor indicates in her veto message that S.B. 1031, along with the other FY 2009-2010 budget bills adopted by the Legislature, does not balance the state budget. Further, the budget bills would prevent the proper function of many critical components of state government, as well as undermine efforts to develop and encourage a prosperous future.

~~school bonds; technical correction~~ (NOW: budget reconciliation; general government) (S.B. 1035/H.B. 2636) – VETOED

Makes statutory and session law changes relating to general government in order to reconcile the FY 2009-2010 state budget.

Arizona Department of Administration (ADOA) – Authorizes the Director of ADOA to prescribe procedures for agency directors to implement employee work hour reductions. Exempts the Director of ADOA from rule-making requirements. Repeals ADOA's authority to enter into a lease-purchase agreement for a state emergency operations center and requires ADOA to rebid the existing telecommunications contract by September 30, 2009.

Secretary of State (SOS) – Transfers the Arizona State Library, Archives and Public Records from the Legislature to the Secretary of State and modifies the composition of the library's oversight board. Allows the SOS to electronically publish the Landlord and Tenant Act. Requires the sale of specified property and classifies all new SOS employees as exempt from the state personnel system.

Taxes and Fees – Changes the timing of mutual fund notice filing fee deposits. Prohibits a state agency from adopting rules that would result in increased monetary or regulatory costs to other state agencies, political subdivisions or citizens in FY 2009-2010.

Makes numerous changes to development fees (impact fees) including a requirement that a municipality calculate development fees as it relates to the costs associated with infrastructure

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improvements. Suspends, retroactive to June 1, 2009, a municipality's ability to collect development fees through June 30, 2012.

Requires, retroactive to June 1, 2009, voter approval for increases in local construction sales tax rates through June 30, 2012.

Funding – Eliminates state General Fund (GF) monies for initial nursing assistant certifications. Eliminates the \$25,000,000 advance to the 21st Century Fund and reduces by \$2,800,000 the state GF appropriation to the Military Installation Fund.

In FY 2009-2010 allows appropriations for all budget units to be limited to one year and limits the amount the State Treasurer can transfer from the Tourism Fund to no more than \$10,655,200. Modifies the cap for Aviation Fund grants from ten percent of the fund balance to ten percent of the average revenues of the previous three years. Reverts non-lapsing unexpended and unencumbered monies that remain at the end of FY 2009-2010 to the state GF. Requires all non-American Recovery and Reinvestment Act unrestricted federal monies received between July 1, 2009 and June 30, 2010 to be deposited into the state GF for the payment of essential government services.

Miscellaneous – Requires proof of citizenship for the receipt of federal, state and local benefits administered by the state or a political subdivision. Requires a copy of a foreclosure notice be sent to the tenants of rental properties.

The Governor indicates in her veto message that S.B. 1035, along with the other FY 2009-2010 budget bills adopted by the Legislature does not balance the state budget. Further, the budget bills would prevent the proper function of many critical components of state government, as well as undermine efforts to develop and encourage a prosperous future.

~~tax anticipation bonds; technical correction~~ (NOW: budget reconciliation; general revenues) (S.B. 1036/H.B. 2635) – VETOED

Makes necessary statutory and session law changes relating to general revenues in order to reconcile the FY 2009-2010 budget.

Department of Agriculture – Allows the Citrus, Fruit and Vegetable Advisory Council and the Agricultural Advisory Council to increase fees for services provided in FY 2009-2010, up to a total of \$389,000. Continues the fee increases authorized by Laws 2008, Chapter 291, for the Department of Agriculture in the amount of \$172,000 in FY 2009-2010.

Department of Education – Repeals the state equalization property tax rate. Specifies the official K-12 Qualifying Tax Rate (QTR) for FY 2009-2010, as adjusted for compliance with Truth in Taxation (TNT). The TNT calculation yields a FY 2009-2010 QTR of \$2.7452 for unified school districts and \$1.3726 for non-unified school districts.

State Lottery Commission – Transfers the following amounts of State Lottery revenues to the state General Fund (GF) prior to any distribution of those revenues to the following funds: 1) \$765,000 for the County Assistance Fund; 2) \$2.3 million for the Local Transportation Assistance Fund; and 3) \$990,000 for the Local Transportation Assistance Fund II.

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Repeals the State Land Department's Community Protection Initiative Fund and the Department of Environmental Quality's Water Supply Fund Special Line Item from the list of recipients of Lottery Fund monies.

Department of Revenue – Accelerates by one or two years, depending on property type, the length of time for all property presumed to be abandoned and therefore unclaimed, except that the time period for traveler's checks is accelerated by 12 years and money orders by four years.

Transfers the function of tobacco tax enforcement from the Department of Revenue (DOR) to the Department of Liquor Licenses and Control. Allows the Legislature to appropriate monies from the Tobacco Tax and Healthcare Fund to the Department of Liquor Licenses and Control for the costs associated with tobacco tax enforcement. Redirects the \$662,800 appropriation made to DOR from the Tobacco Tax and Healthcare Fund to the Arizona Healthcare Cost Containment System (AHCCCS) and reduces the GF appropriation to AHCCCS by the same amount and instead appropriates monies to DOR.

Rio Nuevo Multipurpose Facilities District – Limits, retroactive to July 1, 2009, the monies paid to the Rio Nuevo Multipurpose Facilities District (District) to the following purposes until a Notice to Proceed is issued for a hotel and convention center located at the multipurpose facility site: 1) debt service for bonds issued by the District before January 1, 2009; 2) contractual obligations incurred by the District before June 1, 2009; 3) fiduciary, legal and administrative expenses of the District; and 4) the design and construction of the hotel and convention center located at the multipurpose facility site. The bill also contains requirements relating to transparency, compensation, audits and membership on the Board of Directors.

Taxes and Fees – Repeals the June 30, 2011 sunset date for the school tuition organization corporate income tax credit.

Sets the assessment ratio for all classes of property at ten percent for all secondary property taxes levied by counties, cities, towns, community college districts and school districts for voter-approved overrides and bond elections occurring after July 1, 2009.

Requires counties to distribute \$53 million of the counties' state shared Vehicle License Tax (VLT) monies to local school districts in FY 2009-2010. Requires incorporated cities and towns to distribute \$42 million of the cities' and towns' state shared VLT monies to local school districts in FY 2009-2010.

Allows a municipality to use development fee revenues for general municipal operating expenses in FY 2009-2010. Prohibits a municipality that uses development fee revenues for operating expenses from adjusting fees to recover revenues.

Sets the amount of the fee for a duplicate driver license as an amount determined by the Director of the Department of Transportation.

Repeals the fee raising authority, appropriations and rule making exemptions authorized by Laws 2008, Chapter 291, for the following entities: 1) Department of Public Safety; 2) Department of Economic Security; 3) Department of Health Services; 4) State Land Department; and 5) Radiation Regulatory Agency.

APPROPRIATIONS COMMITTEE (Cont'd.)

Continues to suspend the requirement that the Department of Insurance (DOI) revise fees so that revenues from fees collected by DOI are between 95 percent and 110 percent of DOI's state GF appropriation for FY 2009-2010.

Miscellaneous – Requires Maricopa County to transfer \$24,168,400 into the GF. Requires Pima County to transfer \$3,794,400 into the GF.

Allows 14 percent of the Residential Contractor's Recovery Fund's prior fiscal year revenues to be used for operation and administrative purposes in FY 2009-2010 instead of 10 percent of the fund balance.

Redirects to the state GF unclaimed property proceeds currently distributed to Racing Funds, the Housing Trust Fund and DOR.

Redistributes pari-mutuel revenues and proceeds to the state GF rather than to various Racing Funds.

Requires, beginning July 1, 2010, all revenues from the State Web Portal Fund to be deposited into the State Web Portal Fund.

The Governor indicates in her veto message that S.B. 1036, along with the other FY 2009-2010 budget bills introduced by the Legislature, does not balance the state budget. Further, the budget bills would prevent the proper function of many critical components of state government, as well as undermine efforts to develop and encourage a prosperous future.

~~technical correction; dry wells; regulation~~ (NOW: budget reconciliation; health and welfare) (S.B. 1145/H.B. 2641) – VETOED

Makes necessary statutory and session law changes relating to health and welfare in order to reconcile the FY 2009-2010 budget.

Arizona Health Care Cost Containment System (AHCCCS) – Repeals the KidsCare Parents program and the Temporary Medical Coverage program. Eliminates dentures as a medical service covered by AHCCCS health plans. For rates effective October 1, 2009, through September 30, 2010, prohibits AHCCCS from increasing provider rates above the rates in effect on September 30, 2008, and permits AHCCCS to reduce provider rates up to 5 percent. Suspends AHCCCS capitation payments to acute care health plans for the month or a portion of the month of June 2010. Exempts AHCCCS from ambulance rates established by the Department of Health Services (DHS) in FY 2009-2010. Permits AHCCCS to reduce by one level the thresholds beyond which patient costs are paid by reinsurance in contract year 2009-2010. Allows AHCCCS to reduce the risk contingency rate setting for all managed care organizations by 50 percent and to impose a 5.88 percent reduction on funding for all managed care organizations' administrative funding levels in contract year 2009-2010. Requires the AHCCCS Administration to report to the Governor, the President of the Senate and the Speaker of the House of Representatives by October 1, 2009, on hospital provider assessment methods. States the legislative intent for the AHCCCS Administration to comply with the federal False Claims Act, to maximize savings and to continue considering the best available technologies in detecting fraud in the Administration's programs.

APPROPRIATIONS COMMITTEE (Cont'd.)

County Contributions – Sets the county contributions for the Arizona Long-Term Care System (ALTCS) by county in FY 2009-2010, for total county ALTCS contributions of \$190,467,500 pursuant to the requirements of the American Recovery and Reinvestment Act (ARRA). Decreases Maricopa County's FY 2009-2010 acute care contribution by \$517,300 below FY 2008-2009. Continues FY 2009-2010 acute care contributions for all other counties and contributions for hospitalization and medical care at FY 2008-2009 levels. Continues to exclude, retroactive to June 30, 2004, county contributions for Proposition 204 administrative costs, hospitalization and medical care from county expenditure limitations. Pursuant to the requirements of ARRA, increases the percentage share of unexpended long-term care funds distributed to counties in FY 2008-2009 and FY 2009-2010, from 50 percent to 62.2 percent, and requires AHCCCS to transmit to counties by December 31, 2009, the portion of federal monies received for acute care savings in FY 2008-2009.

Disproportionate Share Hospital (DSH) Payments – Continues to require the Maricopa Special Health Care District (District) and the Arizona State Hospital (State Hospital) to provide a certified public expense (CPE) form for qualifying DSH expenditures. Requires the AHCCCS Administration to distribute \$4,202,300 to the District and deposit the remaining federal funds into the state General Fund. Prescribes procedures that apply if the CPE amount is less than estimated. Stipulates that the DSH payments include \$28,474,900 for the State Hospital and \$26,147,700 for private qualifying DSH hospitals.

State Employee Health Insurance – Beginning October 1, 2009, for purposes of health or accident insurance for full-time state officers or employees, defines *dependent* as: 1) a spouse; 2) a child under 19 years of age; 3) a child under 23 years of age who is also a full-time student. Continues to prohibit the Arizona Department of Administration from implementing a differentiated health insurance premium based on the integrated or nonintegrated status of a state employee health insurance provider.

Arizona Biomedical Research Commission (Commission) – Repeals \$1,000,000 appropriated to the Commission in FY 2009-2010 through FY 2011-2012.

Department of Health Services (DHS) – For purposes of determining eligibility for behavioral health services, defines *indigent persons*. Stipulates that the provision of behavioral health services to persons who are not indigent is subject to available appropriations. Requires DHS to allocate monies for behavioral health services according to specified priorities.

Requires DHS to establish an Arizona Poison Control System consisting of two poison control centers: 1) one center affiliated with the University of Arizona College of Pharmacy, to serve all counties outside of Maricopa County; 2) one center privately operated and located in Maricopa County, to serve Maricopa County.

Department of Economic Security (DES) – Requires DES to test and screen adult recipients who are otherwise eligible for Temporary Assistance for Needy Families (TANF) cash benefits for the illegal use of controlled substances. Requires recipients to pass the drug screening test to remain eligible. Permits DES to reduce the maximum income eligibility level for child care assistance programs and requires DES to notify the Joint Legislative Budget Committee of any change.

The Governor indicates in her veto message that S.B. 1145, along with other budget bills adopted by the Legislature, does not balance the state budget. Further, the budget bills would prevent

APPROPRIATIONS COMMITTEE (Cont'd.)

the proper function of many critical components of state government, as well as undermine the efforts to develop and encourage a prosperous future.

~~technical correction; deceptive mailings~~ (NOW: budget reconciliation; K-12) (S.B. 1187/H.B. 2639)
– VETOED

Makes necessary statutory and session law changes relating to K-12 education in order to reconcile the FY 2009-2010 budget.

K-12 Funding – Increases both charter school additional assistance amounts and school district transportation support level per route mile formula amounts by two percent and specifies the base level (per-pupil funding) for all public schools as \$3,201.89. Reduces the school district soft capital allocation and budget limits for all school districts by \$175 million statewide, but exempts school districts with a student count of 600 or less from 50 percent of the reduction. This reduction must be taken against administrative costs where possible. Allows school districts to expend soft capital monies for any capital or operating expense. Funds Joint Technological Education Districts (JTED) at 91 percent of the statutory formula but no JTED will receive less funding in FY 2009-2010 than it received in FY 2008-2009, except for certain adjustments. Requires Classroom Site Fund per pupil calculations to factor in prior years shortfalls or surpluses.

Makes changes to the Basic State Aid and Additional State Aid (state aid) apportionment schedule and directs the Arizona Department of Education (ADE) to disburse the August 2009 apportionment in equal amounts over the remaining months of FY 2009-2010. Prohibits basic state aid funding for early kindergarten students who repeat kindergarten, if the early kindergarten student is admitted after the effective date of this act. Repeals the rapid decline funding formula and the Local Education Accountability Program (LEAP).

Average Daily Membership (ADM) – Caps the ADM per-pupil amount at 1.0 unless otherwise specified in statute and specifies how the ADM must be apportioned between a school district, charter school or Arizona Online Instruction (formerly Technology Assisted Project Based Instruction).

K-12 Rollover – Defers, until July 1, 2010, \$602,627,700 of the state aid payments scheduled to be apportioned to school districts in May and June of 2010 and appropriates the same amount in FY 2010-2011 from the state General Fund to ADE, for the deferred payments, to be disbursed on July 1, 2010. Appropriates \$886,200 to offset any costs to school districts resulting from the deferred payments. School districts may budget for estimated amounts outside the district's Revenue Control Limit (RCL) for any interest expenses incurred due to the deferred payments.

Property Tax – County assessors must calculate and assign assessed values on Government Property Lease Excise Tax (GPLET) properties and report those values to ADE. GPLET assessed valuations must be included in calculating school district equalization assistance amounts. Removes school district Desegregation programs, the Transportation Revenue Control Limit (TRCL) and Career Ladder programs from the portion of the primary property tax rate used to calculate additional state aid (Homeowner's Rebate). A school district cannot increase their primary property tax rate if: 1) one-half the district's residential property combined primary property tax rate exceeds the Constitution's one percent cap and 2) the district's current primary property tax rate exceeds 150

APPROPRIATIONS COMMITTEE (Cont'd.)

percent of the K-12 Qualifying Tax Rate (QTR). Permanently caps school district Desegregation budgets at the FY 2008-2009 funding level.

Bonding and Overrides – Allows school districts to issue Class B bonds, if they mature within five years of issuance, for furniture, equipment and technology. Limits capital overrides to 10 percent of the RCL. The maximum budget increase for a maintenance and operations (M&O) override changes from 10 percent to 15 percent of the RCL and proceeds may be used for programs to improve pupil academic achievement. Establishes a special program override by expanding the scope of the K-3 override to include programs for kindergarten through grade 12 and removing existing restrictions. School districts requesting a special program override may request an M&O override of up to 10 percent of the RCL. Existing K-3 overrides continue for the length originally authorized, unless a subsequent M&O override equal to 15 percent of the RCL is approved by voters. Specifies the base level as \$3,291.42 for calculating a district's RCL to determine the maximum budget increase that can be requested in an FY 2009-2010 override election. School districts may conduct an election on the second Tuesday of March 2010 and submit one of the following to their voters: 1) a 15 percent M&O override which, if approved, replaces any previously approved M&O and K-3 override; 2) an additional 5 percent M&O or special program override, if voters authorized a 10 percent M&O override in November 2009; 3) a 17 percent M&O override for school districts with existing M&O and K-3 overrides, as of the effective date of this act which, if approved, replaces the existing overrides and continues for the duration of the previously approved K-3 override.

