

**MAJOR GENERAL FUND POLICY ISSUES
FY 2004 INCREASES ABOVE (BELOW) THE FY 2003 BUDGET**

MAJOR ISSUES	ENACTED FY 2004 BUDGET
General Fund Budget	<p><i>As Transmitted to the Governor:</i></p> <ul style="list-style-type: none"> • \$6.39 Billion • \$390 M Increase, or 6.3%, above prior year excluding '03 K-12 Rollover Commitment • \$189 M Increase, or 3.0%, above prior year including '03 K-12 Rollover Commitment <p><i>After Line Item Vetoes:</i></p> <ul style="list-style-type: none"> • \$6.41 Billion • \$399 M Increase, or 6.6%, above prior year excluding '03 K-12 Rollover Commitment • \$208 M Increase, or 3.4%, above prior year including '03 K-12 Rollover Commitment
FY 04 Ending Balance	<ul style="list-style-type: none"> • \$12 M As Transmitted to the Governor • \$24 M After Line Item Vetoes • \$45 M After Line Item Vetoes and Higher than Expected FY 03 Balance
Line Item Vetoes	<ul style="list-style-type: none"> • Governor Vetoes had a cost of \$63 M through higher spending and lower revenues. Governor uses \$75 M in Ladewig set aside to finance vetoes.
Revenue	
Baseline Growth	<ul style="list-style-type: none"> • 4.5%
One-Time Federal Funds	<ul style="list-style-type: none"> • \$174 M of Federal Cash Deposited to General Fund • \$119 M Federal Medicaid Match Rate Savings (incorporated into agency budgets). Prior to Line Item Vetoes, this Savings was \$134 M. • \$13 M of New Net Federal Disproportionate Share Revenues
Fund Transfers	<ul style="list-style-type: none"> • \$50 M (\$70 M Prior to Vetoes): <ul style="list-style-type: none"> - \$11.7 M Clean Air In-Lieu Fund - \$6.8 M State Lake Improvement Fund - \$5 M WQARF - \$9 M Water Banking Fund - \$5 M ADOA Revolving Funds • Governor Line Item Vetoed \$20 M of Transfers, Including: <ul style="list-style-type: none"> - \$8 M Heritage Fund - \$7 M Arts Endowment Fund - \$4 M Technology and Telecommunications Fund - \$1 M Defensive Driving Fund
Tax Proposals	<ul style="list-style-type: none"> • \$70 M for Medicaid Exemption Premium Tax • \$30 M for Tax Amnesty and \$5 Minimum Monthly Withholding
Ladewig Settlement	<ul style="list-style-type: none"> • Governor Vetoed \$75 M set aside for lawsuit settlement. Leaves \$7 M in FY 04 Administrative Costs Unfunded.
Tax Enforcement	<ul style="list-style-type: none"> • \$53 M from DOR Revenue Generating Plan
Asset Sales	<ul style="list-style-type: none"> • No Asset Sales
Use VLT for GF Revenue	<ul style="list-style-type: none"> • No VLT Transfer
Excess 03 \$	<ul style="list-style-type: none"> • Reduces \$80 M in Efficiency Savings Dollar for Dollar
Judicial Fees	<ul style="list-style-type: none"> • Trigger \$45 M Above FY 03 Level for State Employee Benefit Costs
Capital	
Debt Financing	<ul style="list-style-type: none"> • \$250 M for New School Construction in FY 04 through Lease-Purchase • \$280 M for Deficiency Corrections through Revenue Bonding • \$400 M for University Research Infrastructure through Lease-Purchase • \$300 M for Phoenix Convention Center Expansion Subsidy
Capital Outlay	<ul style="list-style-type: none"> • Shift \$0.5 M from GF to Land Fund for Pioneers' Home • 17% Building Renewal from Other Funds

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Education	
