

Appropriations Committee

Senator Don Shooter, Chairman



Carolyn Speroni, Research Analyst

APPROPRIATIONS COMMITTEE

LEGISLATION ENACTED

technical correction; regents; land funds (NOW: department of agriculture; fees) (S.B. 1108) – Chapter 70

Allows the Director of the Department of Agriculture to increase or decrease the minimum statutory pesticide registration fee of \$100 until June 30, 2016. The fee may not be reduced below \$100. Any additional revenue generated by the fee must be deposited in the Pesticide Trust Fund.

supplemental appropriation; legislators; subpoenas; representation (S.B. 1159) – Chapter 1

Appropriates \$50,000 to the Arizona State Senate and \$50,000 to the Arizona House of Representatives to provide legal representation to current and former members of the Legislature subject to a subpoena or other request in a civil action for production of documents related to the member's status as a current or former member and who would otherwise be required to pay the costs of the representation and related costs and fees.

supplemental appropriation; navigable stream commission (S.B. 1219) – Chapter 2

Appropriates \$150,000 from the state GF in FY 2014 to the Arizona Navigable Stream Adjudication Commission for ongoing legal expenses and also allows the supplemental appropriation to be used in FY 2015.

independent redistricting commission; supplemental appropriation (S.B. 1220) – Chapter 3

Appropriates \$1,462,701 from the state GF in FY 2014 to the Independent Redistricting Commission for operating expenses and also allows the appropriation to be used in FY 2015. This appropriation is in addition to the appropriation made in 2013 (Laws 2013, First Special Session, Chapter 1, section 120).

attorney general representation; nonparty subpoena. (S.B. 1221) – Chapter 234

In *Valle del Sol et al. v. Whiting*, subpoenas for memos and letters were issued to 21 current and former lawmakers. The Attorney General (AG) has opined that because these subpoenaed members are not parties to the action, the AG has no authority, according to statute, to represent those members. S.B. 1221 authorizes the AG to represent a current or former officer or employee of this state who is subject to a civil nonparty subpoena. Allows an agency to employ legal counsel to provide representation to its current or former officers or employees under the above circumstances.

supplemental appropriations; child safety positions (S.B. 1224) – Chapter 4

Appropriates \$5.8 million from the state GF and \$1.1 million from total expenditure authority in FY 2014 to the Department of Economic Security (DES) for 192 FTE child safety and family services positions.

Requires DES or its successor agency to issue a monthly report on its progress in hiring those staff members. The report must: 1) include the total level of staff positions filled and funded in the prior month and the equivalent number of positions on January 31, 2014; and 2) delineate the increase in staff by caseworkers, hotline staff, those in training and non-caseworkers.

empowerment scholarship accounts; revisions (S.B. 1237) – Chapter 244

SEE THE EDUCATION COMMITTEE.

jury service; lengthy trial fund (S.B. 1248) – Chapter 77 E

Although the Arizona Lengthy Trial Fund is not repealed until July 1, 2014, the authority of the courts to collect that fee expired in January of 2014. S.B. 1248 is an emergency measure, effective April 17, 2014, that reauthorizes the Supreme Court to collect that fee until December 31, 2018.

Allows a physician assistant, in addition to physicians and registered nurse practitioners, to provide a medical statement showing that a person is unfit for jury service.

Arizona medical board; supplemental appropriation (S.B. 1381) – Chapter 251

The Arizona Ombudsman-Citizens' Aide found during an investigation last year that the Arizona Medical Board (Board), among other violations, licensed potentially unqualified doctors from September 2011 to approximately February 2013. S.B. 1381 appropriates \$855,000 from the Board Fund in FY 2014 to the Board to contract with an in-state credentials verification service for health professions to review all initial applications received by the Board.

universities; intellectual property. (S.B. 1392) – Chapter 194

SEE THE EDUCATION COMMITTEE.

revenue; budget reconciliation; 2014-2015 (S.B. 1487) – Chapter 9

Makes appropriations and session law changes related to general revenues necessary to implement the FY 2015 state budget.

Central Arizona Water Conservation District (CAWCD) – Effective January 1, 2015, allows a subdivider to pay half of the activation fee charged by the CAWCD before the issuance of a public report and pay the remaining amount no later than one year after issuance of the report.

Department of Financial Institutions (DFI) – Permits the Superintendent of the DFI to use monies in the Department Receivership Revolving Fund through FY 2015 for expenditures on an electronic licensing system and limits the total expenditure for the system to \$850,000. Also permits DFI to use the Financial Services Fund for general operating expenditures.

Department of Racing – Continues the rulemaking exemption relating to establishing fees for the Department of Racing until the end of FY 2015 and limits revenue generated by fees to \$2,600,000.

Radiation Regulatory Agency – Continues the fee raising authority and rulemaking exemption relating to establishing fees for the Radiation Regulatory Agency and limits revenue generated by fees to \$561,000.

Department of Agriculture – Continues the fee raising authority for the Department of Agriculture, with the assistance of the Agriculture Advisory Council, in FY 2015 and limits additional revenues generated from fees to: 1) \$218,000 to the GF; 2) \$113,000 to the Pesticide Trust Fund; and 3) \$26,000 to the Dangerous Plants, Pests and Diseases Trust Fund.

Department of Insurance (DOI) – Continues to prohibit the revision of fees or assessment in FY 2015 for the purpose of meeting the requirement to recover 95 to 110 percent of DOI's appropriated budget.

Counties – Allows counties with a population of fewer than 200,000 persons to use any source of county revenue to meet a county fiscal obligation for FY 2015. Requires counties using this authority to report the intended amount and source of funds to the Director of the Joint Legislative Budget Committee by October 1, 2014.

Arts Fund – Appropriates \$1 million in FY 2015 from interest earned on the Budget Stabilization Fund to the continuously appropriated Arts Fund.