Arizona Online Instruction (AOI) – Renames the Technology Assisted Project Based Instruction (TAPBI) program to Arizona Online Instruction (AOI). Eliminates the cap on the number of school districts and charter schools authorized to participate upon approval from the State Board of Education (SBE) or State Board for Charter Schools (SBCS). Each new school participates on a probationary status and may apply for permanent status after demonstrating a program's academic integrity through improvement in academic achievement. The SBE or the SBCS must remove a school from the program if it fails to demonstrate improvement in academic achievement within three years. Removes existing annual reporting requirements and instructs the SBE and SBCS to develop new annual reporting mechanisms. ADM for participating students is calculated at 95 percent for full-time students and 85 percent for part-time students based on specified attendance requirements. Programs must include multiple diverse assessment measures and required assessments must be proctored.

Teacher Performance Pay – Participating school districts may increase their base level amount for Career Ladder by a maximum five percent and no new teachers may participate in FY 2009-2010. Repeals the Teacher Performance Pay funding formula established in FY 2008-2009.

Early Graduation Scholarship Program (EGSP) – Retroactive to September 26, 2008, new students who graduate a semester early are ineligible to participate in the EGSP, but existing qualified students may continue. Limits the EGSP to students admitted before July 1, 2009 and continues their funding, subject to sufficient available funds. Prohibits a school district or charter school from adjusting their FY 2009-2010 student count and per-pupil funding for early graduates. Prohibits ADE from transferring any monies for FY 2009-2010 to the Commission for Post Secondary Education for the EGSP.

School Districts and School District Governing Boards – In certain circumstances school districts offering voluntary full day kindergarten must also offer half-day kindergarten in each school. Eliminates the required annual report relating to construction services and deletes outdated

APPROPRIATIONS COMMITTEE (Cont'd.)

statutory language relating to district procedures for procuring construction services. Exempts Intergovernmental Agreements (IGAs) between school districts or between a school district and another governing body from competitive bidding and removes the requirement for IGAs to be filed with the Secretary of State (SOS) or the county recorder, effective December 31, 2009. Exempts school districts from competitive bidding for pupil placement in an ADE approved private school providing special education services according to the pupil's Individual Education Plan. All district construction projects must be insured but do not need separate policies for each project. Deletes duplicative language specifying the governing board must maintain its schools for 175 school days, 200 days or the equivalent.

Allows school districts to confidentially maintain all documentation regarding bullying, harassment, or intimidation of pupils. All pupil expulsion hearings may be conducted by an independent hearing officer. All school districts may apply to the SBE to conduct their own accounting independent of the county school superintendent. School districts may sell advertising space on their websites. Removes restrictions on the expenditures of revenue generated from the sale of advertising on school buses and athletic facilities.

Changes the amount required to conduct a public hearing before revising the district's budget if the budget exceeds the general budget limit from \$1,000 to one percent or \$100,000, whichever is less. Districts may not adjust their FY 2009-2010 RCL for Actual Utility costs. Repeals the Excess Utilities Funding Plan and reporting requirements effective in FY 2008-2009.

School District Personnel – Removes specified dates relating to school district notification requirements for employment contract renewals and general salary reductions. Teachers who lobby during regular school hours must reimburse the school district or charter school for expenditures related to providing substitute teachers. Changes time periods relating to teacher disciplinary actions, notifications and hearing requests. Retired teachers who return to school district employment are not entitled to due process. Removes the labeling of unprofessional conduct for teachers who fail to comply with the notification requirements for pupil disciplinary proceedings. Governing boards may establish a separate fund or trust account to fund postemployment benefits for employees, their spouses and dependents and must meet certain reporting requirements.

Prohibits the SBE from requiring a school district superintendent or business manager to obtain state certification. Governing boards may set the qualifications at a public meeting for their district superintendent. Non-certified superintendents must have a valid fingerprint clearance card. School districts may hire a business manager that has expertise in finance. Eliminates requirements relating to multi-hazard crisis training and real estate attorneys.

Audits – ADE or the Auditor General may conduct school district and charter school financial, program, compliance or ADM audits. Districts correcting ADM overpayments may petition SBE for a three year repayment extension. School districts whose most recent annual audit contained no significant negative findings may convert to biennial audits. Upon receipt of a significant negative finding a district must switch back to an annual audit; but if after two subsequent annual audits with no significant negative findings, a district may revert back to a biennial audit. Suspends performance audit requirements for the Arizona's Instrument to Measure Standards (AIMS) Intervention and Dropout Prevention programs for FY 2009-2010.

Charter School Tuition – A charter school may admit nonresident pupils if they charge tuition but a charter school may not charge tuition to Arizona residents.

APPROPRIATIONS COMMITTEE (Cont'd.)

Assessments – Specifies that passing the AIMS test in reading, writing and mathematics are the only content areas required for high school graduation. Any additional assessments adopted by the SBE for high school pupils must measure college and career readiness. Lifts the one-year limit on AIMS test contracts.

Establishes a nine-member Task Force on Assessments to Measure College and Career Readiness (Task Force) to examine and evaluate existing tests measuring college and career readiness that are used for admission to postsecondary institutions, or are used by postsecondary institutions to award academic credit or placement. A report is due by June 30, 2010. The Task Force must recommend a process to select one or more tests to be administered to ninth graders beginning in 2011 and to eleventh graders beginning in 2012. Repeals the Task Force on September 15, 2010.

Transportation School District – Allows a county school superintendent to suspend the Chevelon-Butte Unified School District and report the suspension to the county board of supervisors, until July 1, 2010. The county board of supervisors may declare the district lapsed and annex the territory to one or more adjoining school districts.

School Facilities Board (SFB) – Suspends the Building Renewal formula for FY 2009-2010. Removes the requirement to count kindergarten students as full ADM in determining minimum school facility adequacy requirements. Authorizes the SFB to enter into Qualified School Construction bonds, as authorized by the American Reinvestment and Recovery Act of 2009, lease-to-own agreements (LTO) of up to \$100,000,000 by December 31, 2009 for new construction projects. Funding priority will be given to districts whose projected FY 2009-2010 ADM exceeds their capacity. The SFB may not authorize or award funding for the design or construction or school site acquisitions of any new school facility in FY 2009-2010 beyond the authorized LTO proceeds. School districts must submit capital plans for review and the SFB may award new school facilities, subject to future appropriations. Additional funding may only be granted to new construction projects for geographic or site conditions.

Miscellaneous – Grants a five-year period, instead of one or two-year period to Santa Cruz Union High School District and Red Mesa Unified School District to correct budget overexpenditures and to Blue Ridge Unified District and Snowflake Unified District to correct ADM overpayments. Allows Cave Creek Unified District to use remaining bond proceeds, approved by voters in November 2000, to modify an existing school facility rather than build a new school facility.

Requires the SBE to adopt rules for alternative certification of nontraditional foreign language teachers to pass a nationally-accredited test as a substitute for the education coursework/credit hours required for certification. School districts and charter schools may not adopt policies granting employment priority to teachers based on years of employment.

The Governor indicates in her veto message that S.B. 1187, along with the other FY 2009-2010 budget bills adopted by the Legislature, does not balance the state budget. Further the budget bills prevent the proper function of many critical components of state government, as well as undermine efforts to develop and encourage a prosperous future.

APPROPRIATIONS COMMITTEE (Cont'd.)

~~mine inspector; education; training; fees~~ (NOW: budget reconciliation; environment) (S.B. 1258/H.B. 2642) – VETOED

Makes necessary statutory and session law changes relating to the environment in order to reconcile the FY 2009-2010 budget.

Arizona Department of Agriculture – Requires livestock officers to inspect livestock within 48 hours of being advised an inspection is necessary. Repeals the Arizona Agricultural Protection Commission.

Arizona Department of Environmental Quality (ADEQ) – For FY 2009-2010, allows ADEQ to transfer \$6,531,000 from the Underground Storage Tank Revolving Fund Assistance Account for administrative costs associated with the leak prevention and used oil programs. Allows sanitary districts with a population of less than 50,000 and cities and towns of any size to accept loans through the Water Infrastructure Financing Authority (WIFA) without requiring an election. The loan must be financed with federal stimulus monies made available to WIFA. Requires the Agricultural Best Management Practices Committee to adopt dust control rules by June 1, 2010, for commercial farming and animal agriculture in future PM-10 nonattainment areas.

Arizona State Parks Board (Board) – Allows the Board to use investment earnings in the Land Conservation Fund's administrative account that exceed \$500,000 to operate state parks. For FY 2009-2010, the Board also may use \$692,100 from the Off-Highway Vehicle Recreation Fund and appropriated monies in State Parks Enhancement Fund for the operation of parks. Continues the transfer of \$3,000,000 from the Arizona State Parks Heritage Fund to the Fire Suppression Revolving Fund for FY 2009-2010.

Arizona State Land Department (ASLD) – Establishes the Trust Land Management Fund (TLMF) as a self-funding mechanism for the ASLD to manage state trust lands. The TLMF consists of a percentage of the annual proceeds from each beneficiary's sale of trust lands and natural products. For FY 2009-2010, appropriates \$9,773,500 from the TLMF to the ASLD, and requires the ASLD to revert \$3,819,700 to the state General Fund by October 1, 2009, and an additional \$3,257,800 by June 30, 2010.

Arizona Department of Water Resources (ADWR) – Requires ADWR to include separate accounting detail of the Nevada interstate water banking subaccount when making its budget request. Provides for an annual appropriation to the Arizona Water Protection Fund for FY 2009-2010.

The Governor indicates in her veto message that H.B. 2642 along with the other FY 2009-2010 bills does not balance the state budget. Further, the budget bills would prevent the proper function of many critical components of state government, as well as undermine efforts to develop and encourage a prosperous future.

~~state financial condition; state treasurer~~ (NOW: state budget reports; financial condition) (S.B. 1464) – VETOED

Requires the State Treasurer (Treasurer) to submit an annual financial condition statement to the Governor, the President of the Senate and the Speaker of the House of Representatives at

APPROPRIATIONS COMMITTEE (Cont'd.)

specified intervals, and requires the Arizona Departments of Administration and Revenue to provide the Treasurer with all pertinent information.

Requires the Governor's budget report to contain a statement and allows the Legislature to adopt a concurrent resolution comparing state expenditures to state revenues. Mandates that the Economics Estimates Commission determine and publish the percentage changes in that state's population and cost of living.

In her veto message the Governor states that the budgeting reforms outlined in this legislation fall short of a comprehensive solution. The letter further states that transferring the responsibility of forecasting revenues to the Treasurer's office does not encourage collaboration between the Executive and Legislative branches in their efforts to reach a consensus revenue estimate upon which budgets can be based.

~~revenue department; technical correction~~ (NOW: noncustodial federal monies; legislative appropriation) (H.B. 2369) – VETOED

Authorizes the Legislature to appropriate noncustodial federal monies and stipulates how the Legislature may appropriate those monies.

The Governor indicates in her veto message that H.B. 2369 complicates the administration of programs receiving federal funds and diverts the Legislature's attention away from addressing the state's fiscal problems. The Governor also states that Legislative appropriation of federal monies is not a solution to the current budget crisis.

~~technical correction; rebate set aside~~ (NOW: budget reconciliation; general revenues; trailer) (H.B. 2644/S.B. 1472) – VETOED

Conditioned on the enactment of S.B. 1036, Forty-Ninth Legislature, First Regular Session, makes necessary statutory and session law changes to S. B. 1036 relating to general revenues in order to reconcile the FY 2009-2010 state budget.

Corporation Commission – Redirects a portion of the fees collected for the annual report of domestic and foreign corporations from the state General Fund (GF) to the Public Access Fund for the Arizona Corporation Commission's (ACC) operating expenditures, effective retroactively to July 1, 2009.

Authorizes the ACC to adjust annual registration fees for securities dealers and salespersons and to deposit a portion of those fees in the Securities Regulation and Enforcement Fund (Fund). Stipulates that annual revenues collected in excess of the amount legislatively appropriated to the Fund be deposited into the state GF.

Authorizes the ACC to establish by order the annual registration fees for securities dealers and salesmen and exempts the ACC from rule making requirements one time for the purposes of setting the fees.

Department of Education – Transfers the repeal of the State Equalization Tax Rate and the setting of the official K-12 Qualifying Tax Rate from S.B. 1036 to the General Revenues Budget Reconciliation Bill (H.B. 2644).

APPROPRIATIONS COMMITTEE (Cont'd.)

Department of Revenue – Repeals the transfer of the function of tobacco tax enforcement from the Department of Revenue (DOR) to the Department of Liquor Licenses and Control. Eliminates the shift of Tobacco Tax and Healthcare Fund monies associated with the transfer.

Establishes the DOR Administrative Fund consisting of monies from unclaimed property. Transfers a portion of unclaimed property proceeds to the DOR Administrative Fund for payment of unclaimed property contract auditor fees if 12.5 percent of the total dollar value of recovered property exceeds \$1,770,000.

Continues the requirement that any Business Reengineering/Integrated Tax System (BRITS) contract extensions or modifications which increase the contractor's share of gain-sharing proceeds be subject to Joint Legislative Budget Committee (JLBC) review, effective retroactively to July 1, 2009. Stipulates that DOR may utilize up to \$2 million of state GF revenue deposits to pay for BRITS operational support costs, subject to JLBC review.

Taxes and Fees – Repeals the requirement that counties distribute \$53 million of the counties' state shared Vehicle License Tax (VLT) monies to local school districts in FY 2009-2010. Reduces municipal contributions of local VLT collections to be distributed to local school districts from \$42 million to \$22 million.

Requires nonresident taxpayers to prorate their standard deduction based on Arizona income as a percent of total income.

Restores the fee raising authority authorized by Laws 2008, Chapter 291, section 12, for the following state agencies and amounts in FY 2009-2010: 1) Department of Health Services – \$600,000; 2) State Land Department – \$600,000; and 3) Radiation Regulatory Agency – \$500,000.

Authorizes the Board of Nursing Care Administrators and Assisted Living Facility Managers (Board) to increase fees up to \$85,000 in FY 2009-2010 and appropriates revenue generated through increased fees to the Board.

Authorizes the Office of Pest Management (Office) to increase fees up to \$875,000 in FY 2009-2010 and appropriates revenue generated through increased fees to the Office.

Miscellaneous – Repeals the 10 percent single assessment ratio for all classes of property for all voter approved overrides and bond elections. Permanently sets the assessment ratio for Class One property at 16 percent for all prospective bond and override elections, beginning in tax year 2012.

Requires Maricopa County to transfer \$19,014,600 into the GF instead of \$24,169,400. Requires Pima County to transfer \$2,985,400 into the GF instead of \$3,794,400.

Modifies the redirection of unclaimed property proceeds by annually depositing the first \$10.5 million of collected proceeds into the Housing Trust Fund, effective retroactively to July 1, 2009. The second \$24.5 million of collected proceeds will be deposited into the DOR Administrative Fund, effective retroactively to July 1, 2009.

Modifies the renewal and expiration dates for licenses for professional and practical nurses.

APPROPRIATIONS COMMITTEE (Cont'd.)

Requires that any VLT revenues collected as a result of the optional five-year vehicle registration period which exceeds the amount that would have been collected had the vehicles been registered for two years be deposited into the GF instead of the State Highway Fund.

The Governor indicates in her veto message that H.B. 2644, along with the other FY 2009-2010 budget bills, does not balance the state budget. Further, the budget bills would prevent the proper function of many critical components of state government, as well as undermine efforts to develop and encourage a prosperous future.