Department of Education (K-12)	<p><i>\$345.3 M Above FY 03 (\$154 M Excluding Rollover):</i></p> <ul style="list-style-type: none"> • <i>\$191.3 M</i> for Deferred FY 03 Payment (Rollover) • Rollover is not “paid off” as June ’04 Payment will be Deferred to FY ’05, but Rollover does not Grow • <i>\$132.2 M</i> for 3.2% Enrollment Growth of 29,220 Students • <i>\$(137.3) M</i> due to 10% Assessed Value growth • <i>\$73.3 M</i> for 2% Inflation Increase • <i>\$51.1 M</i> for Truth in Taxation • <i>\$23.5 M</i> for Homeowner’s Rebate Growth • <i>\$10.5 M</i> to Offset Lower Trust Land Income • <i>\$(2.4) M</i> for Funding Rapid Decline at 50% • <i>\$(1.0) M</i> for Parental Choice for Reading Success Double Count
Universities	<p><i>\$0 M Above FY 03:</i></p> <ul style="list-style-type: none"> • Maintain at FY 03 Level
School Facilities Board	<p><i>\$(17) M Below FY 03:</i></p> <ul style="list-style-type: none"> • <i>\$21.3 M</i> for Debt Service on FY 2003 New School Construction Lease-Purchase • Authorizes Up to \$250 M Lease-Purchase for FY ’04 New Schools. No Debt Service until FY ’05 • <i>\$(38.3) M</i> for Previously Enacted Suspension of Building Renewal Formula • Deficiencies Correction Bond Issuance of \$280 M. Debt Service begins in FY 05
Community Colleges	<p><i>\$0.7 M Above FY 03:</i></p> <ul style="list-style-type: none"> • Freeze Formula Funding • <i>\$1 M</i> for Added Equalization Assistance • <i>\$(0.2) M</i> to Eliminate the State Board
Health and Welfare	
AHCCCS	<p><i>\$68.0 M Above FY 03:</i></p> <ul style="list-style-type: none"> • <i>\$127.8 M</i> for Acute Care and Proposition 204 Caseload and Inflation Growth • <i>\$44.5 M</i> Offset for Decreased Tobacco Settlement and One-Time Monies • <i>\$(16.5) M</i> for Increased Offset from Tobacco Tax, Including New Proposition 303 Proceeds • <i>\$(5.2) M</i> for Increased Offset from 303 Emergency Account • <i>\$(4.8) M</i> for the Elimination of the SES Doctor/Clinic Reimbursement • <i>\$(1.2)M</i> for the Elimination of Emergency Dental Coverage for Adults • <i>\$(10.5) M</i> for Higher Co-Pays • <i>\$(7.8) M</i> for Shortening the Redetermination Period • <i>\$(14.9) M</i> for Decreased Disproportionate Share Payments • <i>\$4.2 M</i> for ALTCS Growth (Plus one-time County monies) • <i>\$16.4 M</i> to Continue Funding CHIP Program • <i>\$(3) M</i> to Continue CHIP Parents. Includes one-time Prop 204 Savings from Enhanced Match Rate. • <i>\$(1.8) M</i> to Increase Cost-Sharing Options for CHIP Parents • Eliminates Premium Sharing Funding due to Tobacco Tax Shortfall • <i>\$16.8 M</i> for Medicaid Exemption Match • <i>\$4 M</i> for Health Care Group • Funds Trauma Centers with \$ 5 M of Prop 303 Emergency Services Monies • <i>\$(79.1) M</i> for Federal Match Rate Savings
Department of Economic Security	<p><i>\$20.1 M Above FY 03 (\$4.1 M Prior to Vetoes):</i></p> <ul style="list-style-type: none"> • <i>\$13 M</i> for 9.5% Title XIX Developmental Disabilities Growth of 1,398 Clients • <i>\$(14.9) M</i> for Federal Match Rate Savings • <i>\$(4.5) M</i> for Annual Deductible for Household Above \$74 K (400% FPL) w/Children in Long-Term Care Program and Other Increased Cost Sharing • <i>\$2.6 M</i> for Medicaid Exemption Match

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	<ul style="list-style-type: none"> • \$2.1 M for full General Assistance Funding of \$4.3 M • \$13.6 M for Child Care Shift from TANF to GF and Matching Federal Funds • \$(3.7) M to Shift JOBS Costs to Job Training Fund • \$(750) K to Shift Children Services Costs to Child Abuse Prevention Fund • \$(2) M for 5% Admin Cuts, Excluding CPS, Child Support, DD Caseworkers • \$15.9 M Unallocated due to Line Item Veto of Federal Match Rate Savings and Lump Sum Reductions