Child Protective Services (CPS) – Requires CPS or its successor agency to establish a mechanism to direct complaints to the Office of Ombudsman-Citizens Aide (Ombudsman) until July 1, 2016. Requires the Ombudsman to process these complaints and, after investigating a complaint, refer the matter to the presiding judge of the superior court of the appropriate county for further review.

Highway User Revenue Fund (HURF) – Directs \$30 million of HURF revenues in both FY 2015 and FY 2016 and \$60 million in FY 2017 to be allocated directly to counties, cities and towns in percentages reflecting current non-state distribution of HURF revenues. Specifies that those revenues can only be spent on direct construction, repair and right-of-way expenditures.

K-12 education; budget reconciliation; 2014-2015 (S.B. 1488) – Chapter 17 LIVS

Basic State Aid – Increases the Base Level Amount by 1.4 percent for FY 2015 by increasing the per pupil amount from \$3,326.54 to \$3,373.11. Directs the Arizona Department of Education (ADE) for FY 2015 to reduce the amount that would otherwise be allocated for District Additional Assistance (DAA) by \$238,985,500 and requires district budget limitations to

be reduced accordingly. Caps the sum of the FY 2015 DAA reductions for school districts with fewer than 1,100 Average Daily Membership (ADM) at \$5,000,000.

Increases Charter Additional Assistance (CAA) amounts by 1.4 percent and directs ADE to proportionally reduce the FY 2015 CAA amounts apportioned to all charter schools by \$15,656,000.

Increases the transportation funding per route mile formula amount by 1.4 percent for FY 2015.

School District Charter Schools – Retroactive to July 1, 2013, prohibits a school district governing board from granting a charter to a new charter school or converting an existing district public school to a charter school if that school began initial operations beginning July 1, 2013. Prohibits other statutory sponsors of charter schools from granting a charter to a school district governing board for a new charter school or for the conversion of an existing district public school to a charter school if that school began initial operations beginning July 1, 2013. Exempts charter schools required to convert back to district public schools or transfer sponsorship from the statutorily required lump sum repayment of CAA. Allows a school district governing board to continue to sponsor and operate, only through FY 2015, a newly opened charter school or any district school that was converted to a charter school if the school began initial operations between June 30, 2013, and July 1, 2014. Sets any one-time FY 2015 incremental funding for school district charter schools that began initial operations during FY 2014 at the amounts specified in the school district charter school line item for school year 2014 in the General Appropriations Act.

Student Success Funding (SSF) – Renames the Performance Incentive Fund the Student Success Fund, allows other monies designated for SSF to be allocated to the Student Success Fund and conforms other Performance Incentive Fund statutes added by Laws 2013, First Special Session, Chapter 3. Requires each eligible school district and charter school to establish a local level Student Success Fund to receive allocations from the state Student Success Fund. Establishes a FY 2015 session law SSF formula, exempts SSF from the Revenue Control Limit and grants eligibility for SSF to school districts and charter schools that meet certain conditions.

K-6 Technology-Based Language Development and Literacy Intervention Pilot Program – Requires the State Board of Education (SBE) to develop a two-year pilot program on K-6 technology-based language development and literacy intervention for volunteer school districts and charter schools. Requires the SBE to select and award a contract to one educational technology provider to deliver software for the pilot program. Transfers \$546,800 from the Commission for Postsecondary Education IGA/ISA Fund to the Technology-Based Language Development and Literacy Intervention Fund (Fund) and subsequently appropriates \$300,000 to the SBE in FYs 2015 and 2016 from the Fund for the purpose of providing payment to the educational technology provider selected by the SBE. Repeals the K-6 Language Pilot Program on January 1, 2018. The Governor line item vetoed a provision requiring ADE to transfer \$53,200 in state GF monies from ADE's Accountability and Achievement Testing Program to the Fund. The Governor indicates in her line item veto message that Arizona's families and teachers deserve a state assessment that accurately measures critical thinking and problem solving abilities rather than rote memorization and that it would be inconsistent to redirect funds out of that program for an unrelated purpose.

Joint Committee on Broadband Expansion and Education Technology (Committee) – Establishes the 13 member Committee and charges the Committee with reviewing the extent of available information on internet availability and accessibility as outlined. Repeals the Committee on December 31, 2015.

School Facilities Board (SFB) – Requires school districts to reimburse the SFB if the SFB or a court determines a district received monies from the Building Renewal Grant Fund that must be reimbursed to the SFB due to legal action associated with improper construction by a hired contractor. Requires the SFB to include the amounts necessary for New School Construction funding for the following three fiscal years, rather than the following two fiscal years, in the SFB's annual report to the Joint Committee on Capital Review (report). Directs the SFB to use the most recent ADM data available for the report.

School Emergency Readiness Pilot Program (Pilot Program) – Requires \$100,000 of the \$3,646,400 appropriation to ADE in the General Appropriations Act for the School Safety Program to be used for the Pilot Program. School districts must submit applications to ADE by September 30, 2014, for participation in the Pilot Program. ADE must select three school districts to participate in the Pilot Program by November 30, 2014, and caps the participation in the Pilot Program at no more than 31 individual school sites. Directs school districts selected for participation to be provided with and use a readiness and emergency management program with certain requirements. Repeals the Pilot Program on January 1, 2016.

ADE Education Learning and Accountability Fund (ELAF) – Continues, for FY 2015, to require each community college district and each state university to transmit six dollars per full-time student equivalent to the ELAF by December 1, 2014.

~~information technology; interoperable radio communications~~ (NOW: waste facility; prime contracting deduction) (H.B. 2415) – Chapter 228

Retroactive to January 1, 2013, excludes, from being computed into the tax base for prime contracting, the gross proceeds of sales or gross income derived from a contract entered into for the construction of a mixed waste processing facility located on a municipal solid waste landfill and constructed for the purpose of recycling solid waste or producing renewable energy.