~~technical correction; public roadways~~ (NOW: budget reconciliation; general government; trailer) (H.B. 2645 / S.B. 1473) – VETOED

Conditioned on the enactment of S.B. 1035, Forty-Ninth Legislature, First Regular Session, makes necessary statutory and session law changes to S. B. 1035 relating to general government in order to reconcile the FY 2009-2010 state budget.

Arizona Department of Administration (ADOA) – Eliminates ADOA's requirement to rebid existing telecommunication contracts by September 30, 2009.

Requires ADOA to allow vendors to demonstrate the availability and savings associated with business intelligence software, if the vendors agree to receive payment through the savings generated from the software. ADOA must quantify the savings from the implementation of the software and submit an annual report to the Joint Legislative Budget Committee (JLBC) and the Joint Legislative Audit Committee.

Liquor Licenses Fund (Fund) – Establishes the Fund and reverts any year-end balance over \$700,000 to the state General Fund. Allows for an additional \$700,000 to be deposited into the Fund in FY 2009-2010.

Taxes and Fees – Provides exemptions for state agencies who adopt rules that result in an increase in monetary or regulatory costs. Removes the moratorium on development fee collection and the requirement for voter approval for local construction sales tax increases. Adds additional provisions relating to development fees and construction sales tax rates.

Funding – Authorizes the sale of \$200 million board funding obligations by the Transportation Board to a financial institution if they are not first purchased by the State Treasurer. Allows the Arizona Department of Transportation (ADOT) to transfer \$10 million from subaccounts of the Statewide Transportation Acceleration Needs (STAN) account to restore funding for a project previously approved by the Transportation Board that was in an amount less than \$21,000,000.

Secretary of State – Repeals provisions relating to the classification of new employees and the transfer of the Arizona State Library, Archives and Public Records.

Miscellaneous – Modifies proof of citizenship requirements for the receipt of federal, state and local benefits to conform with federal requirements.

The Governor's veto message indicates that the measure, along with the other FY 2009-2010 budget bills, does not balance the state budget and prevents the proper function of many critical components of state government.

APPROPRIATIONS COMMITTEE (Cont'd.)

~~technical correction; state highways (NOW: state properties; trailer) (H.B. 2646 / S.B. 1474) – VETOED~~

Conditioned on the enactment of S.B. 1031, Forty-Ninth Legislature, First Regular Session, makes necessary statutory and session law changes to S.B. 1031 relating to the state properties. Excludes the two state trailers located on the State Agricultural Laboratory property from the sale of the land and eliminates the requirement for the sale of one of two twin engine airplanes and one helicopter by the Department of Public Safety.

The Governor indicates in her veto message that H.B. 2646, along with the other FY 2009-2010 budget bills adopted by the Legislature, does not balance the state budget. Further, the budget bills would prevent the proper function of many critical components of state government, as well as undermine efforts to develop and encourage a prosperous future.

~~technical correction; certificate of title (NOW: budget reconciliation; criminal justice; trailer) (H.B. 2647/S.B. 1475) – VETOED~~

Conditioned on the enactment of S.B. 1028, Forty-Ninth Legislature, First Regular Session, makes necessary statutory and session law changes to S.B. 1028, relating to the criminal justice system in order to reconcile the FY 2009-2010 state budget.

Arizona Department of Corrections (ADC) Health Care Services – Requires, under specified conditions, ADC to pay approved claims from a facility or provider based on the Arizona Health Care Cost Containment System Administration hospital reimbursement methodology or capped fee-for-service schedule. Requires, before October 1, 2009, ADC to issue a request for information (RFI) to privatize all correctional health services that are provided in a state owned and operated facility and specifies RFI reporting requirements to the Joint Legislative Budget Committee (JLBC). Specifies that ADC's requirement to issue request for proposals (RFP) to privatize all correctional health services applies to services that are provided in a state owned and operated facility and changes the date the RFP's must be submitted to JLBC. Allows ADC to use any nonappropriated state monies to pay inmate health care expenditures incurred during FY 2007-2008.

ADC Lease-Purchase Agreements – Makes numerous changes to the lease-purchase finance agreement (agreement) as follows: 1) changes the deadline for entering into an agreement or agreements; 2) changes the required amount of net available proceeds; 3) stipulates a maximum term; 4) requires the agreements to be through the sale and simultaneous lease purchase of an ADC facility or any other state owned facility; 5) allows any other state owned facility to be used as collateral; 6) specifies requirements relating to the state's obligations under any agreement; 7) exempts the agreement from the Arizona Procurement Code; 8) details the authority conferred for actions authorized; and 9) requires the state to maintain operations at any facility that is sold pursuant to an agreement.

ADC Concession Agreement – Removes the concession agreement RFI requirements to include the ability to operate a maximum security prison facility and requires reviews by the Joint Committee on Capital Review (JCCR). Exempts the Arizona State Prison complex at Yuma from the RFP requirement. Changes deadlines for JLBC's review of the RFP, JCCR's review of the concession agreement and the award of the concession agreement.

APPROPRIATIONS COMMITTEE (Cont'd.)

ADC Food and Commissary Contracts – Repeals the provisions relating to the RFP requirement to rebid the ADC food and commissary service contracts.

ADC Private Prison Beds – Requires ADC to issue an RFP and contract for 5,000 private prison beds in Arizona and specifies the following: 1) the permissible number of bidders; 2) the length of the contract period; 3) the RFP deadline for review by JLBC; 4) the contract award deadline; 5) quarterly reporting requirements to JLBC; 6) applicable contract provisions; and 7) statutory contract exemptions. Allows, in FY 2009-2010, ADC to use any nonappropriated monies for any start up and operating costs that are associated with the 4,000 new beds that were authorized in Laws 2007, Chapter 261.

Courts – Repeals the deposit schedule relating to the transfer of the \$45 defensive driving surcharge and requires, retroactive to July 1, 2009, deposit of a specified amount of revenue annually into the Crime Laboratory Operations Fund and all remaining revenue into the state General Fund. Continues, retroactive to July 1, 2009, the exclusion of state photo enforcement citations in the calculation of judicial productivity credits. Repeals the provisions relating to the compensation and employee related expenditures of a justice of the peace and continues, retroactive to July 1, 2009, the state's payment of 19.25 percent and the county's payment of 80.75 percent.

Retirement – Exempts, within the definition of compensation for the Public Safety Personnel Retirement System (PSPRS), third party contracts between agencies for law enforcement training, wildfire and emergency management activities.

Attorney General (AG) – Allows, for FY 2009-2010, the AG to use monies in the Collection Enforcement Revolving Fund for any operating expenses incurred by the Department of Law.

Board of Executive Clemency (Board) – Requires, retroactive to July 1, 2009 and for FY 2009-2010, the chairman of the Board to also act as the executive director and restricts the remaining members of the Board from working more than 30 hours per week and from eligibility for any state benefits.

The Governor indicates in her veto message that H.B. 2647, along with the other FY 2009-2010 budget bills adopted by the Legislature, does not balance the state budget. Further, the budget bills would prevent the proper function of many critical components of state government, as well as undermine efforts to develop and encourage a prosperous future.

~~technical correction; industrial development; insurance~~ (NOW: budget reconciliation; K-12 education; trailer) (H.B. 2648/S.B. 1480) - VETOED

Conditioned on the enactment of S.B. 1187, Forty-Ninth Legislature, First Regular Session, H.B. 2648 makes necessary statutory and session law changes to S. B. 1187 relating to K-12 education in order to reconcile the FY 2009-2010 state budget.

K-12 Funding – Increases additional assistance amounts for charter schools by two percent for FY 2009-2010 but directs the Arizona Department of Education (ADE) to proportionately reduce the amount of additional assistance charter schools will receive in FY 2009-2010 by \$5,000,000, beginning January 1, 2010. Increases the base level amount for all public schools by two percent for FY 2009-2010 but instructs ADE to use the base level amount of \$3,201.89 when calculating FY 2009-2010 school district and charter school base support levels. Delays the \$175 million soft capital

APPROPRIATIONS COMMITTEE (Cont'd.)

allocation and budget limit reduction until January 1, 2010. School districts and charter schools may charge tuition for early kindergarten students who repeat kindergarten and are ineligible for state aid. Clarifies the state aid apportionment schedule. Allows the State Board of Education (SBE) to make the currently-scheduled July 1, 2010 rollover payment no later than August 29, 2010.

Bonding and Overrides – Specifies ballot language for the continuation of an existing school district maintenance and operations (M&O) or special program budget override. School district governing boards may cancel a November 2009 override election no later than August 1, 2009. Extends the period a school district may issue new, voter-approved bonds from six years to ten years.

Arizona Online Instruction (AOI) – Eliminates the State Board for Charter Schools (SBCS) sponsorship requirement for all online schools. The SBE and the SBCS must develop standards for online course provider and online school approval. Clarifies state aid calculations for AOI pupils. Decreases the number of hours AOI high school students must attend to be considered a full-time student.

Teacher Performance Pay – Reinstates the Teacher Performance Pay funding formula established in FY 2008-2009.

Early Graduation Scholarship Program (EGSP) – Authorizes the Arizona Commission for Postsecondary Education to solicit and receive donations, federal grants, and other federal monies to support the EGSP in FY 2009-2010.

School District Personnel – Repeals language requiring teachers who engage in lobbying activities during regular school hours to reimburse the school district for expenditures related to providing substitute teachers. School district employment contracts may not include compensated days for *professional association activities* but employees may take compensated time for any personal or professional purpose. Eliminates restrictions on implementing general salary reductions for certified teachers employed for more than three years. Removes language requiring school districts to rehire certified teachers by seniority.

Audits – Eliminates the provision authorizing ADE to conduct school district and charter school program audits. Removes language allowing school districts correcting average daily membership (ADM) overpayments, who already received a one year extension, to petition SBE for an additional three year extension.

School Facilities Board (SFB) – Increases the time period, from December 31, 2009 to December 31, 2010, in which SFB may enter into a maximum of \$100 million in lease-to-own (LTO) agreements for new construction projects. The LTO agreements must be for Qualified School Construction bonds authorized by the American Recovery and Reinvestment Act of 2009.

Miscellaneous – Authorizes school districts and charter schools to charge tuition for full day kindergarten in FY 2009-2010 if they eliminated free full day kindergarten as part of their FY 2009-2010 budget reductions.

The Governor indicates in her veto letter that H.B. 2648, along with the other FY 2009-2010 budget bills adopted by the Legislature, does not balance the state budget. Further the budget bills would prevent the proper function of many critical components of state government, as well as undermine efforts to develop and encourage a prosperous future.

APPROPRIATIONS COMMITTEE (Cont'd.)

~~technical correction; open pit mining~~ (NOW: budget reconciliation; higher education; trailer) (H.B. 2649/S.B. 1477) - VETOED

Conditioned on the enactment of S.B. 1029, Forty-Ninth Legislature, First Regular Session, makes necessary statutory and session law changes to S.B. 1029 relating to higher education in order to reconcile the FY 2009-2010 state budget.

Community Colleges – Removes the delayed effective date of July 1, 2010 for changes to operating state aid funding relating to eliminating the hold harmless provision and the eligibility threshold for growth funding. Delays the effective date for funding dual enrollment at 50 percent until July 1, 2010. Prohibits students from being counted twice for state funding purposes in both a provisional and a traditional community college district in FY 2009-2010 and FY 2010-2011. A community college district that provides services to a provisional community college district may include these students in calculating their constitutional expenditure limitation only in FY 2009-2010 and FY 2010-2011.

Universities – Replaces the requirement for Arizona Board of Regents (ABOR) to include information on paid invited speakers and associated costs in its annual report with a separate current fiscal year report. Reinstates \$623.3 million of ABOR's lease-to-own (LTO) and bond transaction authority, for a total of \$800 million, including the required allocation of \$376 million to the Phoenix Biomedical Campus. Authorizes ABOR to enter into \$400 million in LTO and bond agreements for building renewal projects and new construction in FY 2009-2010. Limits state lottery distributions to the University Capital Improvement Lease-to-Own and Bond Fund (Fund) in FY 2009-2010 and FY 2010-2011 to a maximum of 80 percent of the \$167.7 million in currently authorized LTO and bond agreements. Permits up to \$800 million in state lottery distributions to the Fund in FY 2011-2012 for new LTO and bond agreements. Modifies the payment date for the \$100 million deferred in FY 2009-2010 by requiring one payment on October 1, 2010 instead of two equal payments on August 1 and September 1, 2010.

The Governor indicates in her veto message that H.B. 2649, along with the other FY 2009-2010 budget bills adopted by the Legislature, does not balance the state budget. Further, the budget bills would prevent the proper function of many critical components of state government, as well as undermine efforts to develop and encourage a prosperous future.

~~technical correction; health services; fees~~ (NOW: budget reconciliation; health; welfare; trailer) (H.B. 2650/S.B. 1471) – VETOED

Conditioned on the enactment of S.B. 1145, Forty-Ninth Legislature, First Regular Session, makes necessary statutory and session law changes to S.B. 1145 relating to health and welfare in order to reconcile the FY 2009-2010 budget.

Arizona Health Care Cost Containment System (AHCCCS) – Maintains income eligibility for KidsCare at 200 percent of the Federal Poverty Level. Specifies that the elimination of dentures as a covered health service is effective retroactively to July 1, 2009. Prohibits AHCCCS from increasing inpatient provider rates above the rates in effect on September 30, 2009. Allows AHCCCS to reduce noninstitutional provider rates by up to 5 percent. Requires AHCCCS to continue the phase-in of outlier cost-to-charge ratios through October 1, 2009.

APPROPRIATIONS COMMITTEE (Cont'd.)

Clarifies that the suspension of capitation payments to acute care health plans in June 2010 equals 100 percent of the payment for plans that have at least 100,000 members and 50 percent of the payment for plans that have less than 100,000 members. Specifies that delinquent payments to the plans bear interest at a rate of 0.5 percent.

Allows AHCCCS, subject to approval by the Centers for Medicare and Medicaid Services, to spend federal monies made available by local or tribal spending if the expenditure does not jeopardize receipt of enhanced funding available under the American Recovery and Reinvestment Act (ARRA). Instructs AHCCCS to reimburse counties for any portion of costs for administering Proposition 204 and the Medical Expense Deduction program to comply with ARRA requirements.

Department of Health Services (DHS) – Eliminates current fee limits set in statute for the licensure and certification of health care institutions, child care facilities and child care group homes. Permits DHS to establish and collect these fees by rule. Creates the Health Services Licensing Fund (Fund). Requires 90 percent of the collected fees to be deposited into the Fund and 10 percent to be deposited into the General Fund. Specifies the Fund is subject to legislative appropriation. Appropriates \$4,493,400 in FY 2009-2010 from the Fund to DHS for assurance and licensing expenditures. Exempts DHS from rulemaking requirements for eighteen months to establish new licensure and certification fees and allows DHS to continue charging current fees through December 31, 2009. States the intent of the Legislature that additional revenue generated from the fees from January 1, 2010 through June 30, 2010, not exceed \$5,000,000.

Revises session law to require cities and all counties to pay 100 percent of restoration to competency (RTC) costs and excludes these payments from county expenditure limitations in FY 2009-2010. Requires cities and counties to reimburse DHS for 25 percent of the costs of commitment of sexually violent persons in FY 2009-2010. Payment must be made within 30 days after a request for payment is made by DHS. Requires DHS to establish a list of priority behavioral health services, post the list on its website and provide at least 30 days notice before modifying the list.

The Governor states in her veto message that H.B. 2650, along with other FY 2009-2010 budget bills adopted by the Legislature, does not balance the state budget. Further, the budget would prevent the function of many critical components of state government, as well as undermine efforts to develop and encourage a prosperous future.

~~technical correction; national guard~~ (NOW: budget reconciliation; environment; trailer) (H.B. 2651/S.B. 1476) – VETOED

Conditioned on the enactment of S.B. 1258, Forty-Ninth Legislature, First Regular Session, makes necessary statutory and session law changes to S.B. 1258 relating to the environment in order to reconcile the FY 2009-2010 state budget.

