

**EXCESS BALANCE TRANSFERS <sup>1/</sup>**  
**For Fiscal Years 2003 and 2004**

<u>AGENCY/FUND</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>Page #</u>
<b>Department of Administration</b>			
Air Quality Fund (ADA2226)	(250,000)	0	T-3
Retiree Accumulated Sick Leave Fund (YYA3200)	(400,000)	0	T-3
Technology & Telecommunications Fund (ADA4201)	0	(4,000,000)	T-3
Motor Vehicle Pool Revolving Fund (ADA4204)	0	(1,000,000)	T-3
DOA 911 Emergency Telecom Services Revolving Fund (ADA2176)	(7,000,000)	(3,000,000)	T-3
Risk Management Fund (ADA4216)	(2,000,000)	0	T-3
<b>Department of Agriculture</b>			
Commercial Feed Fund (AHA2012)	(450,000)	0	T-4
Pesticide Fund (AHA2051)	(400,000)	0	T-4
Fertilizer Materials Fund (AHA2081)	(150,000)	0	T-4
<b>AZ Commission to the Arts</b>			
Arts Endowment Fund Principal (HUA3106)	0	(7,000,000)	T-4
<b>Attorney General</b>			
Anti-Racketeering Fund (RICO) (AGA2131)	(250,000)	0	T-4
Prosecuting Attorneys Fund (AGA2057)	(200,000)	0	T-4
<b>Banking Department</b>			
Receivership Fund (BDA3023)	(150,000)	0	T-5
<b>Department of Commerce</b>			
Greater AZ Development Authority Revolving (EPA2311)	(2,000,000)	0	T-5
Arizona Job Training Fund (EPA1237)	(5,000,000)	(5,000,000)	T-5
Oil Overcharge Fund (EPA3171)	0	2/	T-5
<b>Compensation Fund, State</b>			
Compensation Fund (TRA9002)	(50,000,000)	(100,000,000)	T-6
<b>Corporation Commission</b>			
Utility Regulation Revolving Fund (CCA2172)	(650,000)	0	T-6
<b>Department of Corrections</b>			
Alcohol Abuse Treatment Fund (DCA2204)	(400,000)	0	T-6
ACI Enterprises Revolving Fund (DCA4002)	(1,000,000)	(1,000,000)	T-6
Drug Treatment and Education Fund (DCA2277)	(1,000,000)	0	T-7
<b>AZ Commission for the Deaf &amp; the Hard of Hearing</b>			
Telecommunication Fund for the Deaf (DFA2047)	0	(1,000,000)	T-7
<b>Department of Economic Security</b>			
Long Term Care System Fund (DEA2225)	(2,000,000)	0	T-7
Public Assistance Collections Fund (DEA2217)	(400,000)	0	T-7
<b>Department of Environmental Quality</b>			
ADEQ Air Quality Fee Fund (EVA2226)	(650,000)	0	T-7
UST Municipal Tank Closure Account (EVA2271)	(500,000)	0	T-8
UST Assurance - Maricopa County Account (EVA2271)	(500,000)	0	T-8
UST Assurance - Non-Maricopa County Account (EVA2271)	(1,500,000)	0	T-8
Clean Air Fund (EVA1238)	(2,300,000)	0	T-8
Voluntary Vehicle Repair/Retrofit Fund (EVA2365)	(500,000)	0	T-8
Recycling Fund (EVA2289)	(1,000,000)	0	T-8
Indirect Cost Fund (EVA9000)	(900,000)	0	T-8
VEI Fund (EVA2082)	(500,000)	0	T-9
Air Quality Fund In-Lieu Fee Account (EVA2226)	0	(11,700,000)	T-9
ADEQ Water Quality Assurance Revolving Fund (EVA2221)	0	(5,000,000)	T-9
<b>Exposition and State Fair Board</b>			
State Fair Fund (CLA4001)	0	(1,000,000)	T-9