~~life sentence; parole eligibility~~ (NOW: virtual border fence) (H.B. 2462) – Chapter 170

Authorizes the Governor to enter into a compact with other states to provide for the construction and maintenance of a *physical* or *virtual* fence within one mile of the Arizona-Mexico border line, rather than a secure fence along the border line. Eliminates the stipulation that correctional inmates and private contractors must construct and maintain the border fence if the state does not enter into a compact with other states. Allows the Joint Border Security Advisory Committee to use technology to the maximum extent practicable with regard to the management and administration of the construction and maintenance of the border fence.

~~projects; water supply development~~ (H.B. 2523) – Chapter 212

Allows use of Water Infrastructure Finance Authority (WIFA) monies for a water provider located outside of an active management area, if the Director of the Department of

Water Resources has designated the water provider as having an adequate water supply pursuant to existing statute, or the water provider will use the WIFA financial assistance for a water supply development project where there is an adequate water supply for land that will be served by the project.

Allows a county that enters into an intergovernmental agreement with a city, town or other water provider regarding a water supply development project, to apply for WIFA monies. Extends the repayment period of a loan from the WIFA Fund from 30 to 40 years.

Allows a facility owned by this state, a political subdivision or a municipality to accept for treatment, storage or disposal special waste generated outside Arizona. Establishes the Rural Water Supply Development and Contamination Prevention Study Committee to consider the possible effects of waste treatment, storage and disposal facilities on the development of long-term water supplies for rural areas that are under consideration for funding.

appropriations; named claimants (H.B. 2620) – Chapter 39

Appropriates \$149,953.55 from the state GF and \$44,278.22 from other funds to the Arizona Department of Administration for the payment of various claims made against state agencies.

Yarnell Hill memorial; appropriation (H.B. 2624) – Chapter 273 E

An emergency measure, effective April 30, 2014, that establishes the Yarnell Hill Site Board (Board) and requires the Board to determine whether to establish a Yarnell Hill memorial. Requires the Arizona State Parks Board (ASPB) to establish the Yarnell Hill Memorial State Park if: 1) the Board recommends that the ASPB purchase the land for the site; 2) the ASPB purchases a Yarnell Hill memorial site; 3) the Board approves the design and construction of the memorial; and 4) the Board secures the necessary permissions for individuals to visit the memorial. Laws 2014, Chapter 13 (H.B. 2707/S.B. 1492) includes identical provisions for the Yarnell Hill memorial and a \$500,000 appropriation from the state GF in FY 2014 to the ASPB for purchase of the Yarnell Hill memorial site.

2014-2015; general appropriations. (H.B. 2703) – Chapter 18

FY 2015 GF and OF Appropriations and Statutory and Session Law Provisions

Makes the following FY 2015 state GF and OF changes to the FY 2015 baseline:

Summary of Changes	Fund Source	Comments	FY 2015 above FY 2014
Arizona Department of Administration (ADOA)			
Sunset Public Safety Communications Advisory Commission	GF		(549,700)
Southwest Defense Alliance	GF		25,000

Adjust Insurance Claims Related Expenditures	OF	Risk Management	(1,090,000)
--	----	-----------------	-------------

Arizona Health Care Cost Containment System (AHCCCS)			
Formula Adjustments	GF		(12,904,100)
Office of the Inspector General	GF	5 FTE's	(351,900)
Higher Federal Administrative Match	GF		(3,200,000)
Skilled Nursing Facility Rates	GF		3,000,000
Critical AHCCCS Hospitals	GF		2,800,000

States that it is the intent of the Legislature that AHCCCS increase skilled nursing facility provider rates by two percent in FY 2015, in addition to rate adjustments that would otherwise be actuarially determined for FY 2015.

Arizona Community Colleges			
STEM Formula Funding	GF	Includes \$2 M for Maricopa/Pima	6,156,100
Apache/Greenlee Out of County Reimbursement	GF		425,000

Corporation Commission			
Database Upgrade	OF		750,000
Service Agreement	OF		100,000
Microfilming Backlog	OF	Public Access Fund	55,000

Department of Corrections (ADC)			
500 Maximum Security Beds	GF		(150,100)
Population Growth/Other	GF		(2,961,400)
Correctional Officers Retirement Plan Contribution Rate Increase	GF		3,546,600
Transition Services Appropriation Shift	OF	Transition Program	(1,185,000)
Transition Services Appropriation Shift	OF	Prison Construction and Operations Fund	1,185,000

Department of Economic Security (DES)			
New Department of Child Safety & Family Services	GF		20,000,000
Developmental Disability Formula Changes	GF		(3,000,000)
Long Term Care System Fund and Temporary Assistance for Needy Families (TANF) Backfill	GF		23,195,900
Child Protective Services Caseworkers	GF	242 FTE's	15,280,400
Office of Child Welfare Investigations	GF	20 FTE's	1,800,000
Records Retention Staff	GF	5 FTE's	500,000
Rural Autism/Parenting Skills	GF		300,000
Long Term Care/Assisted Living	GF		300,000
Children Support Services	GF		5,557,000
Adoption Services Caseload Growth	GF		5,964,100

Adult Protective Services Growth	GF	18 FTE's	3,000,000
Intensive Family Services	GF		3,500,000
Long Term Care System Fund and TANF Backfill	OF		(23,195,900)
Homeless Capital Grant	GF		500,000

Adds a footnote stating that the budget includes a two percent provider rate increase for DD home and community based services providers that may not be used for any administrative costs of DES. States that it is legislative intent that DES not reduce any DD provider rates in order to fund increases for other DD providers.

Adds a footnote providing legislative intent for usage of new in-home preventive support services and out-of-home support services line items.