Requires \$600,000 from the fees the Arizona State Land Department receives for applications and permits to be deposited into the Trust Land Management Fund in FY 2009-2010. Requires the transfer of \$1.5 million from the Arizona State Parks Heritage Fund to be made to the Fire Suppression Revolving Fund in two installments in FY 2009-2010. In addition to sanitary districts with a population less than 50,000 and cities and towns of any size, allows counties of any size to accept loans through the Water Infrastructure Financing Authority without requiring an

APPROPRIATIONS COMMITTEE (Cont'd.)

election through FY 2010-2011 if federal stimulus monies are used. Repeals provisions pertaining to the adoption of agricultural best management practices in future PM-10 nonattainment areas. Reinstates the Arizona Agricultural Protection Commission.

The Governor indicates in her veto message that H.B. 2651, along with the other FY 2009-2010 budget bills adopted by the Legislature does not balance the state budget. Further, the budget bills would prevent the proper function of many critical components of state government, as well as undermine the efforts to develop and encourage a prosperous future.

APPROPRIATIONS COMMITTEE (Cont'd.)

FIRST SPECIAL SESSION

LEGISLATION ENACTED

budget reductions and transfers; 2008-2009 – (S.B. 1001/H.B. 2001) – Chapter 1 (First Special Session)

Effective January 31, 2009, reduces state General Fund (GF) operating expenses, transfers monies from various other funds to the GF, reverts unspent and unencumbered balances, and delays and reduces appropriations in order to reconcile an anticipated FY 2008-2009 state GF shortfall of \$1.6 billion. Makes supplemental appropriations.

Appropriations Reductions – Reduces the FY 2008-2009 appropriations made from the state GF to the following budget units by the corresponding amounts listed below:

FY 2008-2009 General Fund Budget Reductions	
Arizona Department of Administration (ADOA)	(7,624,900)
Office of Administrative Hearings	(128,500)
Arizona Department of Agriculture	(1,164,000)
Arizona Health Care Cost Containment System (AHCCCS)	(24,931,100)
Arizona Commission on the Arts	(402,300)
Attorney General (AG)	(1,500,000)
State Capital Postconviction Defender Office	(87,100)
State Board for Charter Schools	(82,900)
Arizona Department of Commerce (ADOC)	(738,500)
Arizona Corporation Commission (ACC)	(428,100)
State Department of Corrections (ADC)	(21,851,900)
Arizona Criminal Justice Commission (ACJC)	(117,200)
Arizona State Schools for the Deaf and the Blind (ASDB)	(738,000)
Department of Economic Security (DES)	(83,301,400)
Arizona Department of Education (ADE)	(9,582,000)
Department of Emergency and Military Affairs	(1,352,600)
Arizona Department of Environmental Quality (ADEQ)	(4,088,300)
State Board of Equalization	(32,800)
Board of Executive Clemency	(50,000)
Department of Financial Institutions	(380,900)
Department of Fire, Building and Life Safety	(358,700)
Arizona Geological Survey	(110,300)
Government Information Technology Agency (GITA)	(2,193,900)
Office of the Governor	(351,100)

APPROPRIATIONS COMMITTEE (Cont'd.)

Office of Strategic Planning and Budgeting	(219,900)
Department of Health Services (DHS)	(26,157,500)
Arizona Historical Society	(324,100)
Prescott Historical Society	(76,300)
Arizona Commission of Indian Affairs	(23,400)
Department of Insurance	(737,000)
Judiciary – Supreme Court	(1,072,200)
Judiciary – Court of Appeals	(50,400)
Judiciary – Superior Court	(2,447,700)
Department of Juvenile Corrections (ADJC)	(2,500,000)
State Land Department	(2,944,800)
Legislature – Auditor General (OAG)	(1,750,300)
Legislature – Joint Legislative Budget Committee (JLBC)	(143,000)
Legislature – Legislative Council	(541,500)
Legislature – Arizona State Library, Archives and Public Records	(737,900)
Legislature – Senate	(401,200)
Department of Liquor Licenses and Control	(347,500)
State Mine Inspector	(62,400)
Department of Mines and Mineral Resources	(47,400)
Arizona Navigable Steam Adjudication Commission	(18,100)
State Board of Nursing	(69,700)
Arizona State Parks Board	(4,656,100)
Personnel Board	(37,200)
Arizona Pioneers' Home	(24,000)
Department of Public Safety (DPS)	(6,948,100)
Arizona Department of Racing	(262,300)
Radiation Regulatory Agency	(116,300)
State Real Estate Department	(423,700)
Arizona Department of Revenue (DOR)	(7,391,900)
School Facilities Board (SFB)	(394,900)
Secretary of State	(150,000)
State Board of Tax Appeals	(15,600)
Arizona Department of Transportation (ADOT)	(8,500)
State Treasurer	(275,400)
Arizona Board of Regents (ABOR) and All University Campuses	(141,500,000)
Department of Veterans' Services (DVS)	(210,000)
Department of Water Resources (ADWR)	(5,785,800)

APPROPRIATIONS COMMITTEE (Cont'd.)

Department of Weights and Measures	(159,400)
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Also, reduces the following amounts from FY 2008-2009 appropriations made to state agencies as permitted by the enactment of related budget reconciliation bills:

AHCCCS	(117,000)
Arizona Community Colleges	(9,000,000)
DES	(1,980,300)
ADE	(123,198,000)
DHS	(633,300)
Judiciary – Superior Court	(838,200)

Reduces in FY 2008-2009 the appropriation made to the Arizona Twenty-First Century Competitive Initiative Fund by \$22,500,000.

Fund Transfers – Transfers to the GF, before July 1, 2009, the following amounts of monies from the corresponding funds or sources:

Agency	Fund	FY 2008-2009 Change
ADOA	Automation Operations Fund	(629,900)
	Construction Insurance Fund	(2,304,900)
	Corrections Fund	(318,100)
	Motor Vehicle Pool Fund	(349,500)
	Risk Management Fund	(9,000,000)
	Telecommunications Fund	(1,496,100)
	Telecommunications Fund - Infrastructure Improvements Account	(3,328,000)
Arizona Department of Agriculture	Commercial Feed Fund	(129,700)
	Fertilizer Materials Fund	(140,000)
	Livestock Custody Fund	(122,500)
	Designated Fund	(258,600)
	Arizona Federal-State Inspection Fund	(516,100)
	Indirect Cost Recovery Fund	(171,600)
AHCCCS	AHCCCS Fund 2120	(1,963,300)
	Intergovernmental Services Fund	(1,147,700)
	Third Party Collections	(195,700)
Arizona Commission on the Arts	Arts Endowment Fund	(5,347,700)
AG	Antitrust Revolving Fund	(250,000)
Automobile Theft Authority	Automobile Theft Authority Fund	(300,800)
ADOC	Commerce Development Bond Fund	(1,142,700)

APPROPRIATIONS COMMITTEE (Cont'd.)

	Commerce and Economic Development Commission (CEDC) Fund	(5,374,700)
	Commerce Workshops Fund	(273,900)
	Greater Arizona Development Authority Revolving Fund	(3,158,000)
	Job Training Fund	(21,279,200)
	Military Installation Fund	(1,780,100)
ACC	Pipeline Safety Revolving Fund	(144,300)
	Public Access Fund	(239,200)
	Investment Management Regulatory and Enforcement Fund	(567,900)
	Securities Regulatory and Enforcement Fund	(357,700)
	Utility Regulation Revolving Fund	(891,100)
ADC	Arizona Correctional Industries Revolving Fund	(783,300)
	Special Services Fund	(909,400)
ACJC	Criminal Justice Enhancement Fund (CJEF)	(1,776,800)
	Driving Under the Influence Abatement Fund	(774,200)
Commission for the Deaf and Hard of Hearing	Telecommunications Fund for the Deaf	(1,182,300)
Drug and Gang Enforcement Resource Center	Drug and Gang Enforcement Resource Center Fund	(170,300)
DES	Children and Family Services Training Fund	(182,100)
	Domestic Violence Shelter Fund	(667,500)
	Long-term Care System Fund	(6,872,100)
	Spinal and Head Injuries Trust Fund	(439,100)
	Arizona Training Program at Phoenix Fund	(1,450,400)
	Industries for the Blind Fund	(266,600)
ADE	E-Learning Fund	(2,997,200)
ADEQ	Air Permits Administration Fund	(2,588,400)
	Air Quality Fund	(6,931,500)
	Emissions Inspection Fund	(5,600,000)
	Greenfields Program Fund	(165,000)
	Indirect Cost Recovery Fund	(2,761,500)
	Monitoring Assistance Fund	(449,100)
	Recycling Fund	(390,800)
	Underground Storage Tank (UST) Fund	(495,900)

APPROPRIATIONS COMMITTEE (Cont'd.)

	Voluntary Vehicle Repair and Retrofit Program Fund	(530,600)
	Water Quality Assurance Revolving Fund	(8,900,000)
	Water Quality Fee Fund	(500,000)
Arizona Exposition and Fair Board	Arizona Exposition and State Fair Fund	(1,817,900)
Department of Financial Institutions	Arizona Escrow Guarantee Fund	(1,922,200)
	Receivership Revolving Fund	(1,216,800)
Game and Fish Department	Watercraft Licensing Fund	(1,922,200)
	Wildlife Restoration and Enhancement Fund	(145,000)
GITA	Information Technology Fund	(31,200)
	State Web Portal Fund	(529,000)
	IGA and ISA Fund	(154,100)
GOV	Nonlapsing Fund	(567,600)
DHS	Child Fatality Review Fund	(186,900)
	Emergency Medical Services Operating Fund	(377,600)
	Environmental Lab Licensure Revolving Fund	(115,400)
	Indirect Cost Fund	(1,129,900)
	Newborn Screening Program Fund	(1,334,500)
	Nursing Care Institution Protection Fund	(353,700)
	Substance Abuse Services Fund	(204,300)
	Vital Records Electronic Systems Revolving Fund	(687,200)
Arizona Department of Housing	Housing Program Fund	(2,906,300)
	Housing Trust Fund	(17,562,000)
Industrial Commission	Industrial Commission Revolving Fund	(109,500)
	Industrial Commission Special Fund	(3,280,900)
Department of Insurance	Arizona Property and Casualty Insurance Guaranty Fund	(13,979,000)
	Life and Disability Insurance Guaranty Fund	(15,613,400)
	Insurance Examiners' Revolving Fund	(163,000)
Judiciary - Supreme Court	Alternative Dispute Resolution Fund	(218,200)
	State Aid to the Courts Fund	(719,000)
	CJEF	(1,048,200)
	Lengthy Trial Fund	(207,000)
	Confidential Intermediary and Fiduciary Fund	(134,600)

APPROPRIATIONS COMMITTEE (Cont'd.)

	Court Appointed Special Advocate Fund	(313,400)
	Defensive Driving School Fund	(168,800)
	Judicial Collection Enhancement Fund (JCEF)	(416,900)
Judiciary - Superior Court	CJEF	(1,048,200)
	Drug Treatment and Education Fund	(592,800)
	JCEF	(528,300)
ADJC	CJEF	(37,000)
State Land Department	Community Protection Initiative Fund	(940,200)
Auditor General	Nonlapsing Fund	(2,200,000)
Legislature - House of Representatives	Nonlapsing Fund	(4,000,000)
Legislature - JLBC	Nonlapsing Fund	(1,305,300)
Legislature - Legislative Council	Nonlapsing Fund	(967,700)
Legislature - Arizona State Library, Archives and Public Records	Records Services Fund	(261,800)
	Nonlapsing Fund	(121,000)
	State Library Fund	(100,000)
Arizona State Lottery Commission	State Lottery Fund	(4,898,500)
Parents Commission on Drug Education and Prevention	Drug Treatment and Education Fund	(828,100)
Arizona State Parks Board	Law Enforcement and Boating Safety Fund	(500,000)
	Off-highway Vehicle Recreation Fund	(436,300)
	State Lake Improvement Fund (SLIF)	(10,154,200)
	State Parks Enhancement Fund	(4,664,000)
Commission for Postsecondary Education	Early Graduation Scholarship Fund	(2,985,800)
Arizona Power Authority	Arizona Power Authority General Operating Fund	(1,000,000)
	Fund Deposits Fund	(1,000,000)
DPS	CJEF	(687,200)
	Peace Officers Training	(433,900)
	DPS Administration Fund	(685,400)
	DPS Licensing Fund	(196,400)
	Joint Fund	(1,489,000)
	Records Processing Fund	(324,600)
	Sex Offender Monitoring Fund	(50,000)
	Highway Patrol Fund	(1,490,800)

APPROPRIATIONS COMMITTEE (Cont'd.)

Arizona Department of Racing	Arizona Breeders' Award Fund	(204,700)
	County Fairs Racing Betterment Fund	(182,000)
DOR	Client County Equipment Capitalization Fund	(147,500)
	Escheated Estates Fund	(189,600)
	Estate and Unclaimed Property Fund	(1,125,000)
	Liability Set-off Fund	(123,500)
SFB	Building Renewal Grant Fund	(13,000,000)
	School Facilities Revenue Bond Debt Service Fund	(1,616,000)
	State School Trust Fund Revenue Bond Debt Service	(582,200)
Office of Tourism	Tourism Fund	(200,000)
ADOT	Transportation Department Equipment Fund	(3,978,500)
	Arizona Highways Magazine Fund	(1,056,700)
	Economic Strength Project Fund	(1,219,400)
	State Aviation Fund	(3,464,100)
	Vehicle Inspection and Title Enforcement Fund	(407,100)
DVS	Veterans' Cemetery Fund	(243,200)
ADWR	Arizona Water Banking Fund	(9,196,600)
	Arizona Water Protection Fund	(2,022,600)
	Indirect Cost Recovery Fund	(600,900)
	Arizona Water Quality Fund	(279,300)
	Augmentation and Conservation Assistance Fund	(354,700)
	Dam Repair Fund	(645,900)
Other	Budget Stabilization Fund	(130,000,000)

Transfers \$7,000,000 in interest earnings from the Early Childhood Development and Health Fund to the state GF. Reverts \$5,200,700 from ADOA to the Capital Outlay Stabilization Fund and reappropriates the monies to ADOA for operating expenses.

Expenditure Reductions and Transfers - Reduces expenditures and transfers the amounts listed below to the GF by July 1, 2009:

Agency	Fund	FY 2008-2009 Change
ADOA	Admin - AFIS II Collections Fund	(400,000)
	Air Quality Fund	(42,500)
	Automation Operations Fund	(1,210,600)
	Construction Insurance Fund	(672,800)
	Co-op State Purchasing Fund	(54,600)

APPROPRIATIONS COMMITTEE (Cont'd.)

	Corrections Fund	(137,600)
	Capital Outlay Stabilization Fund	(1,300,000)
	Motor Vehicle Pool Fund	(876,600)
	Personnel Division Fund	(935,600)
	Special Services Revolving Fund	(108,600)
	State Surplus Materials Fund	(213,400)
	Telecommunications Fund	(530,800)
Arizona Department of Agriculture	Designated Fund	(33,600)
	Egg Inspection Fund	(44,900)
	Arizona Federal-State Inspection Fund	(171,400)
AG	Collection Enforcement Revolving Fund	(248,200)
ADOC	CEDC Fund	(153,500)
	Commerce Workshops Fund	(25,800)
	GADA Revolving Fund	(27,800)
	Job Training Fund	(925,000)
	Military Installation Fund	(286,100)
ACC	Investment Management Regulatory and Enforcement Fund	(46,400)
	Securities Regulatory and Enforcement Fund	(197,300)
ADC	Alcohol Abuse Treatment Fund	(30,000)
	Indirect Cost Recovery Fund	(61,200)
	State DOC Revolving Transition Fund	(170,500)
ACJC	State Aid to Indigent Defense	(49,600)
Commission for the Deaf and Hard of Hearing	Telecommunications Fund for the Deaf	(272,100)
Drug and Gang Enforcement Resource Center	Drug and Gang Enforcement Resource Center Fund	(44,700)
DES	Domestic Violence Shelter Fund	(120,000)
	Long-Term Care System Fund	(1,434,000)
	Public Assistance Collections Fund	(25,800)
	Special Administration Fund	(78,700)
	Spinal and Head Injuries Trust Fund	(148,000)
ADE	Education Internal Services Fund	(426,000)
	Education Production Revolving Fund	(108,500)
	English Learner Classroom Personnel Fund	(11,100)
ADEQ	Air Quality Fund	(317,400)
	Indirect Cost Recovery Fund	(637,400)
	Monitoring Assistance Fund	(37,000)
	Recycling Fund	(116,300)
	Solid Waste Fee Fund	(75,200)

APPROPRIATIONS COMMITTEE (Cont'd.)