<u>AGENCY/FUND</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>Page #</u>
Game and Fish Department			
Game & Fish Heritage Fund (GFA2295)	(10,000,000)	(5,000,000)	T-10
Watercraft Licensing Fund (GFA2079)	(1,000,000)	(1,000,000)	T-10
Department of Health Services			
Poison Control Fund (HSA2112)	(1,500,000)	0	T-10
Medical Services Stabilization Fund (Mental Hlth Inst. Funding) (HSA3037)	(500,000)	0	T-10
Department of Housing			
Housing Trust Fund (HDA2235)	(3,000,000)	0	T-10
Industrial Commission			
Industrial Commission Administrative Fund (ICA2177)	0	(2,000,000)	T-10
Judiciary - Supreme Court			
Defensive Driving Fund (SPA2247)	(1,000,000)	(1,000,000)	T-11
Lottery			
Lottery Fund 04 (LOA2122)	0	(2,500,000)	T-11
AZ Parents Comm. On Drug Education & Prevention			
Drug Treatment and Education Fund (PCA2277)	(1,000,000)	0	T-11
State Parks Board			
Off-Highway Vehicle Recreation Fund (PRA2253)	(4,000,000)	(4,000,000)	T-11
Heritage Fund (PRA2296)	(10,000,000)	(5,000,000)	T-11
State Lake Improvement Fund (PRA2105)	0	(10,000,000)	T-12
LCF Public Conservation Account (PRA9502)	(1,600,000)	0	T-12
Department of Public Safety			
State Highway Fund Reimbursement for Prior Year Expenditures (PSA2030)	(12,000,000)	0	T-12
Residential Utility Consumer Office			
Residential Utility Consumer Office Fund (UOA2175)	(1,000,000)	0	T-12
Department of Revenue			
DOR Unclaimed Property Fund (RVA1520)	(4,200,000)	(4,200,000)	T-13
School Facilities Board			
Deficiencies Corrections Fund (SFA2455)	(4,000,000)	0	T-13
Deficiencies Corrections Fund (SFA2455)	(100,000,000)	0	T-14
Office of Tourism			
Tourism Fund (TOA2236)	0	(4,410,000)	T-14
Department of Transportation			
State Aviation Fund (DTA2005)	(5,000,000)	0	T-14
HELP Fund (DTA2417)	(20,000,000)	0	T-14
Transportation Equipment Revolving Fund (DTA2071)	0	3/	T-15
State Highway Fund (DTA2030)	4/	0	T-15
Veterans' Services			
Veterans' Cemetery Fund (VSA2481)	(315,000)	0	T-15
<b>TOTAL</b>	<b>\$(262,165,000)</b>	<b>\$(178,810,000)</b>	

- 1/ The dollar amounts from each of these funds shall be transferred to the General Fund, except as otherwise noted.  
2/ An amount of \$4 million shall be transferred to the School Facilities Board Deficiencies Corrections Fund.  
3/ An amount of \$1 million shall be transferred to the Public Safety Highway Patrol Fund.  
4/ An amount of \$4 million shall be transferred to the State Parks Board Off-Highway Vehicle Recreation Fund.

## **Arizona Department of Administration**

Proposal: Transfer from Air Quality Fund

FY 2003 Transfer Amount: \$250,000

FY 2004 Balance After Transfer: \$338,700

Description: Funded with a \$1.50 fee assessed on motor vehicle registrations; gifts, grants, and donations; and legislative appropriations. A small portion of monies in the fund is used to subsidize employee bus fares as part of the state travel reduction program. This transfer should have no effect on FY 2003 bus fare subsidies.

Proposal: Transfer from Retiree Accumulated Sick Leave Fund

FY 2003 Transfer Amount: \$400,000 GF; \$100,000 Federal Funds Reimbursement

FY 2004 Balance After Transfer: \$2,414,500

Description: Funded with a pro rata charge of 0.40% on payroll of all state agencies. Monies are used to compensate personnel retiring from state service for a portion of their accumulated sick leave. Transferred \$3,463,100 in FY 2002 and \$1,286,900 in FY 2003; with this option, the total FY 2003 transfer amount equals \$1,786,900. Between 20% and 25% of this amount will have to be refunded to the federal government for their share of the premiums paid. This option could affect the payment of accumulated sick leave benefits if there were a significant increase in the number of employees retiring in FY 2003 and FY 2004. Transferring balances in this fund has the effect of diminishing the reserve for long-term future payments.