Adds a footnote stating legislative intent to reexamine budget structure and needs for a new department of child safety and family services.

Arizona Department of Education (ADE)			
Student Success Funding	GF		20,000,000
AZELLA Administration	GF		2,500,000
Structured English Immersion Fund Adjustment	GF		(3,831,000)
Charter Conversion Rollback to FY 13	GF	Fund FY 14 conversions at \$24.5 M	(8,800,000)
Joint Technological Education Districts Performance Funding	GF		500,000
Fund Large JTED's at 95.5%	GF		1,500,000
Testing Cost	GF		8,000,000
IT Certifications	GF		1,000,000
Students Success Funding	OF		21,500,000
Technology Based Learning	OF		200,000

Adds a footnote requiring ADE to allocate JTED performance pay based on the number of JTED program completers placed in jobs related to their JTED program.

Adds a footnote requiring incremental monies for schools that converted to charter status in FY 2014 to be expended only from monies appropriated to the School Year 2013-2014 District Sponsored Charter School line item.

State Forester			
Wildland Firefighting Training	GF	1 FTE	147,200
Removing Hazardous Vegetation	GF		1,350,000
Dispatch Center Dispatchers	GF	2 FTE's	135,600
Tucson District Fire Engine	GF		57,000
Operating Expenses for Satellite Offices	GF		73,700
Environmental County Grants	GF		100,000

Department of Health Services (DHS)			
LaPaz Shift to critical access hospitals	GF		(300,000)
Formula Changes	GF		(3,338,500)
Alzheimer's Research	GF		1,250,000
Multidisciplinary Mental Health Grants	GF	50% urban/50% rural	300,000
Surveyor & Program Manager Salary Increase	OF	CCDF & HSLF	479,200
TGen Funding	OF		2,000,000

Judiciary – AOC			
Drug Treatment Alternative to Prison	GF		250,000
Court-Ordered Counseling	GF		250,000
Court of Appeals	GF		229,600
Foster Care Review Board (FCRB)		3 FTE's	

Department of Public Safety			
Reduce Shift of Highway Patrol to Highway User Revenue Fund (HURF)	GF		30,000,000
Employer Retirement Contribution Rate Increase	GF		4,460,600
Continue ACTIC Funding	GF		750,000
2 Percent Salary Increase for All Employees	GF		3,300,000
Concealed Carry Weapons Workload	OF	3 FTE's – AHPF	256,400
Public Safety Equipment	OF		500,000
Employer Retirement Contribution Rate Increase	OF		482,300
Auto Fingerprint	OF		(100,000)
ACTIC Funding	OF		700,000

Public Safety Personnel Retirement System (PSPRS)			
Prescott Liabilities	GF	Annually for 5 years	1,000,000

Department of Revenue			
Tobacco Tax/MSA/Audit	GF	8 FTE's	AHCCCS
Capital Gains Analysis	GF		100,000
TPT Simplification/Implementation of HB 2111	GF	19 FTE's	1,000,000
Remove One-time Funding	OF	Liability Setoff Fund	(690,000)

Office of Tourism			
Arizona Promotion	GF		2,000,000

Uniform State Law Commission			
Eliminate Funding	GF		(75,000)

Arizona State University – Tempe and Downtown Phoenix Campuses			
Parity Funding Increase	GF		8,176,500
Operating Appropriation	GF		2,000,000

Research Infrastructure Payment Adjustment	GF		(522,600)*
--	----	--	------------

*Also reduces this appropriation by \$3,045,900 in FY 2016 and \$2,329,800 in FY 2017.

Arizona State University – East Campus			
Parity Funding	GF		1,400,300

Northern Arizona University			
Parity Funding	GF		2,642,100
Operating Appropriation	GF		500,000
TGen Funding	GF	\$3M for 5 years	3,000,000
Research Infrastructure Payment Adjustment	GF		(408,500)*

*Also reduces this appropriation by \$406,800 in FY 2016 and \$1,653,200 in FY 2017.

University of Arizona – Main Campus			
Coop Extension Funding	GF	28 FTE's	3,500,000
Operating Appropriation	GF		2,000,000
Research Infrastructure Payment Adjustment	GF		(4,659,800)*

*Also reduces this appropriation by \$4,659,400 in FY 2016 and \$274,600 in FY 2017.

Arizona Board of Regents (ABOR)

Adds a footnote appropriating \$1,250,000 to both ASU-Tempe and Downtown Phoenix Campus and the UofA-Main Campus, and \$250,000 to NAU in both FY 2016 and 2017.

Adds a footnote prohibiting use of new GF monies from being expended for medical marijuana research.

Department of Water Resources			
Additional Staff	GF	6 FTE's	1,000,000

Other			
Water Supply funding (WIFA)	GF		1,000,000
Revertments	GF		(9,000,000)

FY 2014 GF and OF Appropriations and Statutory and Session Law Provisions

Makes the following FY 2014 state GF and OF changes to the 2015 baseline:

ADE – Fund shortfall in Basic State Aid Funding	GF	47,000,000
DHS – Medicaid Shortfall	GF	17,638,500
State Land Department – CAP User Fee Rate Adjustment	GF	128,300
State Board of Nursing – Certified Nursing Assistant Program Costs	GF	150,000
School Facilities Board – Refinancing	GF	(1,445,200)
Arizona Department of Administration – Federal Claims	OF	10,742,000
Board of Athletic Training – Health Insurance	OF	13,000
Attorney General – Backfill – consumer protection consumer	OF	600,000

fraud revolving fund		
Arizona Exposition and State Fair Board – Power Meter	OF	270,000
Naturopathic Physicians Medical Board – Hearing Expenses	OF	15,800
Department of Veterans’ Services – Tucson Home	OF	2,436,800