	UST Fund	(1,910,600)
	Voluntary Vehicle Repair and Retrofit Program Fund	(52,300)
Arizona Exposition and Fair Board	Arizona Exposition and State Fair Fund	(815,000)
Department of Financial Institutions	Revolving Fund	(60,400)
Game and Fish Department	Off-highway Vehicle Recreation Fund	(37,100)
	Watercraft Licensing Fund	(198,700)
GITA	Information Technology Fund	(184,100)
DHS	Emergency Medical Services Operating Fund	(299,200)
	Indirect Cost Fund	(453,800)
	Newborn Screening Program Fund	(340,300)
	Substance Abuse Services Fund	(125,000)
	Vital Records Electronic Systems Revolving Fund	(25,000)
Arizona Department of Housing	Housing Program Fund	(227,500)
	Housing Trust Fund	(3,229,500)
Industrial Commission	Industrial Commission Special Fund	(1,404,100)
Department of Insurance	Insurance Examiners' Revolving Fund	(241,200)
	Captive Insurance Regulatory and Supervision Fund	(25,500)
Judiciary - Supreme Court	Alternative Dispute Resolution Fund	(37,300)
	Court Appointed Special Advocate Fund	(172,500)
	CJEF	(152,700)
	Public Defender Training Fund	(35,500)
Judiciary - Superior Court	CJEF	(440,000)
	Drug Treatment and Education Fund	(197,400)
	JCEF	(171,100)
ADJC	CJEF	(34,300)
	Indirect Cost Recovery Fund	(37,000)
State Land Department	Fire Suppression Fund	(1,000,000)
Legislature - Arizona State Library, Archives and Public Records	Records Services Fund	(33,800)
	Nonlapsing Fund	(121,000)
	State Library Fund	(100,000)

APPROPRIATIONS COMMITTEE (Cont'd.)

Arizona State Lottery Commission	State Lottery Fund	(440,800)
Parents Commission on Drug Education and Prevention	Drug Treatment and Education Fund	(248,600)
Arizona State Parks Board	Heritage Fund	(1,909,300)
	Off-highway Vehicle Recreation Fund	(118,400)
	Reservation Surcharge Revolving Fund	(27,600)
	State Lake Improvement Fund	(207,500)
	State Park Enhancement Fund	(413,000)
Commission for Postsecondary Education	Early Graduation Scholarship Fund	(28,900)
DPS	Board of Fingerprinting Fund	(30,000)
	Public Safety Equipment Fund	(125,000)
	Records Processing Fund	(175,400)
Residential Utility Consumer Office	Residential Utility Consumer Office Revolving Fund	(122,000)
DOR	Estate and Unclaimed Property Fund	(170,200)
ADOT	Economic Strength Project Fund	(50,000)
	Arizona Highways Magazine Fund	(323,900)
	Motor Vehicle Liability Insurance Enforcement Fund	(121,000)
	Transportation Department Equipment Fund	(1,607,700)
DVS	Military Installation Fund	(1,729,100)
ADWR	Arizona Water Protection Fund	(175,600)
	Arizona Water Quality Fund	(28,100)
	Assured and Adequate Water Supply Fund	(56,200)
	Augmentation and Conservation Assistance Fund	(99,800)
	Indirect Cost Recovery Fund	(81,700)
	Well Administration and Enforcement	(39,400)
Department of Weights and Measures	Air Quality Fund	(78,400)

Personnel Expenditure Reductions - Reduces FY 2008-2009 appropriations made to state agencies for personnel expenses from the state GF to the following budget units by the corresponding amounts listed below:

FY 2008-2009 Personnel Expenditure Reductions	
ADOA	(441,200)
Office of Administrative Hearings	(38,300)
Arizona Department of Agriculture	(308,600)

APPROPRIATIONS COMMITTEE (Cont'd.)

AHCCCS	(1,746,400)
Arizona Commission on the Arts	(20,900)
State Capital Postconviction Defender Office	(24,800)
State Board for Charter Schools	(22,600)
ADOC	(134,700)
ACC	(147,500)
DES	(5,121,700)
ADE	(493,300)
Department of Emergency and Military Affairs	(165,800)
ADEQ	(305,700)
State Board of Equalization	(20,900)
Department of Financial Institutions	(123,500)
Department of Fire, Building and Life Safety	(99,800)
Arizona Geological Survey	(29,400)
GITA	(33,300)
OSPB	(79,000)
DHS	(1,328,600)
Prescott Historical Society	(23,400)
Arizona Historical Society	(89,000)
Department of Insurance	(215,900)
State Land Department	(504,600)
Legislature – OAG	(572,900)
Legislature – Legislative Council	(148,500)
Legislature – Arizona State Library, Archives and Public Records	(199,300)
Department of Liquor Licenses and Control	(95,500)
State Mine Inspector	(38,500)
Department of Mines and Mineral Resources	(17,400)
Arizona Navigable Steam Adjudication Commission	(2,600)
Arizona State Parks Board	(196,900)
Personnel Board	(6,100)
Commission for Postsecondary Education	(7,700)
DPS	(1,104,200)
Arizona Department of Racing	(80,800)
Radiation Regulatory Agency	(55,300)
State Real Estate Department	(126,100)
DOR	(2,093,500)
SFB	(56,800)

APPROPRIATIONS COMMITTEE (Cont'd.)

State Board of Tax Appeals	(10,800)
Office of Tourism	(100,600)
ADOT	(3,600)
State Treasurer	(78,300)
DVS	(218,000)
ADWR	(440,000)
Department of Weights and Measures	(46,300)

Reverts \$10,854,200 that was appropriated in FY 2008-2009 for personnel expenses from other state funds and non-federal appropriated funds to the GF.

ADOT – Requires ADOT in FY 2008-2009 to reduce expenditures from the State Highway Fund (SHF) by \$21,001,800, and deposits that amount into the state GF.

Reverts \$104,000,000 from the State Transportation Acceleration Needs Account to the state GF and deposits \$2,333,300 in FY 2008-2009 from Vehicle License Tax revenues into the state GF.

Federal Funds – Stipulates that if the state receives federal assistance through an increase in matching federal monies, the following amounts are reduced from GF appropriations made to state agencies in FY 2008-2009 and grants expenditure authority for federal Title XIX dollars be given in the same amounts:

AHCCCS	359,648,000
DES	59,623,900
DHS	80,728,100

capital outlay; reductions; transfers; 2008-2009. (S.B. 1002/H.B. 2001) – Chapter 2 (First Special Session)

Effective January 31, 2009, makes adjustments relating to capital outlay necessary to reconcile the FY 2008-2009 state budget.

Arizona Department of Administration (ADOA) – Reverts \$1,207,000 from an appropriation made to ADOA for renovations to the former state health laboratory to the state General Fund (GF), and \$3,200,000 from an appropriation made to ADOA for the Department of Corrections for prison cell lock and door replacement to the state GF.

Arizona Department of Transportation (ADOT) – Reverts a \$600,000 appropriation made to ADOT for Arizona-Mexico border agreements to the Safety Enforcement and Transportation Infrastructure Fund (SETIF) and transfers the same amount to the State Highway Fund (SHF).

Reverts a \$2,000,000 appropriation made to ADOT for the State Safety Inspection Station at the San Luis II Port of Entry to the SETIF and transfers the same amount to the SHF.

Reverts the following amounts appropriated to ADOT for non-highway capital projects to their funds of origin:

APPROPRIATIONS COMMITTEE (Cont'd.)

- a) A far southeast valley maintenance yard – \$2,350,000 to the SHF.
- b) Major maintenance and repair of ADOT buildings – \$2,974,200 to the SHF.
- c) De-icer buildings – \$3,675,000 to the SHF.
- d) Oil and asphalt storage tanks – \$2,754,000 to the SHF.
- e) Vehicle wash systems – \$4,096,300 to the SHF.
- f) Safford Vehicle Maintenance Shop – \$3,215,000 to the SHF.
- g) A far southeast valley multiuse facility:
 - i) \$5,190,000 to the SHF
 - ii) \$1,511,900 to the Arizona Highway User Revenue Fund (HURF).
- h) Surprise Motor Vehicle Division (MVD) Service Center – \$3,956,300 to the HURF.
- i) Payson MVD Service Center – \$2,145,300 to the HURF.
- j) Grand Canyon Airport water storage tank renovations – \$635,000 to the state GF.

Miscellaneous – Requires the deposit of \$34,468,000 in Vehicle License Tax monies received in FY 2008-2009 into the state GF rather than the SHF.

Reduces a \$1,000,000 appropriation in FY 2008-2009 to the Office of Tourism for distribution to the City of Yuma to build a Yuma Welcome Center by \$600,000.

Reverts \$393,200 from an appropriation made to the Prescott Historical Society for the construction of a maintenance facility to the state GF.

Reduces a \$1,500,000 appropriation in FY 2008-2009 to the Department of Public Safety for microwave communications upgrades by \$250,000.

Transfers a \$10,000,000 appropriation made to the Department of Veterans' Services for the construction of the Southern Arizona Veterans' Home in Tucson from FY 2008-2009 to FY 2009-2010.

revenues; budget reconciliation; 2008-2009 (S.B. 1003/H.B. 2003) – Chapter 3 (First Special Session)

Makes necessary statutory and session law changes relating to general revenues to reconcile the FY 2008-2009 state budget.

State Land Department – Transfers the sum of \$3,000,000 from the Arizona State Parks Board Heritage Fund to the Fire Suppression Revolving Fund. Requires the State Forester to reimburse the state General Fund (GF) any amounts transferred from the state GF in FY 2008-2009.

Arizona State Lottery Commission – Transfers the following amounts of State Lottery revenues to the state GF prior to any distribution of those revenues to the following funds: 1) \$382,500 for the County Assistance Fund; 2) \$1,150,000 for the Local Transportation Assistance Fund; and 3) \$475,000 for the Local Transportation Assistance Fund II.

State Parks Board – Appropriates all monies in excess of \$500,000 from the administration account of the Land Conservation Fund to the Arizona State Parks Board (Board) for the purpose of operating state parks.

APPROPRIATIONS COMMITTEE (Cont'd.)

Requires the Board to reimburse contractors for any costs incurred before February 1, 2009, if the Board has entered into an agreement with a contractor using monies from the State Lake Improvement Fund.

Department of Revenue – Establishes a tax amnesty period from May 1, 2009 through June 1, 2009, and sets forth requirements for application and completion of the program. Repeals the tax amnesty period on January 1, 2010.

Department of Transportation (ADOT) – Requires the ADOT to provide an optional five-year registration period for any vehicle not subject to annual emissions inspections. The optional five-year period is in addition to the current one-year and two-year registration options.

Miscellaneous – Allows agency directors to require agency covered employees to work reduced hours in order to comply with any reduction in appropriations for personnel expenses and related benefit costs for FY 2008-2009.

budget reconciliation; health; welfare; 2008-2009 (S.B. 1004/H.B. 2004) – Chapter 4 (First Special Session)

Makes necessary statutory and session law changes relating to health and welfare to reconcile the FY 2009-2010 state budget.

Arizona Health Care Cost Containment System (AHCCCS) – Requires the AHCCCS Administration to: 1) charge monthly premiums, up to the maximum amount allowed by federal law, to all populations of AHCCCS-eligible individuals who may be charged; and 2) establish a benchmark benefit package that is mandatory for AHCCCS-eligible individuals who are either childless adults or enrolled in the Transitional Medical Assistance Program. Makes the package optional for all other individuals eligible for AHCCCS. Exempts AHCCCS from rulemaking requirements for one year for purposes of implementing premiums and the benchmark benefit package. Implementation is subject to approval from the Centers for Medicaid and Medicare Services and on the condition that any change does not jeopardize the state's ability to receive enhanced federal matching funds.

Transfers \$45,793,300 from the Budget Neutrality Compliance Fund (BNCF) to the state General Fund (GF), consisting of the following monies: 1) \$27,962,800 transferred by Maricopa and Pima counties to the AHCCCS Administration for deposit into the BNCF; and 2) \$17,830,500 withheld from counties and deposited into the BNCF for the costs of the Arizona Long-Term Care System.

Transfers \$4,202,300 of disproportionate share hospital (DSH) payment funds from the Maricopa Special Health Care District to the state GF. Reverts \$8,922,200 of DSH funds appropriated in FY 2008-2009 from the AHCCCS acute care cost center to the state GF. Maintains DSH payments to the Arizona State Hospital and private hospitals.

Department of Health Services (DHS) – Repeals the Health Crisis Fund and reverts remaining monies to the state GF. Requires counties with populations of less than 800,000 to pay 50 percent of restoration to competency (RTC) costs. Continues to require cities and Maricopa and Pima counties to pay 86 percent of RTC costs.

APPROPRIATIONS COMMITTEE (Cont'd.)

Department of Economic Security (DES) – Repeals the General Assistance program. Permits DES to reduce the maximum income eligibility level for child care assistance programs and requires DES to notify the Joint Legislative Budget Committee of any change.

criminal justice; budget reconciliation; 2008-2009 (S.B. 1005/H.B. 2005) – Chapter 5 (First Special Session)

Makes necessary statutory and session law changes relating to the criminal justice system to reconcile the FY 2008-2009 budget by: 1) increasing the adult probation supervision fee by \$15; 2) allowing the full amount of the probation fee to be used to supplement monies for officer salaries and probation department services; and 3) requiring the local adult probation accounts to be charged for the county's portion of the risk management premium.

education budget reconciliation; 2008-2009. (S.B. 1006/H.B. 2006) – Chapter 6 (First Special Session)

Makes necessary statutory and session law changes relating to K-12 and higher education funding in order to reconcile the FY 2008-2009 budget.

K-12 Funding – Requires the Arizona Department of Education (ADE) to proportionately reduce school districts' base support level funding and budget limits for FY 2008-2009 by \$98,198,000 statewide. This reduction must be taken against administrative costs where possible. Requires ADE to reduce school districts soft capital allocation and budget limits for FY 2008-2009 by \$21,000,000 statewide. School districts with a student count of 600 or less are exempt from both reductions. Allows school districts to expend soft capital monies for any capital or operating expense in FY 2008-2009. Requires ADE to proportionately reduce charter schools' additional assistance funding by \$4,000,000 statewide in FY 2008-2009. Suspends certain requirements related to the aggregate expenditure limitation for school districts in FY 2008-2009.

Community Colleges – Permits community colleges to use capital outlay funding for operating expenses and to use operating funds for capital outlay expenses. Suspends the operating state aid and equalization aid formulas.

Universities – Changes the full-time equivalent student enrollment count from the twenty-first day of the fall semester to the forty-fifth day of the fall and spring semesters. Reduces the Arizona Board of Regents (ABOR) bonding authority from the University Capital Improvement Lease-to-Own and Bond Fund and prohibits the authorization of new projects or debt for the remaining bonding authority that has not received a favorable review from the Joint Committee on Capital Review. Reduces the amount of bond proceeds allocated to the Phoenix Biomedical Campus from \$470 million to \$376 million.

APPROPRIATIONS COMMITTEE (Cont'd.)

SECOND SPECIAL SESSION

LEGISLATION ENACTED

scholarships; disabled or displaced students (H.B. 2001/S.B. 1001) – Chapter 1 W/O (Second Special Session)

Establishes, beginning July 1, 2009, a corporate income tax credit and an insurance premium tax credit for donations made to a School Tuition Organization (STO) that provides scholarships or grants to disabled or displaced students in foster care. The amount of the credit is the total amount of the taxpayer's contribution to the STO, and the credits may be carried forward for five years. Total credits available in any fiscal year may not exceed \$5 million. Ninety percent of the contribution must be used to fund scholarships or grants for students who meet one of the following criteria: 1) attended a public school for the first 100 days of the prior fiscal year and transferred to a qualifying school; 2) received a scholarship or grant from the Displaced Pupils Choice Grants Program or the Arizona Scholarships for Students with Disabilities Program; or 3) meets either of the first two requirements and continues to attend a qualified school. The amount of the scholarship or grant is limited to the cost of tuition or 90 percent of the Base Support Level, whichever is less. Establishes notification and reporting requirements.