Federal Temporary Assistance for Needy Families (TANF) Block Grant	<p><i>\$(41.6) M Other Funds Below FY 03:</i></p> <ul style="list-style-type: none"> • \$10.8 M for 3.4% TANF Cash Benefits Caseload Growth of 7,183 Recipients • \$(11.1) M for Reducing TANF Transfer to SSBG to Federal Limit (Less Children Services) • \$5 M for Children Services to offset TANF/SSBG Shift • \$(6) M for Job Training and Transportation • \$(38.3) M for Child Care Subsidies, Increase of \$23.3 M of Federal Child Care Monies • \$(1) M for Family Builders • \$5 M for Healthy Families to Replace Lost Tobacco Settlement Funding • \$1.7 M for Joint Substance Abuse (Families FIRST) • \$(0.5) M for Emergency Services Shift to Utility Assistance Fund • \$(3.3) M for 15% Administrative Cuts
Department of Health Services	<p><i>\$15.3 M Above FY 03 (\$3.3 M Prior to Vetoes):</i></p> <ul style="list-style-type: none"> • \$25.7 M for 5% Title XIX Growth of 51,502 • \$(4) M Savings for a Fund Shift to Tobacco Tax with a Corresponding Reduction in current Medically Needy Programs including: <ul style="list-style-type: none"> - \$(1.6) M for Mental Health Non-Title XIX - \$(1.0) M for Health Crisis Fund - \$(1.4) M for Other Programs • \$1.3 M to Move Laboratory Lease-Purchase from Capital Budget; Funds \$1.1 M from COSF Monies • \$(1.3) M to Require Maricopa County to Pay 100% of Restoration to Competency Costs • \$(1.4) M to Shift Operating Costs to Vital Records Electronic Systems Fund • \$(4.5) M for Reductions in Non-Title XIX Behavioral Health • \$3.3 M for Medicaid Exemption Match • \$(18.3) M for Federal Match Rate Savings • \$12.1 M Unallocated due to Line Item Vetoes of Lump Sum Reductions
Criminal Justice	
Department of Corrections	<p><i>\$25.6 M Above FY 03:</i></p> <ul style="list-style-type: none"> • \$17.9 M for State Employee Health Insurance and Retirement Contribution Increases • \$2.8 M for Annualization of 645 Private Beds • \$4.8 M for 400 New Private Beds in July • Shifts 1,350 State Beds to Private • \$6.9 M to Retain Sentences of 1 Year or Less at Prisons • \$(5) M Lump Sum Reduction
Judiciary	<p><i>\$(24.4) M Below FY 03:</i></p> <ul style="list-style-type: none"> • \$(2.8) M for Fund Shifts (\$2.0 M to the Judicial Collection Enhancement Fund and \$0.8 M to the Court Appointed Special Advocate Fund) • \$(24) M Shift of Adult Probation Spending to Maricopa County • Permit Courts to bill Counties for \$1.4 M of Probation Costs.
Department of Juvenile Corrections	<p><i>\$0.5 M Above FY 03:</i></p> <ul style="list-style-type: none"> • \$(0.2) M Technical Changes • Funds 818 Beds

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Department of Public Safety	<p><i>\$(2.8) M Below FY 03:</i></p> <ul style="list-style-type: none"> • <i>\$(11) M</i> for Fund Shifts, including \$8.2 M for county proposal • <i>\$10 M</i> to Restore One-Time FY 03 HURF Shift • <i>\$(0.3) M</i> for Shift of Firearms Clearance to Federal Government • <i>\$(0.2) M</i> to Shift Liquor Duties to Liquor Department • <i>\$(0.3) M</i> for new Sex Offender fee
All Other	
Efficiency Savings	<ul style="list-style-type: none"> • <i>\$(80) M</i> Savings • Reduced Dollar for Dollar with Excess FY 03 Revenues
Maximizing Federal Funds	<ul style="list-style-type: none"> • <i>\$(25) M</i> Savings
Department of Commerce/Office of Tourism	<p><i>\$(0.3) M Below FY 03:</i></p> <ul style="list-style-type: none"> • Does not Combine Agencies
Department of Emergency and Military Affairs	<p><i>\$0.2 M Above FY 03:</i></p> <ul style="list-style-type: none"> • Maintains FY 03 Funding for Project Challenge • Maintains FY 03 Funding for Tuition Assistance