Automation Projects Fund

Appropriates the following amounts from the automation projects fund to ADOA in FY 2015:

- a) \$3,125,000 for enhancing statewide data security;
- b) \$500,000 for enhancing enterprise architecture;
- c) \$2,150,000 for project management of statewide automation and information technology projects;
- d) \$325,000 for projects related to e-government;
- e) \$2,900,000 for improving and maintaining the state data center;
- f) \$1,700,000 for the second year of a two-year project to implement, upgrade and maintain the taxpayer accounting system, AZTaxes and data center consolidation for BRITS;
- g) \$8,000,000 for implementing upgrades to the adult information management system operated by ADC;
- h) \$6,800,000 for implementing e-licensing projects by ADEQ;
- i) \$12,000,000 for implementing, upgrading and maintaining the student longitudinal data system and the education learning and accountability system;
- j) \$1,000,000 to implement a tobacco tax processing and revenue accounting system at DOR;
- k) \$5,000,000 to implement upgrades to the children’s information library and data source operated by DES; and
- l) \$4,000,000 for relocation of DES data center.

Appropriates \$17,100,000 from the state GF in FY 2015 for deposit in the Automation Projects Fund.

Transfers the following amounts to the Automation Projects Fund in FY 2015:

- a) \$1,600,000 from the Education Learning and Accountability Fund;
- b) Any remaining balances from fees collected from universities and community college districts in the Education Learning and Accountability Fund;
- c) \$9,057,300 from the Automation Operations Fund;
- d) \$5,500,000 from the Prison Construction and Operations Fund;
- e) \$2,500,000 from the Corrections Fund;
- f) \$6,800,000 from the Emissions Inspection Fund.

Debt Service Payments

Appropriates \$84,123,700 in FY 2015 from the state GF to ADOA for the purposes of making debt service payments on the sale and lease-back of state buildings, and appropriates \$20,449,000 of state GF revenue in FY 2015 for the purposes of making debt service payments for the Phoenix Convention Center.

Rollovers

DES - Continues the \$35,000,000 payment deferral to providers from FY 2015 to FY 2016. Appropriates \$35,000,000 in FY 2016 for these deferred payments.

ADE - Continues to defer \$930,727,700 in Basic State Aid payments for FY 2015 until FY 2016. Appropriates \$930,727,700 in FY 2016 for these deferred Basic State Aid payments. Requires the State Board of Education to make the rollover payment no later than July 12 in 2015.

ABOR - Continues the \$200,000,000 universitywide payment deferral to the universities from FY 2015 to FY 2016. Appropriates \$200,000,000 in FY 2016 for these deferred payments.

Line Item Veto

The Governor line item vetoed the following items:

- a) Attorney General – Northern Arizona Law Enforcement (\$500,000) – the Governor stated there is no specific detail provided in this bill that explains the intent of this line item or direction on how the appropriation shall be utilized;
- b) ADE – Alternative Teacher Development (\$500,000) – the Governor stated there are various alternative teacher development programs currently existing in Arizona;
- c) ADE – JTED Soft Capital and Equipment (\$1,000,000) – the Governor stated this appropriation further exacerbates funding disparities between urban and rural JTED's;
- d) LAN – Northern Arizona Landing Strip (\$10,000) – the Governor stated it is unclear what state purpose is advanced by this appropriation, and that small landing strips create liability exposure and expenses for the state;
- e) Legislature – Ombudsman (\$828,500) – the Governor stated the \$200,000 increase to the office, intended to fund caseload growth as a result of the new child safety and family services agency, is premature when the caseload impact has not yet been determined and overall resources for the new agency are still being analyzed;
- f) ADOA – Small Scale Computing Study (\$500,000) – the Governor stated ADOA has already been directed and is engaging state agencies to collect a detailed inventory of hardware and software assets; and
- g) ADOA – TPT Electricity Exemption County Backfill (\$1,300,000) – the Governor stated that the financial benefit of this unnecessary appropriation would be minimal as the likely distribution of funds represents a small fraction of a percent of each affected county budget. More importantly, this appropriation would have set a policy precedent that would undermine future efforts to improve the competitiveness of Arizona's tax code.

health; welfare; budget reconciliation; 2014-2015. (H.B. 2705) – Chapter 11

Makes statutory and session law changes relating to health and welfare to reconcile the FY 2015 state budget.

Arizona Health Care Cost Containment System (AHCCCS) – Requires AHCCCS to cover insulin pumps for adults. Reverts all monies in the Arizona Long-Term Care System (ALTCS) Fund unencumbered at the end of the fiscal year to the state GF. Allows AHCCCS to

participate in waivers to collect erroneous payments as outlined and to continue the risk contingency rate setting and funding for managed care organizations at prescribed levels.

Requires AHCCCS to annually report on: 1) the change in uncompensated hospital costs and profitability; 2) the amount each hospital contributed for the hospital assessment; and 3) the amount of estimated payments each hospital received from the coverage funded by the assessment. Requires AHCCCS to report on the use of emergency departments for nonemergency purposes and requires a joint AHCCCS and Department of Health Services report on hospital charge master transparency.

Disproportionate Share Hospital (DSH) Payments – Establishes DSH payment amounts for FY 2015 and modifies, retroactive to June 30, 2013, the DSH payment amount attributed to the Arizona State Hospital (State Hospital). Continues to allow political subdivisions, tribal governments and public state universities to provide matching monies for DSH payments to designated hospitals, subject to federal law.

County Contributions – Modifies the distribution and payment of county contributions in FY 2015 as follows: 1) \$245,196,200 for ALTCS; 2) \$47,553,700 for acute care; 3) \$2,646,200 for hospitalization and medical care; 4) transfers to counties the excess state match monies proportional to the counties' share as outlined; and 5) excludes certain costs from county expenditure limitation.