THIRD SPECIAL SESSION

LEGISLATION ENACTED

education; appropriations; 2009-2010 (H.B. 2001/S.B. 1013) – Chapter 1 (Third Special Session)

Effective July 8, 2009, makes state General Fund and Other Fund appropriations and transfers to the Superintendent of Public Instruction and the State Board of Education for K-12 education in FY 2009-2010 as follows:

Operating Lump Sum Appropriation	\$2,096,800
Basic State Aid*	\$3,283,073,800
Additional State Aid	\$404,880,500
Other State Aid to Districts	\$983,900
Arizona Structured English Immersion Fund	\$32,508,700
TOTAL	\$3,723,543,700
*Includes \$46,475,500 from the Permanent State School Fund	

K-12 education; budget reconciliation (H.B. 2002/S.B. 1016) – Chapter 2 E (Third Special Session)

An emergency measure, effective retroactively to June 30, 2009, that makes necessary statutory and session law changes relating to K-12 education in order to implement the FY 2009-2010 budget.

APPROPRIATIONS COMMITTEE (Cont'd.)

Specifies the increased FY 2009-2010 charter school additional assistance amounts. Increases the school district Transportation Support Level per route mile formula amount by 2 percent and specifies the base level (per-pupil funding) for all public schools as \$3,267.72 for FY 2009-2010. The Arizona Department of Education (ADE) must reduce the school district soft capital allocation and budget limits for all school districts by \$175 million statewide, until October 1, 2009.

Prohibits Basic State Aid and Additional State Aid (state aid) for early kindergarten students who repeat kindergarten, if the early kindergarten student is admitted after the effective date of this act. School districts and charter schools may charge tuition for early kindergarten students who repeat kindergarten and are ineligible for state aid.

Participating school districts may not exceed their FY 2008-2009 budget amounts for Career Ladder in FY 2009-2010. Caps school district Desegregation budgets at the FY 2008-2009 funding level until October 1, 2009. Districts may not adjust their FY 2009-2010 Revenue Control Limit for actual utility costs and exempts districts from the related reporting requirements.

health and welfare; budget reconciliation (H.B. 2003/S.B. 1014) – 3 E (Third Special Session)

An emergency measure, effective retroactively to July 1, 2009, that makes statutory and session law changes related to health and welfare in order to reconcile the FY 2009-2010 budget.

Sets the county contributions for Arizona Long-Term Care System (ALTCS) by county in FY 2009-2010. Total county contributions for the ALTCS are \$190,467,500, pursuant to the requirements of the American Recovery and Reinvestment Act (ARRA).

Increases the percentage share of unexpended long-term care funds distributed to counties pursuant to the requirements of ARRA in FY 2008-2009 and FY 2009-2010, from 50 percent to 62.2 percent.

Requires the Arizona Health Care Cost Containment System (AHCCCS) to transmit to counties by December 31, 2009, the portion of federal monies received pursuant to ARRA for acute care savings in FY 2008-2009.

Allows AHCCCS, subject to approval by the Centers for Medicare and Medicaid Services, to spend federal monies made available by local or tribal spending if the expenditure does not jeopardize receipt of enhanced funding available under ARRA.

Requires AHCCCS to reimburse counties for any portion of costs for administering Proposition 204 and the Medical Expense Deduction program to comply with the requirements of ARRA.

legislative subsistence payments; exception (H.B. 2004/S.B. 1015) – Chapter 4 E (Third Special Session)

An emergency measure, effective July 8, 2009, that limits during the Forty-Ninth Legislature, Third Special Session, subsistence payments for legislative members to those days that both houses of the Legislature convene and record attendance. The legislation clarifies that this act does not prohibit the presiding officer of either house of the Legislature from approving subsistence payments when a member acts on a legislative matter.

APPROPRIATIONS COMMITTEE (Cont'd.)

general appropriations; fiscal year 2009-2010 (H.B. 2006/S.B. 1020) – Chapter 11 LIVS (Third Special Session)

Effective September 4, 2009, H.B. 2006 makes state General Fund (GF) and other fund (OF) appropriations for FY 2009-2010 for the operation of state government. As background, effective July 1, 2009, S.B. 1188 and H.B. 2643, Forty-Ninth Legislature, First Regular Session, also make FY 2009-2010 state GF and OF appropriations for the operation of state government. S.B. 1188 and H.B. 2643 made various lump sum reductions to state agencies to help balance the FY 2009-2010 state budget. Though enacted, the Governor exercised her line item veto authority on S.B. 1188 and H.B. 2643 to eliminate lump sum reductions to the Arizona Departments of Economic Security (DES), Environmental Quality (ADEQ), Health Services (DHS) and the state university system. The Governor also line item vetoed the entire \$3.2 billion appropriation for K-12 education. Funding for K-12 education was restored by H.B. 2001, Forty-Ninth Legislature, Third Special Session. As transmitted to the Governor, H.B. 2006 restores lump sum reductions to DES, ADEQ, DHS and the state universities contained in S.B. 1188 and H.B. 2643 and contains new FY 2009-2010 appropriations for K-12 Education.

Federal Education Stabilization Fund (FESF) – Reduces by \$472,114,000 the FY 2009-2010 state GF appropriation made to Arizona Department of Education (ADE) for K-12 basic and additional state aid, if the state receives FESF monies, and transfers that amount to the state GF. States legislative intent that in FY 2009-2010 the same amount is disbursed from the FESF to school districts and charter schools to restore the funding reduction. Also, reduces by \$10,000,000 the state GF appropriation to the Arizona Board of Regents and transfers the amount to the state GF, if the state receives FESF monies.

Miscellaneous – Deposits \$43,170,600 of Vehicle License Tax monies into the state GF in FY 2009-2010. Requires every state GF supported agency, board, commission or other state entity to reduce full-time equivalent employees by five percent, on or before February 1, 2010. Reduces the FY 2009-2010 appropriation made to the Automobile Theft Authority (Authority), in addition to other reductions made to the Authority, by \$500,000 and transfers the monies to the state GF. Contains conditional appropriations.

State Budget as Enacted – S.B. 1188 and H.B. 2643 Forty-Ninth Legislature, First Regular session along with H.B. 2001 and H.B. 2006 Forty-Ninth Legislature, Third Special Session represent the enacted FY 2009-2010 state budget. The Joint Legislative Budget Committee estimates that the combined effect of the line item vetoes results in a \$463 million state budget deficit for FY 2009-2010.

Line-item Vetoes – In her veto message the Governor explains her line item vetoes to the DES (restoring the lump sum reductions) and ADE budgets and reiterates her position that education is a top priority for her administration. The message further explains that the veto to the K-12 appropriation is to restore education funding to the levels enacted in H.B. 2001, Forty-Ninth Legislature, Third Special Session and to ensure the appropriate application of federal stimulus dollars. The Governor further states that despite the enactment of the deepest spending cuts in state history, Arizona continues to experience a fiscal crisis unlike anything previously seen.

APPROPRIATIONS COMMITTEE (Cont'd.)

For complete information on the FY 2009-2010 budget as enacted, please see the summaries for S.B. 1188 and H.B. 2643 Forty-Ninth Legislature, First Regular Session and H.B. 2001 Forty-Ninth Legislature, Third Special Session. Also refer to the *JLBC FY 2010 Appropriations Report* at <http://www.azleg.gov/jlbc.htm>.

general government; budget reconciliation (H.B. 2008/S.B. 1024) – Chapter 7 (Third Special Session)

Makes statutory and session law changes relating to general government in order to reconcile the FY 2009-2010 state budget.

Establishing Lawful Presence – Requires a recipient of federal and state public benefits (benefit) to present specified documentation demonstrating lawful presence to the entity that administers the benefit. Requires applicants for benefits to sign a sworn affidavit attesting to the validity of the presented document. Establishes the failure to report violations of federal immigration law by an employee of the state that administers any federal or state public benefit as a class 2 misdemeanor.

Allows documentation of citizenship and legal residence to conform with Title XIX requirements for the purposes of administering the Arizona Health Care Cost Containment System and allows political subdivisions to accept forms of identification accepted by the federal government from tribal members, the elderly and the disabled.

Liquor Licenses Fund – Establishes the Liquor Licenses Fund (Fund) to be administered by the Department of Liquor Licenses and Control (Department) consisting of monies collected from license fees and penalties and stipulates that monies in the Fund in excess of the annual appropriation to the Department at the end of each fiscal year revert to the state General Fund (GF). Appropriates \$2,141,000 from the Fund in FY 2009-2010 to the Department for operating expenses.

Development Fees – Clarifies that development fees (impact fees) are for the benefit of the area from which they are assessed and requires, effective December 31, 2009, a municipality to forecast and consider other monies derived from a property owner when determining the extent of a burden imposed by a development.

Requires, effective December 31, 2009, a municipality's infrastructure improvement plan to estimate future necessary public services that will be required as a result of new development. The plan must include a comparison of the necessary public services provided to existing development and the necessary public services to be provided to new development.

Also, effective December 31, 2009, requires a municipality's development fee ordinance to prohibit the assessment of new or modified development fees for 24 months after a development receives final approval and stipulates that the 24-month period may not be extended by a renewal or amendment of a site plan.

Prohibits a county from assessing or collecting development fees from a school district or charter school that are not related to streets, water or sewer utility functions and prohibits a municipality from imposing any new or increasing any existing development fees from June 30, 2009 through June 30, 2011.

APPROPRIATIONS COMMITTEE (Cont'd.)

Suspends a municipality's ability to impose an increased construction tax from June 30, 2009 through June 30, 2011 and exempts, retroactive to June 29, 2009, a residential or commercial building that received approval prior to June 1, 2009, from any new building codes adopted by a municipality from June 30, 2009 through June 30, 2011.

Miscellaneous – Eliminates a FY 2009-2010 appropriation of \$25 million to the Arizona Twenty-First Century Competitive Initiative Fund.

Repeals, retroactive to September 29, 2009, the following requirements for a deficiency judgment on a single-one family or two-family trust property to be prohibited:

- a) a trustor must have lived at a property for at least six consecutive months;
- b) a certificate of occupancy must have been issued for the property; and
- c) a trustor must demonstrate that the trust property was utilized by the trustor for six consecutive months.

Eliminates the Department of Administration's (ADOA) ability to enter into a lease purchase agreement for the design and construction of a state emergency operations center and allows appropriations for all budget units in FY 2009-2010 to be limited to one fiscal year.

Reduces the appropriation to the Department of Commerce (ADOC) for the Military Installation Fund by \$2,800,000 in FY 2009-2010 and limits the aggregate amounts of liabilities incurred by the state during a declaration of emergency in FY 2009-2010 to \$2,900,000.

Requires nonlapsing, unexpended and unencumbered monies that remain at the close of FY 2009-2010 to be included in the state GF balance and requires unrestricted federal monies received from July 1, 2009, through June 30, 2010, to be deposited in the state GF.

Prohibits a state agency from conducting rulemaking that would result in increased monetary or regulatory costs on other state agencies, political subdivisions, businesses or individuals in FY 2009-2010 but allows rulemaking if authorized by the Governor after January 22, 2009, to comply with the FY 2009-2010 state budget, if the rules are needed to comply with the American Recovery and Reinvestment Act of 2009 (ARRA) or to eliminate or replace archaic or illegal rules.

Eliminates, for applicants for initial nursing assistant certification, state GF funding for federal criminal background checks.

Allows a state agency to require employees to work reduced hours in FY 2009-2010.

Changes, for FY 2009-2010, the timing of mutual fund notice filing fee deposits to the state GF from continuously deposited to February 1, 2010, and June 30, 2010.

Requires a copy of a foreclosure notice to be sent to a tenant of a rental property.

Grants the Director of the Department of Insurance (DOI) the discretion to allow a private mortgage insurance company to operate without meeting the minimum collateral to insured mortgage liability ratio to transact new business.

Expands the membership of a theme park district governing board to include:

- a) one member of the general public who resides in Apache, Coconino, Mohave, Navajo or

APPROPRIATIONS COMMITTEE (Cont'd.)

- Yavapai County, appointed by the Speaker;
- b) one member of the general public who resides in Maricopa County, appointed by the President; and
 - c) members of the Board of Directors who also serve on the governing body of a city establishing the district.

Increases, retroactive to June 30, 2009, agency contributions to the Personnel Division Fund from 1.07 percent to 1.10 percent of an agency's total payroll and requires that .03 percent of an agency's payment to be deposited in a separate subaccount for use by the State Personnel Board, subject to legislative appropriation.

Requires ADOA to enter into a contract with a vendor or vendors for the purchase of performance management software and stipulates that a vendor or vendors must agree to receive payment through savings realized through the use of the software.

Requires ADOA to provide a report detailing savings realized through the use of the performance management software to the Joint Legislative Budget Committee (JLBC) and the Joint Legislative Audit Committee.

Allows, in FY 2009-2010, ADOC to use monies appropriated from the state GF, monies from the Bond Fund, CEDC fund and State Lottery Fund to administer programs that attract and retain jobs in Arizona and to pay associated costs.

Allows, in FY 2009-2010, the DOI to use up to \$100,000 from the Captive Insurance Regulatory and Supervision Fund to administer its programs.

Allows the Director of the Department of Transportation to transfer \$10,000,000 from any of the subaccounts of the Statewide Transportation Acceleration Needs Account to restore funding for a previous approved project that was in an amount less than \$21,000,000.

assets; budget reconciliation (H.B. 2009 / S.B. 1023) – Chapter 8 (Third Special Session)

Authorizes the Arizona Department of Administration to sell the State Agricultural Laboratory property and directs all proceeds from the sale be deposited in the state General Fund. Mandates that prior to the sale, two independent appraisals and an independent title search be conducted and that the sale must occur before July 1, 2010, subject to review by the Joint Committee on Capital Review.

criminal justice; budget reconciliation (H.B. 2010/S.B. 1021) – Chapter 6 (Third Special Session)

Makes necessary statutory and session law changes relating to the criminal justice system to implement the FY 2009-2010 budget.

Probation – Increases the surcharge imposed for criminal offenses and specified civil penalties. Raises the intensive probation fees and allows any amount of the fee to be used to supplement officer salaries and the probation department's programs and services. Makes conforming changes relating to the increase of probation supervision fees for adults supervised under the Interstate Compact. Increases the maximum number of probationers that a deputy adult probation officer is required to supervise and allows an intensive probation team to consist of two adult

APPROPRIATIONS COMMITTEE (Cont'd.)

probation officers.

Courts – Changes, retroactively to July 1, 2009, in specified counties, the county and state's payment of the compensation and employee related expenditures of a justice of the peace. Continues, in FY 2009-2010, the prohibition of state photo enforcement citations from being included in judicial productivity credit calculations. Suspends, in FY 2009-2010, the provisions relating to supplanting of state monies contained in various court funds and specifies reporting requirements for identification of any decrease in county funding related to these suspended provisions. Suspends, for FY 2009-2010, and requires, beginning FY 2010-2011, electronic submittal of various court reports.

Arizona Department of Corrections (ADC) Concession Agreement – Requires, subject to certain conditions and timeframes, the Arizona Department of Administration (ADOA) to issue a request for information (RFI) and a request for proposal (RFP) for the purpose of identifying a concession agreement that allows a private vendor to operate a prison facility. Specifies various requirements including review of the RFP by the Joint Committee on Capital Review. Contains an intent clause relating to the privatization of prison operations.

ADC Lease-Purchase Agreements – Requires, by June 30, 2010, ADOA to enter into a lease-purchase finance agreement through the sale and simultaneous lease-purchase of an ADC facility or any other state owned facility. Specifies requirements relating to the net available proceeds, the term length and the timing of the initial lease-purchase payment.