Department of Environmental Quality	<p><i>\$0.1 M Above FY 03:</i></p> <ul style="list-style-type: none"> • WQARF: Net \$5 M General Fund Deposit plus \$2.5 M Deposit from Air Quality Fund
Game and Fish	<p><i>\$1.8 M Other Funds Above FY 03:</i></p> <ul style="list-style-type: none"> • Essentially Funds Department's Request
State Parks	<p><i>\$2.3 M Above FY 03:</i></p> <ul style="list-style-type: none"> • <i>\$(3.2) M</i> by using Park Fees for Park Operations • <i>\$(0.7) M</i> for Using Land Conservation Fund Interest for Park Operations • <i>\$6.2 M</i> to Restore One-Time FY 03 Heritage Fund Shift
Department of Revenue	<p><i>\$3.0 M Above FY 03:</i></p> <ul style="list-style-type: none"> • Annualize Revenue Generating Staff of 153 FTE's
Secretary of State	<p><i>\$(0.4) M Below FY 03:</i></p> <ul style="list-style-type: none"> • <i>\$(2.8) M</i> to Eliminate Funding for the 2002 State Primary and General Elections • <i>\$1.5 M</i> for the Presidential Preference Primary • <i>\$0.8 M</i> for Help America Vote Act 5% State Match • <i>\$0.1 M</i> for Tucson Office • <i>\$0.1 M</i> for Legal Services
Department of Transportation	<p><i>\$62.1 M Other Funds Above FY 03:</i></p> <ul style="list-style-type: none"> • Continue FY 03 Reduction of \$(12) M, including \$(10) M from State Highway Fund and \$(2) M from Equipment Fund • \$50.7 M OF to Appropriate Highway Construction Operating Budget
State Treasurer	<p><i>\$0.3 M Above FY 03:</i></p> <ul style="list-style-type: none"> • <i>\$0.3 M</i> for Automation Plan
Department of Water Resources	<p><i>\$(42.7) K Below FY 03:</i></p> <ul style="list-style-type: none"> • No Water Protection Fund Deposit
Higher State Employee Health Costs	<p><i>\$11 M Above FY 03:</i></p> <ul style="list-style-type: none"> • New Funding for Department of Corrections; Remaining GF Agencies Absorb \$22.5 M Increase. Funding Triggered with Excess Judicial Collections
Higher Retirement Costs	<p><i>\$7 M Above FY 03:</i></p> <ul style="list-style-type: none"> • New Funding for Department of Corrections; Remaining Agencies Absorb \$22 M Increase. Funding Triggered with Excess Judicial Collections.
Urban Revenue Sharing	<ul style="list-style-type: none"> • <i>\$365 M</i>, based on Current 14.8% Formula • <i>\$(65) M</i> Decline from FY '03 due to lower Income Tax Collections
Counties	<ul style="list-style-type: none"> • Net Impact of \$19 Million • Maricopa, \$15 M - Building Purchases, \$4.8 M

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	<ul style="list-style-type: none"> - Adult Probation Shift, \$22 M (net) - 100% Restoration to Competency, \$1.3 M - General Billing, \$5.4 M - \$(19) M Federal Match Rate and Revenue Generating Plan Savings • Other Counties, \$4 M <ul style="list-style-type: none"> - General Billing, \$7 M - Transportation Billing, \$8 M - \$(11) M Federal Match Rate and Revenue Generating Plan Savings
Other Revenue	<ul style="list-style-type: none"> • \$21 M (\$30 M Prior to Vetoes): <ul style="list-style-type: none"> - \$7.0 M Deferral of Flight Property to Aviation Fund - \$10.2 M Maricopa Deposit and Building Purchase - \$1.1 M Lawsuit Settlement - \$1.4 M Pima County Probation Fees - \$0.7 M Fines/Civil Penalties • Governor Line Item Vetoed \$12 M of New Revenue, Including <ul style="list-style-type: none"> - \$3 M Parents' Drug Commission - \$2.5 M Medical Services Enhancement Fund - \$2.5 M Housing Fund - \$2.2 M Attorney General Cost Allocation Charges