Department of Health Services (DHS) – Allows DHS to determine the county reimbursement percentage for State Hospital costs for committed sexually violent persons (SVPs). It is the Legislature's intent that DHS not increase the county percentage rate for SVPs from the FY 2014 levels in FY 2015. Requires cities and counties to reimburse DHS 100 percent of defendants' inpatient competency restoration treatment. Allows DHS to use monies in the Health Research Account for Alzheimer's disease research.

Requires The Joint Legislative Budget Committee (JLBC) and the Office of Strategic Planning and Budgeting to agree on a revenue and expenditure report of the DHS Intergovernmental Agreement/County Contributions Fund and requires DHS to report financial information annually to JLBC. Requires DHS's annual report to JLBC on behavioral health expenditures to include client income.

Department of Economic Security (DES) – Allows DES to reduce the maximum income eligibility levels for child care assistance. Requires DES to screen and test adult Cash Assistance recipients believed to be engaged in the illegal use of controlled substances and renders a recipient who tests positive ineligible for benefits for one year.

Requires the Early Childhood Development and Health Board and DES to jointly report to JLBC on their collaborative efforts to address child welfare issues and requires the Auditor General to report on child safety and family services in DES as outlined.

criminal justice; budget reconciliation; 2014-2015. (H.B. 2706) – Chapter 12

Attorney General (AG) – Allows the AG to use monies in the State Aid to Indigent Defense Fund for activities related to capital postconviction prosecution.

Arizona Department of Corrections (ADC) – Requires ADC to report actual FY 2014, estimated FY 2015 and requested FY 2016 expenditures as delineated in the prior year when ADC submits its FY 2016 budget request. Allows ADC to use monies from the Transition Program Fund and the Interagency Service Agreement Fund for operating expenses in FY 2015. Allows ADC to contract for remaining male medium security beds in FY 2016 under its 2012 Request for Proposal if authorized by the Legislature.

Department of Public Safety (DPS) – Establishes the Concealed Weapons Permit Fund (CCW Fund) consisting of the initial and renewal application fees for CCW permits. Requires DPS to administer the CCW Fund and subjects monies deposited in the CCW Fund to legislative appropriation. Monies in the CCW Fund are to be used exclusively for the CCW administrative process and all matters related to CCW issuance.

Requires DPS to submit the entire Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement subaccount expenditure plan to the Joint Legislative Budget Committee (JLBC) for review before it spends any monies appropriated to the subaccount by the General Appropriations Act (GAA) in FY 2015. Suspends the statutory caps and transfers of Highway User Revenue Fund monies available to fund DPS highway patrol costs in FY 2015. Allows DPS to use monies in the State Aid to Indigent Defense Fund for operating expenses.

Judiciary – Requires the state to pay a portion, instead of 50 percent, of the fees incurred by the counties for providing legal representation to capital defendants in state postconviction relief (PCR) proceedings. Suspends county non-supplanting requirements associated with funding for probation services, criminal case processing and alternative dispute resolution programs. Requires the Arizona Supreme Court to submit a report to JLBC identifying any decrease in county funding related to the non-supplanting suspension.

Prohibits the total amount that may be spent in a fiscal year by the state for indigent capital defense in a state PCR proceeding from exceeding the amount appropriated in the GAA for that purpose, together with additional amounts appropriated by any special legislative appropriation for indigent capital defense. Prohibits the total amount that may be spent in a fiscal year by the state for state grand jury costs and expenses from exceeding the appropriated amount in the GAA together with additional amounts appropriated by any special legislative appropriation for state grand jury costs and expenses.

environment; budget reconciliation; 2014-2015. (H.B. 2707) – Chapter 13

Makes statutory and session law changes relating to the environment to reconcile the FY 2015 state budget.

Arizona Department of Environmental Quality (ADEQ) – Caps the annual transfer to the Water Quality Assurance Fund at \$7,000,000. Authorizes ADEQ to transfer a combined total of \$6,531,000 from two underground storage tank funds for ADEQ administrative costs. Allows ADEQ \$1.8 million from the Emissions Inspection Fund to be spent on the Safe Drinking Water Program.

Arizona Department of Water Resources (ADWR) – Continues the ADWR Director’s authority to increase fees in FY 2015. Authorizes the Arizona Water Protection Fund Commission to grant up to \$336,000 from the Water Protection Fund for ADWR administrative costs in FY 2015.

Arizona Navigable Stream Adjudication Commission (ANSAC) – Continues to allow \$80,000 from the Arizona Department of Administration’s Risk Management Revolving Fund to be used by ANSAC in FY 2015 to pay legal fees.

Arizona State Parks Board (ASPB) – Continues ASPB’s authority to spend up to \$692,100 from its portion of the Off-Highway Vehicle Recreation Fund in FY 2015 for ASPB operating expenses.

State Land Department (Department) – Requires the State Land Commissioner to include in the Department’s budget request up to \$40,000 annually, rather than the current amount of up to \$30,000, for each Natural Resource Conservation District.

Yarnell Hill Memorial – See H.B. 2624 (Laws 2014, Chapter 273).

budget procedures; 2014-2015. (H.B. 2708) – Chapter 14

Makes statutory and session law changes related to budget procedures necessary to implement the FY 2015 state budget.

Budget Procedures – Continues to require all unrestricted federal funds to be deposited in the state General Fund for the payment of essential government services.

Continues to allow annual budgets for all departments for FY 2015 and FY 2016; the executive budget must only address the next fiscal year and the head of each budget unit will submit a budget estimate in calendar year 2014 addressing only the next fiscal year.

Arizona Department of Administration – Exempts \$4,132,000 of the \$28,630,000 appropriated to the Arizona Department of Administration (ADOA) for FY 2014 from lapsing through FY 2016 for the purpose of paying contingency costs relating to the replacement of the Arizona Financial Information System.