ADC Private Prison Beds – Requires ADC to issue an RFP and contract for 5,000 private prison beds in Arizona and specifies the following: 1) the permissible number of bidders; 2) the length of the contract period; 3) the RFP deadline for review by the Joint Legislative Budget Committee (JLBC); 4) the contract award deadline; 5) the quarterly reporting requirements to JLBC; and 6) the applicable contract provisions and the statutory contract exemptions. Allows, in FY 2009-2010, ADC to use any nonappropriated monies for any start up and operating costs that are associated with the 4,000 new beds that were authorized in Laws 2007, Chapter 261.

ADC Health Care Services – Requires, under specified conditions, ADC to pay approved claims from a facility or provider based on the Arizona Health Care Cost Containment System Administration hospital reimbursement methodology or capped fee-for-service schedule. Requires, subject to certain deadlines, ADC to issue an RFI and an RFP to privatize all correctional health services that are provided in a state owned and operated facility and specifies reporting requirements to JLBC. Allows ADC to use any nonappropriated state monies to pay inmate health care expenditures incurred during FY 2007-2008.

ADC – Miscellaneous – Specifies expenditure reporting requirements when ADC submits the FY 2010-2011 budget request. Allows, notwithstanding any other law, any monies deposited in the Transition Office Fund to be used for any costs to operate transition programs.

Department of Public Safety (DPS) – Establishes the Crime Laboratory Operations Fund consisting of the \$45 defensive driving surcharge and requires, subject to legislative appropriation, that the monies be used for crime laboratory services pursuant to a deposit schedule. Redistributes, for FY 2009-2010, the Criminal Justice Enhancement Fund (CJEF) monies deposited into the state General Fund to the Crime Laboratory Assessment Fund and specifies, notwithstanding DPS' required quarterly distribution, that the monies are for use by DPS and exempt from distribution to

APPROPRIATIONS COMMITTEE (Cont'd.)

political subdivisions. Decreases, for FY 2009-2010, the appropriation to the Deoxyribonucleic Acid Identification System Fund. Suspend, for FY 2009-2010 and notwithstanding the payment installment schedule, the statutory caps limiting the level of Highway User Revenue Fund monies and State Highway Fund monies available to fund the DPS Highway Patrol costs.

Retirement – Changes retirement benefit computations for the Public Safety Personnel Retirement System by excluding certain types of third party contracts and for the Corrections Officer Retirement Plan by restricting full-time dispatchers based on the date of employment and the entry into a joinder agreement.

Attorney General (AG) – Allows, for FY 2009-2010, the AG to use monies in the Consumer Protection-Consumer Fraud Revolving Fund and the Collection Enforcement Revolving Fund for any operating expenses incurred by the Department of Law.

Board of Executive Clemency (Board) – Requires, retroactive to July 1, 2009 and for FY 2009-2010, the chairman of the Board to also act as the executive director and restricts the remaining members of the Board from working more than 30 hours per week and from eligibility for any state benefits.

Miscellaneous – Requires deposit of the 11.70 percent of the CJEF to be directly distributed or deposited to the county sheriffs, instead of allocated to ADC. Requires, in FY 2009-2010, an agreement between the Drug and Gang Prevention Resource Center and the Arizona Criminal Justice Commission to fund the Arizona Youth Survey.

K-12; budget reconciliation (H.B. 2011/S.B.1027) – Chapter 12 LIVS (Third Special Session)

Makes necessary statutory and session law changes relating to K-12 education in order to implement the FY 2009-2010 budget.

K-12 Funding – Makes changes to the Basic State Aid and Additional State Aid (state aid) apportionment schedule and details an alternate payment schedule for FY 2009-2010, if the effective date of this act prevents adhering to the new apportionment schedule. Repeals the rapid decline funding formula and the Local Education Accountability Program (LEAP).

Funds Joint Technological Education Districts (JTED) at 91 percent of the statutory formula but no JTED will receive less funding in FY 2009-2010 than it received in FY 2009, except for certain adjustments. Classroom Site Fund per pupil calculations must factor in prior years shortfalls or surpluses.

Average Daily Membership (ADM) – Caps the ADM per-pupil amount at 1.0 unless otherwise specified in statute and specifies how the ADM must be apportioned between a school district, charter school or Arizona Online Instruction (formerly Technology Assisted Project Based Instruction).

K-12 Rollover – Defers, until July 1, 2011, \$602,627,700 of the state aid payments scheduled to be apportioned to school districts in May and June of 2010. Appropriates \$602,627,700 in FY 2010-2011, from the state General Fund to the Arizona Department of Education (ADE), for the deferred payments, to be disbursed on July 1, 2010 and \$886,200 to offset any costs to school districts resulting from the deferred payments. School districts may budget for estimated amounts

APPROPRIATIONS COMMITTEE (Cont'd.)

outside the district's Revenue Control Limit (RCL) for any interest expenses incurred due to the deferred payments. Includes technical changes, retroactive to June 30, 2009, relating to the calculation of school district cash balances for the purposes of determining the amount of state aid each district will receive pursuant to the May 15 deferred payment.

Property Tax – County assessors must calculate and assign assessed values to Government Property Lease Excise Tax (GPLET) properties and report those values to ADE. GPLET assessed valuations must be included in calculating school district equalization assistance amounts. A school district cannot increase their primary property tax rate if: 1) one-half the district's combined residential primary property tax rate exceeds the Constitution's one percent cap; and 2) the district's current primary property tax rate exceeds 150 percent of the K-12 Qualifying Tax Rate (QTR). Permanently caps school district Desegregation budgets at the FY 2008-2009 funding level.

Bonding and Overrides – School districts may issue Class B bonds, if they mature within five years of issuance, for furniture, equipment and technology. Limits capital overrides to 10 percent of the RCL. The maximum budget increase for a maintenance and operations (M&O) override changes from 10 percent to 15 percent of the RCL and proceeds may be used for programs to improve pupil academic achievement. Establishes a special program override by expanding the scope of the K-3 override to include programs for kindergarten through grade 12 and removing existing restrictions. School districts requesting a special program override may request an M&O override of up to 10 percent of the RCL. Existing K-3 overrides continue for the length originally authorized, unless a subsequent M&O override equal to 15 percent of the RCL is approved by voters. Specifies the base level as \$3,291.42 for calculating a district's RCL to determine the maximum budget increase that can be requested in an FY 2009-2010 override election. School districts may conduct an election on the second Tuesday of March 2010 and submit one of the following to their voters: 1) a 15 percent M&O override which, if approved, replaces any previously approved M&O and K-3 override; 2) an additional 5 percent M&O or special program override, if voters authorized a 10 percent M&O override in November 2009; 3) a 17 percent M&O override for school districts with existing M&O and K-3 overrides, as of the effective date of this act which, if approved, replaces the existing overrides and continues for the duration of the previously approved K-3 override.

Teacher Performance Pay – Participating school districts may increase their base level amount for Career Ladder by a maximum five percent and no new teachers may participate in FY 2009-2010. Repeals the Teacher Performance Pay funding formula established in FY 2008-2009.

Early Graduation Scholarship Program (EGSP) – Retroactive to September 26, 2008, new students who graduate a semester early are ineligible to participate, but existing qualified students may continue. Limits the EGSP to students admitted before July 1, 2009 and continues their funding, subject to sufficient available funds. A school district or charter school may not adjust its FY 2009-2010 student count and per-pupil funding for early graduates. Prohibits ADE from transferring any monies for FY 2009-2010 to the Commission for Postsecondary Education for the EGSP. Authorizes the Arizona Commission for Postsecondary Education to solicit and receive donations, federal grants and other federal monies to support the EGSP in FY 2009-2010.

School Districts and School District Governing Boards – School districts offering voluntary full day kindergarten must also offer half-day kindergarten in each school in certain circumstances. Eliminates the required annual report relating to construction services and deletes outdated statutory language relating to district procedures for procuring construction services. Exempts Intergovernmental Agreements (IGAs) between school districts or between a school district and

APPROPRIATIONS COMMITTEE (Cont'd.)

another governing body from competitive bidding and removes the requirement for IGAs to be filed with the Secretary of State (SOS) or the county recorder, effective December 31, 2009. Exempts school districts from competitive bidding for pupil placement in an ADE approved private school providing special education services according to the pupil's Individual Education Plan. All district construction projects must be insured but do not need separate policies for each project. Deletes duplicative language specifying the governing board must maintain its schools for 175 school days, 200 days or the equivalent.

School districts may confidentially maintain all documentation regarding bullying, harassment, or intimidation of pupils. All pupil expulsion hearings may be conducted by an independent hearing officer. All school districts may apply to the SBE to conduct their own accounting independent of the county school superintendent. School districts may sell advertising space on their websites. Removes restrictions on the expenditures of revenue generated from the sale of advertising on school buses and athletic facilities.

Changes the amount required to conduct a public hearing before revising the district's budget if the budget exceeds the general budget limit from \$1,000 to one percent or \$100,000, whichever is less. Districts may not adjust their FY 2009-2010 RCL for Actual Utility costs. Repeals the Excess Utilities Funding Plan and reporting requirements effective in FY 2009. Authorizes districts to revise their budgets to conform to the provisions of this act by November 1, 2009.

School District Personnel – Removes specified dates relating to school district notification requirements for employment contract renewals and general salary reductions. Prohibits employment contracts from including compensated days for *professional association activities* but allows employees to use compensated leave for any lawful purpose. Eliminates restrictions on implementing general salary reductions for certified teachers employed for more than three years. Removes language requiring school districts to rehire certified teachers by seniority.

Changes time periods relating to teacher disciplinary actions, notifications and hearing requests. Retired teachers who return to school district employment are not entitled to due process. Removes the labeling of unprofessional conduct for teachers who fail to comply with the notification requirements for pupil disciplinary proceedings. Governing boards may establish a separate fund or trust account to fund postemployment benefits for employees, their spouses and dependents and must meet certain reporting requirements.

The SBE cannot require a school district superintendent or business manager to obtain state certification. Governing boards may set the qualifications at a public meeting for their district superintendent. Non-certified superintendents must have a valid fingerprint clearance card. School districts may hire a business manager that has expertise in finance. Eliminates requirements relating to multi-hazard crisis training and real estate attorneys.

School Districts and Charter Schools – Authorizes districts and charters to charge tuition for full-day kindergarten in FY 2009-2010 if they eliminated free full-day kindergarten as part of their FY 2009-2010 budget reductions. Prohibits districts and charters from adopting policies granting employment priority to teachers employed for three or more years over teachers employed for less than three years.

Audits – Permits ADE or the Auditor General to conduct school district and charter school financial, compliance or ADM audits, and further authorizes the Auditor General to conduct school

APPROPRIATIONS COMMITTEE (Cont'd.)

district and charter school program audits. School districts whose most recent annual audit contained no significant negative findings may convert to biennial audits. Upon receipt of a significant negative finding a district must switch back to an annual audit; but if after two subsequent annual audits with no significant negative findings, a district may revert back to a biennial audit. Suspends performance audit requirements for the Arizona's Instrument to Measure Standards (AIMS) Intervention and Dropout Prevention programs for FY 2009-2010.

Charter School Tuition – A charter school may admit nonresident pupils if they charge tuition but a charter school may not charge tuition to Arizona residents.

Assessments – Passing the AIMS test in reading, writing and mathematics are the only content areas required for high school graduation. Any additional assessments adopted by the SBE for high school pupils must measure college and career readiness. Lifts the one-year limit on AIMS test contracts.

Establishes a nine-member Task Force on Assessments to Measure College and Career Readiness (Task Force) to examine and evaluate existing tests measuring college and career readiness that are used for admission to postsecondary institutions, or are used by postsecondary institutions to award academic credit or placement. A report is due by June 30, 2010. The Task Force must recommend a process to select one or more tests to be administered to ninth graders beginning in 2011 and to eleventh graders beginning in 2012. Repeals the Task Force on September 15, 2010.

Transportation School Districts – Allows a county school superintendent to suspend the Chevelon-Butte Unified School District and report the suspension to the county board of supervisors, until July 1, 2010. The county board of supervisors may declare the district lapsed and annex the territory to one or more adjoining school districts.

School Facilities Board (SFB) – Suspends the Building Renewal formula for FY 2009-2010. Removes the requirement to count kindergarten students as full ADM in determining minimum school facility adequacy requirements. Authorizes the SFB to enter into Qualified School Construction bonds, as authorized by the American Reinvestment and Recovery Act of 2009, lease-to-own agreements (LTO) of up to \$100,000,000 by December 31, 2009 for new construction projects. Funding priority will be given to districts whose projected FY 2009-2010 ADM exceeds their capacity. The SFB may not authorize or award funding for the design or construction or school site acquisitions of any new school facility in FY 2009-2010 beyond the authorized LTO proceeds. School districts must submit capital plans for review and the SFB may award new school facilities, subject to future appropriations. Additional funding may only be granted to new construction projects for geographic or site conditions.

Miscellaneous – Repeals several provisions in the FY 2009-2010 budget enacted by Laws 2009, Third Special Session relating to the delayed implementation of funding reductions and restrictions for school districts and charter schools. Requires the SBE to adopt rules for alternative certification of nontraditional foreign language teachers to pass a nationally-accredited test as a substitute for the education coursework/credit hours required for certification. Suspends the Special Education Cost Study for two years.

Grants a five-year period, instead of one or two-year period to Santa Cruz Union High School District and Red Mesa Unified School District to correct budget overexpenditures and to Blue Ridge Unified District and Snowflake Unified District to correct ADM overpayments. Allows Cave Creek

APPROPRIATIONS COMMITTEE (Cont'd.)

Unified District to use remaining bond proceeds, approved by voters in November 2000, to modify an existing school facility rather than build a new school facility.

Line Item Vetos – In her veto letter, the Governor states she exercised her line item veto power in order to preserve maintenance-of-effort levels required by the American Recovery and Reinvestment Act of 2009. The line item veto restores K-12 funding to the levels enacted by H.B. 2001, Forty-Ninth Legislature, Third Special Session.

H.B. 2011 contained the following provisions which were line item vetoed by Governor Brewer: a) directed ADE to use the base level (per-pupil funding) of \$3,201.89 for all public schools, b) reduced the soft capital allocation and budget limits for all school districts by \$175 million statewide, and related implementation provisions, c) reduced charter school additional assistance amounts by \$5 million in FY 2009-2010, and d) removed school district Desegregation programs, the Transportation Revenue Control Limit (TRCL) and Career Ladder programs from the portion of the primary property tax rate used to calculate additional state aid (Homeowner's Rebate).

mail ballot elections; technical corrections (NOW: higher education; budget reconciliation) (H.B. 2012/ S.B. 1022) – Chapter 9 (Third Special Session)

Makes the necessary statutory and session law changes relating to higher education in order to implement the FY 2009-2010 budget.

Community Colleges – Eliminates the requirement for community college annual reports to include individual course data and includes the reporting requirements, with some modifications, for dual enrollment programs and general description of the tuition and fees for both credit and non-credit courses. A community college governing board must publish its proposed budgets on its website. Eliminates the hold harmless provision and allows a community college's operating state aid to decrease if its enrollment declines, effective July 1, 2010. Changes the eligibility threshold for growth funding from the highest level after FY 2003-2004 to any growth exceeding the currently funded enrollment level. Suspends the operating state aid formula and the capital outlay funding in FY 2009-2010. Funds dual enrollment at 50 percent, effective July 1, 2010. Allows community college districts to use capital outlay monies for operating expenses in FY 2009-2010. Prohibits students from being counted twice for state funding purposes in both a provisional and a traditional community college district in FY 2009-2010 and FY 2010-2011. A community college district that provides services to a provisional community college district, during that period, may include these students in calculating their constitutional expenditure limitation.

Universities – Identifies Arizona State University (ASU) West and the ASU Polytechnic campuses as separate budget units in the General Appropriations Act. Requires the ASU Tempe campus to provide administrative support to the ASU West campus and the ASU Polytechnic campus. The Arizona Board of Regents (ABOR) and the Auditor General must develop a uniform accounting and reporting system. Requires ABOR to submit a current fiscal year report by March 31, 2010 on paid invited speakers and associated costs to the Joint Legislative Budget Committee. Limits state lottery distributions to the University Capital Improvement Lease-to-Own and Bond Fund (Fund) in FY 2009-2010 and FY 2010-2011 to a maximum of 80 percent of the \$167.7 million in currently authorized lease-to-own (LTO) and bond agreements. Permits up to \$800 million in state lottery distributions to the Fund in FY 2011-2012 for new LTO and bond agreements.