Proposal: Transfer from Technology and Telecommunications (T&T) Fund

FY 2004 Transfer Amount: \$4,000,000

FY 2004 Balance After Transfer: \$0

Description: Funded from charges for telecommunications and data processing services offered by ADOA, and pass-through amounts for vendor services. This option should not have any effect on FY 2004 Information Technology Services operations.

Proposal: Transfer from Motor Vehicle Pool Revolving Fund

FY 2004 Transfer Amount: \$1,000,000 GF; \$250,000 Federal Funds Reimbursement

FY 2004 Balance After Transfer: \$1,852,000

Description: Funded from charges for motor pool services. Currently generating excess funds due to limited replacement vehicle purchases. This option would require approximately 25% reimbursement to the federal government for the share of federal monies paid into the fund. A General Appropriation Act footnote requires that vehicles be 6 years old or have 120,000 miles before they are replaced. This has minimized the number of vehicles replaced. After FY 2004, a substantial number of vehicles will meet the footnote criteria; funds transferred from the Motor Vehicle Pool Revolving Fund will not be available for those replacements, potentially requiring higher motor pool rates in FY 2005.

Proposal: Transfer from Emergency Telecommunications Services Revolving (911) Fund

FY 2003 Transfer Amount: \$7,000,000

FY 2004 Transfer Amount: \$3,000,000

FY 2004 Balance After Transfer: \$11,941,700

Description: Funded with telecommunications services excise tax levied against monthly telephone bills. This proposal could delay implementation of the Enhanced 911 (E911) technologies that allow emergency service personnel to locate "911" calls made from cell phones. Currently, this fund is accumulating balances due to slower than expected implementation of E911 technologies due to technical and logistical difficulties. According to published reports, other states including California (\$53 million), Oregon (\$10 million), North Carolina (\$5 million), and Washington (\$6 million) have transferred monies from their "911" funds to their General Fund.

Proposal: Transfer from Risk Management Revolving Fund

FY 2003 Transfer Amount: \$2,000,000 GF; \$500,000 Federal Funds Reimbursement

FY 2004 Balance After Transfer: \$8,124,700

Description: Funded with charges assessed to agencies insured under the state's risk management system and from monies recovered from litigation. Monies are used to pay for damages related to liability, property and workers' compensation losses. Between 20% and 25% of this amount will eventually have to be refunded to the federal government for their share of the premiums paid.

## **Department of Agriculture**

Proposal: Transfer from Commercial Feed Fund

FY 2003 Transfer Amount: \$450,000

FY 2004 Balance After Transfer: \$336,400

Description: Funded from licensing fees and fines associated with the regulation of animal and bird feeds. Monies in the fund could be transferred to the General Fund without impacting the department's current level of expenditure from the fund.

Proposal: Transfer from Pesticide Fund

FY 2003 Transfer Amount: \$400,000

FY 2004 Balance After Transfer: \$197,500

Description: Funded from a portion of pesticide registration fees and proceeds resulting from the condemnation and sale of non-compliant equipment. Monies in the fund could be transferred to the General Fund without impacting the department's current level of expenditure from the fund.

Proposal: Transfer from Fertilizer Fund

FY 2003 Transfer Amount: \$150,000

FY 2004 Balance After Transfer: \$299,900

Description: Funded from a portion of the fertilizer manufacturer's license fees and from the fees collected for the inspection of fertilizers and from the proceeds from the sale of seized, non-complying materials. Monies in the fund could be transferred to the General Fund without impacting the department's current level of expenditure from the fund.