Permits ADOA to utilize monies appropriated for building renewal in FY 2015 for building demolition.

Continues to set the Capital Outlay Stabilization Fund rental rate for state-owned buildings at \$13.08 per square foot of office space and \$4.74 per square foot of storage space.

Requires all state budget units to contract with an independent third party for review of any information technology projects with a total cost in excess of \$5,000,000.

Public Safety Personnel Retirement System – Requires the Public Safety Personnel Retirement System (PSPRS) Board of Directors annual report to include an estimate of the aggregate employer contribution rate for the next ten fiscal years for PSPRS as well as the

Corrections Officer Retirement Plan (CORP). Additionally, the annual report must include contribution rates for the next ten fiscal years for the following PSPRS employers: 1) Department of Liquor License and Control; 2) Department of Public Safety; 3) Northern Arizona University; 4) University of Arizona; 5) Arizona State University; 6) Arizona Game and Fish Department; 7) Department of Law; 8) Department of Emergency and Military Affairs; and 9) Arizona State Parks Board. Contribution rates for the next ten fiscal years must be included, as well, for the following CORP employers: 1) Arizona Department of Corrections; 2) Department of Public Safety; 3) the Judiciary; and 4) Arizona Department of Juvenile Corrections.

State Lottery Fund Commission – Directs the State Lottery Commission to pay \$25,836,400 in lottery ticket sales commissions earned between January 1, 2013, and June 30, 2013, only from the State Lottery Fund’s FY 2013 ending balance.

Underground Storage Tank Assurance Account – Suspends the transfer of monies in excess of \$60,000,000 from the Underground Storage Tank (UST) Assurance Account to the State Highway Fund after December 31, 2014, and limits coverage for corrective action through the UST Assurance Account to releases of regulated substances reported before July 1, 2006. The Arizona Department of Environmental Quality (ADEQ) is not required to take action on applications related to the UST Assurance Account until a new, revised UST corrective action program is effective. This legislation includes an intent clause that outlines specific requirements of the new UST corrective action program and states that the monies in the UST Assurance Account are to be used to develop that program. Refer to S.B. 1314 for more information.

UST Stop-Use Order – ADEQ may issue a stop use order for an underground storage tank if the owner or operator is in violation of financial responsibility requirements and has not demonstrated compliance following a 30-day notice. A stop use tag is to be affixed conspicuously to the fill pipe of a UST subject to a stop-use order. A product deliverer is prohibited from depositing any regulated substance into a UST with a stop-use tag affixed.

capital outlay; 2014-2015. (H.B. 2709) – Chapter 15

Effective April 11, 2014, H.B. 2709 makes appropriations related to capital outlay necessary to implement the FY 2015 state budget.

Building Renewal - Appropriates the following amounts in FY 2015 to the following agencies from the specified funds for major maintenance, repair and renewal of state buildings:

Agency	Fund Source	Amount	% of Formula
Arizona Department of Administration (non-ADC buildings)	GF	\$9,000,000	26.5
	Capital Outlay Stabilization Fund	\$9,000,000	26.5
Arizona Board of Regents	GF	\$3,000,000	2.8
Arizona Department of Corrections (ADC)	GF	\$3,000,000	18.3
	ADC Building Renewal Fund	\$5,464,300	33.3
Arizona State Lottery Commission	State Lottery Fund	\$97,400	100

Arizona Department of Transportation (ADOT)	State Highway Fund	\$3,191,900	28.5
	State Aviation Fund	\$204,900	100

Major Capital Projects – Appropriates the following amounts in FY 2015 to the following agencies from specified funds for major capital projects:

Agency	Purpose	Fund	Amount
Department of Public Safety	Microwave communications system upgrade	Highway Patrol Fund	\$2,000,000
Arizona State Parks Board	Capital improvements	State Parks Revenue Fund	\$1,500,000
Arizona Exposition and State Fair Board	Capital improvements	Arizona Exposition and State Fair Fund	\$1,000,000
Department of Veterans' Services	Veterans' home facility in Yuma	GF	\$9,200,000
ADOT	Highway construction	State Highway Fund	\$208,899,000
	Airport planning and development	State Aviation Fund	\$20,012,300
	De-icer buildings	State Highway Fund	\$2,280,000
	Vehicle wash systems	State Highway Fund	\$3,000,000

ADOT - Requires ADOT and the General Accounting Office to report by November 1, 2014, on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources and all capital outlay information for FYs 2014, 2015 and 2016. Requires ADOT, by November 1, 2014, to also report its estimated outstanding debt principle balance at the end of FY 2016 and the estimated debt service payment amount for FY 2016.

higher education; budget reconciliation; 2014-2015. (H.B. 2711) – Chapter 16

School District Charter Schools – Requires the Arizona Department of Education for FY 2016 to compute K-12 equalization formula funding for students who in FY 2015 attended school district charter schools that converted to charter school status in FY 2014 as if those students attended district non-charter schools in FY 2015. Caps, beginning in FY 2015, the Average Daily Membership (ADM) of students attending school district charter schools that became operational prior to FY 2014 at no more than 20 percent of the ADM of all students who attended district charter schools in the district in FY 2013.

Joint Technological Education Districts (JTED) – Funds state aid for JTEDs with a student count of more than 2,000 students at 95.5 percent of the amount that would otherwise be provided by law.

Higher Education: Continues, for FY 2015, to allow the Legislature to match less than 2:1 to student registration surcharges deposited in the Arizona Financial Aid Trust. Funds community college district Science, Technology, Engineering and Mathematics and Workforce Programs for FY 2015 as specified in the General Appropriations Act (Laws 2014, Chapter 18).