APPROPRIATIONS COMMITTEE (Cont'd.)

Suspends the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into the Arizona Financial Aid Trust (AFAT) for FY 2009-2010. Defers, until October 1, 2010, \$100 million of the scheduled May and June, 2010 payments to ABOR for distribution to the universities, and directs ABOR to proportionally reduce each university's funding. Appropriates \$100 million from the state General Fund in FY 2010-2011 for the deferred FY 2009-2010 payments and directs ABOR to distribute the monies to the universities no later than October 1, 2010.

Board of Medical Student Loans – Effective retroactively to June 30, 2009, suspends the requirement for a minimum of 50 percent of loan monies be apportioned to students attending private medical schools.

Arizona Commission for Postsecondary Education – Restricts Leveraging Education Assistance Partnership (LEAP) grants to Arizona residents demonstrating financial need and attending an approved Arizona university at least half-time.

Governor's Council on Workforce Policy (Council) – Changes the deadlines for the Council's written annual report from September 1 to December 1 and for each state agency and community college to submit its annual required information to the Council from August 1 to November 1.

health and welfare; budget reconciliation (H.B. 2013/S.B. 1026) – Chapter 10 (Third Special Session)

H.B. 2013 makes necessary statutory and session law changes related to health and welfare to reconcile the FY 2009-2010 budget.

Arizona Health Care Cost Containment System (AHCCCS) – Repeals the KidsCare Parents program and the Temporary Medical Coverage program. Retroactive to September 30, 2009, eliminates dentures as a medical service covered by AHCCCS health plans. For rates effective October 1, 2009, through September 30, 2010, prohibits AHCCCS from increasing provider rates above the rates in effect on September 30, 2009, and permits AHCCCS to reduce provider rates up to 5 percent. Suspends AHCCCS capitation payments to acute care health plans in June 2010. Specifies that 100 percent of the payment will be suspended for plans with at least 100,000 members and 50 percent of the payment will be suspended for plans with less than 100,000 members. Charges interest on delinquent payments at a rate of 0.5 percent. Exempts AHCCCS from ambulance rates established by Department of Health Services in FY 2009-2010. Permits AHCCCS to reduce by one level the thresholds beyond which patient costs are paid by reinsurance in contract year 2009-2010. Allows AHCCCS to reduce the risk contingency rate setting for all managed care organizations by 50 percent and to impose a 5.88 percent reduction on funding for all managed care organizations administrative funding levels in contract year 2009-2010. Requires the AHCCCS Administration to report to the Governor, the President of the Senate and the Speaker of the House of Representatives by October 1, 2009, on hospital provider assessment methods. States the legislative intent for the AHCCCS Administration to comply with the federal False Claims Act, to maximize savings and to continue considering the best available technologies in detecting fraud in the Administration's programs.

County Contributions – Decreases Maricopa County's FY 2009-2010 acute care contribution by \$517,300 below FY 2008-2009. Continues FY 2009-2010 acute care contributions for all other

APPROPRIATIONS COMMITTEE (Cont'd.)

counties and contributions for hospitalization and medical care at FY 2008-2009 levels. Continues to exclude, retroactive to June 30, 2004, county contributions for Proposition 204 administrative costs and hospitalization and medical care from county expenditure limitations.

Disproportionate Share Hospital (DSH) Payments – Continues to require the Maricopa Special Health Care District (District) and the Arizona State Hospital (State Hospital) to provide a certified public expense (CPE) form for qualifying DSH expenditures. Requires the AHCCCS Administration to distribute \$4,202,300 to the District and deposit the remaining federal funds into the state General Fund. Prescribes procedures that apply if the CPE amount is less than estimated. Stipulates that the DSH payments include \$28,474,900 for the State Hospital and \$26,147,700 for private qualifying DSH hospitals.

State Employee Health Insurance – Retroactive to September 30, 2009, and beginning October 1, 2009, for purposes of health or accident insurance for full-time state officers or employees, defines *dependent* as: 1) a spouse; 2) a child under 19 years of age; 3) a child under 23 years of age who is also a full-time student. Continues to prohibit the Arizona Department of Administration from implementing a differentiated health insurance premium based on the integrated or nonintegrated status of a state employee health insurance provider.

Arizona Biomedical Research Commission (Commission) – Repeals \$1,000,000 appropriated to the Commission in FY 2009-2010 through FY 2011-2012.

Department of Health Services (DHS) – Eliminates current statutory fee limits for the licensure and certification of health care institutions, child care facilities and child care group homes. Permits DHS to establish and collect these fees by rule. Creates the Health Services Licensing Fund (Fund) and requires 90 percent of the collected fees to be deposited into the Fund and 10 percent to be deposited into the General Fund, beginning January 1, 2010. Specifies the Fund is subject to legislative appropriation. Appropriates \$4,493,400 in FY 2009-2010 from the Fund to DHS for assurance and licensing expenditures. Exempts DHS from rulemaking requirements for eighteen months to establish new licensure and certification fees and allows DHS to continue charging current fees through December 31, 2009. States the intent of the Legislature that additional revenue generated from the fees from January 1, 2010 through June 30, 2010, not exceed \$5,000,000.

Requires DHS to establish an Arizona Poison Control System consisting of two poison control centers: 1) one center affiliated with the University of Arizona College of Pharmacy, to serve all counties outside of Maricopa County; 2) one center privately operated in Maricopa County, to serve Maricopa County. Specifies that in addition to current duties, each poison control center is responsible for providing drug information services in its respective region.

Requires cities and all counties to pay 100 percent of restoration to competency (RTC) costs and excludes these payments from county expenditure limitations in FY 2009-2010. Requires cities and counties to reimburse DHS for 25 percent of the costs of commitment of sexually violent persons in FY 2009-2010. Payment must be made within 30 days after DHS makes a request for payment and may be made from any available source of county revenue.

Requires DHS to establish a list of priority behavioral health services, post the list on its website and provide at least 30 days notice before modifying the list. Specifies that behavioral health providers and contractors are not liable for failing or refusing to provide uncompensated or

APPROPRIATIONS COMMITTEE (Cont'd.)

underfunded nonemergency behavioral health services to persons who do not qualify for Medicaid and who are not seriously mentally ill.

Department of Economic Security (DES) – Enacts conforming changes to repeal the General Assistance program that was eliminated in FY 2008-2009. Requires DES to test and screen adult recipients who are otherwise eligible for Temporary Assistance for Needy Families (TANF) cash benefits for the illegal use of controlled substances. Requires recipients to pass the drug screening test to remain eligible. Permits DES to reduce the maximum income eligibility level for child care assistance programs and requires DES to notify the Joint Legislative Budget Committee of any change.

environment; budget reconciliation (H.B. 2014/S.B. 1028) – Chapter 5 (Third Special Session)

Makes statutory and session law changes relating to the environment to implement the FY 2009-2010 budget.

Arizona State Land Department (ASLD) – Retroactive to July 1, 2009, permanently establishes the Trust Land Management Fund (TLMF) as a self-funding mechanism for the ASLD to manage state trust lands. The TLMF consists of a percentage of the annual proceeds from the sale of trust lands and natural products. Requires \$600,000 from the fees the ASLD receives for applications and permits to be deposited into the TLMF in FY 2009-2010. Appropriates \$9,773,500 from the TLMF to the ASLD in FY 2009-2010, and requires the ASLD to revert \$3,819,700 to the state General Fund by October 1, 2009, and an additional \$3,257,800 by June 30, 2010.

Arizona Department of Environmental Quality (ADEQ) – For FY 2009-2010, allows ADEQ to transfer \$6,531,000 from the Underground Storage Tank Revolving Fund Assistance Account for administrative costs associated with the leak prevention and used oil programs. Through FY 2010-2011, allows sanitary districts with a population of less than 50,000 and municipalities and counties of any size to accept loans through the Water Infrastructure Financing Authority (WIFA) without requiring an election. The loan must be financed with federal stimulus monies made available to WIFA.

Arizona State Parks Board (Board) – Allows the Board to use investment earnings in the Land Conservation Fund's administrative account that exceed \$500,000 to operate state parks. For FY 2009-2010, the Board also may use \$692,100 from the Off-Highway Vehicle Recreation Fund and appropriated monies in State Parks Enhancement Fund for the operation of parks. Requires the transfer of \$3,000,000 (two installments of \$1,500,000) from the Arizona State Parks Heritage Fund to the Fire Suppression Revolving Fund in FY 2009-2010.

Miscellaneous – Requires the Arizona Department of Water Resources (ADWR) to include separate accounting detail of the Nevada interstate banking subaccount in ADWR's annual budget request. Requires Arizona Department of Agriculture livestock officers to inspect livestock within 48 hours, rather than 12.

APPROPRIATIONS COMMITTEE (Cont'd.)

LEGISLATION VETOED

~~common school districts; technical correction~~ (NOW: general revenues; budget reconciliation) (S.B. 1025) – VETOED (Third Special Session)

Makes necessary statutory and session law changes relating to general revenues in order to reconcile the FY 2009-2010 budget.

Department of Agriculture – Allows the Citrus, Fruit and Vegetable Advisory Council and the Agricultural Advisory Council to increase fees for services provided in FY 2009-2010, up to a total of \$389,000. Continues the fee increases authorized by Laws 2008, Chapter 291, for the Department of Agriculture in the amount of \$172,000 in FY 2009-2010.

Corporation Commission – Redirects a portion of the fees collected for the annual report of domestic and foreign corporations from the state General Fund (GF) to the Public Access Fund for the Arizona Corporation Commission's (ACC) operating expenditures, effective retroactively to July 1, 2009.

Authorizes the ACC to adjust annual registration fees for securities dealers and salespersons and to deposit a portion of those fees in the Securities Regulation and Enforcement Fund (Fund). Stipulates that annual revenues collected in excess of the amount legislatively appropriated to the Fund be deposited into the state GF.

Authorizes the ACC to establish by order the annual registration fees for securities dealers and salesmen and exempts the ACC from rule making requirements one time for the purposes of setting the fees.

Department of Education – Repeals the state equalization property tax rate. Specifies the official K-12 Qualifying Tax Rate (QTR) for FY 2009-2010, as adjusted for compliance with Truth in Taxation (TNT). The TNT calculation yields a FY 2009-2010 QTR of \$2.7452 for unified school districts and \$1.3726 for non-unified school districts.

State Lottery Commission – Transfers the following amounts of State Lottery revenues to the state General Fund (GF) prior to any distribution of those revenues to the following funds: 1) \$765,000 for the County Assistance Fund, 2) \$2.3 million for the Local Transportation Assistance Fund and 3) \$990,000 for the Local Transportation Assistance Fund II.

Repeals the State Land Department's Community Protection Initiative Fund and the Department of Environmental Quality's Water Supply Fund Special Line Item from the list of recipients of Lottery Fund monies.

Department of Revenue (DOR)– Accelerates by one or two years, depending on property type, the length of time for all property presumed to be abandoned and therefore unclaimed, except that the time period for traveler's checks is accelerated by 12 years and money orders by four years.

Establishes the DOR Administrative Fund consisting of monies from unclaimed property. Transfers a portion of unclaimed property proceeds to the DOR Administrative Fund for payment of

APPROPRIATIONS COMMITTEE (Cont'd.)

unclaimed property contract auditor fees if 12.5 percent of the total dollar value of recovered property exceeds \$1,770,000.

Continues the requirement that any Business Reengineering/Integrated Tax System (BRITS) contract extensions or modifications which increase the contractor's share of gain-sharing proceeds be subject to Joint Legislative Budget Committee (JLBC) review, effective retroactively to July 1, 2009. Stipulates that DOR may utilize up to \$2 million of state GF revenue deposits to pay for BRITS operational support costs, subject to JLBC review.

Rio Nuevo Multipurpose Facilities District – Limits, retroactive to July 1, 2009, the monies paid to the Rio Nuevo Multipurpose Facilities District (District) to the following purposes until a Notice to Proceed is issued for a hotel and convention center located at the multipurpose facility site: 1) debt service for bonds issued by the District before January 1, 2009; 2) contractual obligations incurred by the District before June 1, 2009; 3) fiduciary, legal and administrative expenses of the District; 4) the design and construction of the hotel and convention center located at the multipurpose facility site. The bill also contains requirements relating to transparency, compensation, audits and membership on the Board of Directors.

Miscellaneous – Requires incorporated cities and towns to distribute \$22 million of the cities' and towns' state shared Vehicle License Tax (VLT) monies to local school districts in FY 2009-2010.

Requires Maricopa County to transfer \$19,014,600 into the GF. Requires Pima County to transfer \$2,985,400 into the GF.

Allows 14 percent of the Residential Contractor's Recovery Fund's prior fiscal year revenues to be used for operation and administrative purposes in FY 2009-2010 instead of 10 percent of the fund balance.

Redistributes pari-mutuel revenues and proceeds to the GF rather than to various Racing Funds.

Requires, beginning July 1, 2010, all revenues from the State Web Portal Fund to be deposited into the State Web Portal Fund.

Permanently sets the assessment ratio for Class One property at 16 percent for all prospective bond and override elections, beginning in tax year 2012.

Redirects unclaimed property proceeds by annually depositing the first \$10.5 million of collected proceeds into the Housing Trust Fund, effective retroactively to July 1, 2009. The second \$24.5 million of collected proceeds will be deposited into the DOR Administrative Fund, effective retroactively to July 1, 2009.

Requires nonresident taxpayers to prorate their standard deduction based on Arizona income as a percent of total income.

Requires that any VLT revenues collected as a result of the optional five-year vehicle registration period which exceeds the amount that would have been collected had the vehicles been registered for two years be deposited into the GF instead of the State Highway Fund.

APPROPRIATIONS COMMITTEE (Cont'd.)

Taxes and Fees – Allows a municipality to use development fee revenues for general municipal operating expenses in FY 2009-2010. Prohibits a municipality that uses development fee revenues for operating expenses from adjusting fees to recover revenues.

Sets the amount of the fee for a duplicate driver license as an amount determined by the Director of the Department of Transportation.

Repeals the fee raising authority, appropriations and rulemaking exemptions authorized by Laws 2008, Chapter 291, for the following entities: 1) Department of Public Safety, 2) Department of Economic Security, 3) Department of Health Services, 4) State Land Department and 4) Radiation Regulatory Agency.

Restores the fee raising authority authorized by Laws 2008, Chapter 291, Section 12, for the following state agencies and amounts in FY 2009-2010: 1) Department of Health Services – \$600,000; 2) State Land Department – \$600,000; and 3) Radiation Regulatory Agency – \$500,000.

Continues to suspend the requirement that the Department of Insurance (DOI) revise fees so that revenues from fees collected by DOI are between 95 percent and 110 percent of DOI's state GF appropriation for FY 2009-2010.

Authorizes the Board of Nursing Care Administrators and Assisted Living Facility Managers (Board) to increase fees up to \$85,000 in FY 2009-2010 and appropriates revenue generated through increased fees to the Board.

Authorizes the Office of Pest Management (Office) to increase fees up to \$875,000 in FY 2009-2010 and appropriates revenue generated through increased fees to the Office.

The Governor states in her letter that she vetoed S.B. 1025 due to a lack of a comprehensive state revenue strategy for FY 2009-2010 and future fiscal years. She states that she is willing to support a permanent repeal of the state equalization tax only as part of a comprehensive proposal that addresses the State's massive revenue shortfall. She also states that she is opposed to sweeping VLT monies from the cities to help balance the state budget deficit since the trigger included in the General Appropriation Act to repay the cities is dependent upon the successful passage of a sales tax referral and a referral was not included in the budget package. The Governor asks that the provisions in the bill relating to crucial state agency budgets and other non-tax issues relating to county fund transfers and Rio Nuevo reforms be sent to her as soon as possible in a special session.

APPROPRIATIONS COMMITTEE (Cont'd.)