The total appropriation for STEM and Workforce funding for FY 2015 is \$8,156,100 and is allocated as follows:

Community College District	Fund Source	FY 2015 Appropriation
Cochise	GF	\$1,236,700
Coconino	GF	\$426,900
Gila	GF	\$142,800
Graham	GF	\$640,500
Maricopa	GF	\$1,400,000
Mohave	GF	\$593,700
Navajo	GF	\$375,400
Pima	GF	\$600,000
Pinal	GF	\$1,009,300
Santa Cruz	GF	\$45,400
Yavapai	GF	\$802,900
Yuma/La Paz	GF	\$882,500

LEGISLATION VETOED

technical correction; escape; secure facility (NOW: firearm; definition) (S.B. 1366) – VETOED

Modifies the definition of *firearm* to include a weapon that will expel or is designed to expel a solid projectile or projectiles through a barrel or tube by the action of rapidly expanding gases created by a burning propellant or burning powder. Removes, from the definition of *firearm*, a weapon that may readily be converted to expel a solid projectile or projectiles. States that a prohibited possessor commits misconduct involving weapons by knowingly possessing any device that may be readily converted into a *firearm*.

The Governor indicates in her veto message that S.B. 1366 excludes serious weapons that could cause injury or fatality from the definition of *firearm* and that the weapons would be permitted into public buildings, including courts, community correction facilities and polling places. The Governor also expresses concerns that law enforcement officers would be prohibited from temporarily taking such a weapon away from someone during an interaction or an interview. Finally, the Governor states that she is concerned with the removal of the phrase *readily convertible* from the definition.

state agencies; budget submission (NOW: cost accounting; study committee) (H.B. 2385) – VETOED

Establishes the State Agency Cost Accounting Legislative Study Committee (Committee) and charges the Committee with developing legislative recommendations relating to appropriate and efficient mechanisms for collecting information regarding monies that are spent or otherwise pass through each budget unit in relation to projected expenditures. Requires the Committee to look at other matters related to state agency budget estimates and budget reductions that the Committee deems necessary. Contains reporting requirements and repeals the Committee on October 1, 2015.

The Governor indicated in her veto message that the Legislature already has the authority to create a study committee and that this legislation is not necessary.

domestic farm wineries; fruit pomace (H.B. 2661) – VETOED

Modifies regulations pertaining to farm winery licenses and creates a craft distiller license. Conditions the enactment of this legislation on S.B. 1397 becoming law.

The Governor indicates in her veto message that signing H.B. 2661 would be redundant and unnecessary as S.B. 1397 (Laws 2014, Chapter 253), which she did sign, contains identical provisions.

SECOND SPECIAL SESSION

appropriations; department of child safety. (S.B. 1002) – Second Special Session – Chapter 2

S.B. 1002 transfers \$792,000,000 from the Department of Economic Security (DES) to the newly created Department of Child Safety (DCS) and appropriates an additional \$54,700,000 to the new agency in the following amounts:

Category	FY 2015 (in 1,000's)
Backlog – Action Determination	246.5
Backlog – Investigation	4,218.5
Backlog – Out-of-Home Care Placement	6,815.9
Backlog – Out-of-Home Care Services	7,620.3
Backlog – In-Home Care Services	4,173.1
Caseworkers and Support Staff (54 caseworkers and 40 support staff)	6,222.5
Caseworker Retention (\$1,000 for 18 months, \$3,000 for 36 months)	1,707.0
ASU – Joint Training	150.0
Child Care	4,000.0
Internet Crimes Against Children	350.0
Office of Child Welfare Investigations (54 investigators and 19 support staff)	5,282.5
Inspections Bureau	2,193.8
Ombudsman	828.5
Auditor General	250.0
Internal Legal Counsel	157.3

Congregate Care Backfill	2,450.0
Transition Fund	5,000.0
Partial Deferral Payoff	3,000.0
TOTAL	\$54,665.9

Enacts a new DES budget minus the DCS dollars and appropriates a \$5,000,000 supplemental from the state General Fund (GF) to DES in FY 2014 for emergency and residential placement.

In addition to the \$20,000,000 already appropriated by Laws 2014, Chapter 18, appropriates \$5,000,000 from the state GF in FY 2015 to Arizona Department of Administration (ADOA) for costs associated with the establishment of DCS and the relocation of the data center operated by DES.

Defines *backlog* and specifies that certain appropriated amounts must be used to address backlog cases. It also requires DCS, before June 16, 2014, to submit a report of proposed quarterly benchmarks for assessing progress in reducing this backlog and additionally requires a quarterly report to further assess that progress. That report refers to a *fixed base* date of June 2, 2014, and requires DCS to delineate disposition of backlog cases as of the close of business on this date. The report must also provide the total number of cases reaching backlog status after this date.

Specifies that retention payments to caseworkers in the amounts of \$1,000 after 18 months of employment and \$3,000 after 36 months of employment are one-time payments. The Office of Child Welfare Investigations (OCWI) is required, at least 30 days before any transfer of monies into or out of OCWI, to report that proposed transfer to the Joint Legislative Budget Committee (JLBC). DCS is required to report on short-term methods to improve the cost accounting for individual child welfare cases prior to full implementation of upgrades to the children's information and library and data source (CHILDS). Repeals the DES designated monthly report date and instead requires DCS to report monthly delineating its progress on hiring caseworkers, hotline staff, staff in training and all other workers.

Divides the existing DES rollover between DES and DCS, resulting in a \$21,000,000 deferral for DES. The DCS portion of the deferral would be reduced to \$11,000,000, resulting in the elimination of its May rollover.

Appropriates \$828,500 in state GF monies in FY 2015 to the Office of Ombudsman-Citizens' Aide for operating expenses of the office, and \$250,000 to the Auditor General to engage an independent consultant with expertise in child welfare systems to examine the current system and consider best practices.