## **Arizona Commission on the Arts**

Proposal: Transfer from Arts Endowment Fund

FY 2004 Transfer Amount: \$7,000,000

FY 2004 Balance After Transfer: \$0

Description: This option would eliminate the Arts Endowment Fund and transfer the remaining balance to the General Fund. The Arts Endowment Fund receives revenue from the Amusement Classification of the transaction privilege tax. The amount is limited to \$2,000,000 each year through FY 2009. The Arts Endowment Fund received no deposits in FY 2002 and FY 2003. Only interest earned from the fund can be used by the commission to fund art programs. In FY 2002, interest income from the Arts Endowment Fund was \$304,600.

## **Attorney General**

Proposal: Transfer from the Anti-Racketeering Fund

FY 2003 Transfer Amount: \$250,000

FY 2004 Balance After Transfer: \$0

Description: Forfeitures of property and assets to satisfy judgements pursuant to anti-racketeering statutes. Monies in the fund are used to investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes. The FY 2004 ending balance reflects the operating fund balance, and does not include assets from pending cases. The fund's operating expenditures in FY 2004 will depend on the amount of forfeitures and seizures.

Proposal: Transfer from the Prosecuting Attorneys' Advisory Council Training Fund

FY 2003 Transfer Amount: \$200,000

FY 2004 Balance After Transfer: \$471,200

Description: The fund consists of 3.03% of Criminal Justice Enhancement Fund monies. Monies in the fund are used for costs of training, technical assistance for prosecuting attorneys of the state and any political subdivision, and operational expenses for the council. The monies transferred are taken from the fund balance and do not affect projected expenditures in FY 2003 or FY 2004.

## **State Banking Department**

Proposal: Transfer from Receivership Revolving Fund

FY 2003 Transfer Amount: \$150,000

FY 2004 Balance After Transfer: \$457,400

Description: The fund consists of monies from the fees and costs of receiverships and from the Banking Department revolving fund. A receivership is a temporary entity that is established by the Department to finalize the business affairs of a failed institution. Monies in the fund are used to pay costs associated with the administration of bank receiverships. The transfer should not significantly impact departmental operations.

## **Department of Commerce**

Proposal: Transfer from Greater Arizona Development Authority Revolving Fund

FY 2003 Transfer Amount: \$2,000,000

FY 2004 Balance After Transfer: \$17,391,700

Description: The Greater Arizona Department Authority's (GADA) authorizing legislation appropriated a total of \$20 million from the General Fund from FY 1998 through FY 2000. GADA assists local and tribal governments with the development of public infrastructure projects to enhance local and regional economic development. The Authority provides loans to rural communities in order to meet infrastructure needs and issues bonds and guarantees debt obligations. The state balance in the fund serves only as collateral for the loans and is not directly loaned out. The fund defrays borrowing costs for these localities. GADA serves as a bond bank and does not issue direct loans. Underwriting firms will buy the GADA issue and the funds will be deposited with the GADA trustee for distribution to the communities.

This transfer was considered during the 6<sup>th</sup> Special Session but was deferred. Representatives from GADA indicated that they would be able to transfer this amount without negatively affecting borrowing costs for local and tribal governments, but would need more time to develop such a proposal.

Proposal: Transfer from Arizona Job Training Fund

FY 2003 Transfer Amount: \$5,000,000

FY 2004 Transfer Amount: \$5,000,000

FY 2004 Balance After Transfer: NA

Description: Pursuant to Laws 2000 Chapter 383, the Arizona Job Training Fund began receiving proceeds from a 0.1% increase in the employers' wage tax. The purpose of the fund is to provide training and retraining for specific employment opportunities with new and expanding businesses or businesses undergoing economic conversion. The fund collected \$13.4 million in FY 2002 and is expected to generate revenues of \$13 million in both FY 2004 and FY 2005.

Arizona Job Training grants are awarded for a 2-year period and are on a cost reimbursement basis, resulting in program funds remaining contractually obligated beyond the fiscal year in which the grant was awarded. In FY 2002, \$10 million was transferred from the fund to the General Fund. This dollar amount represented the General Fund portion of the fund's balance. The proposed \$5 million transfer represents monies not obligated in FY 2003. Planned job training grants (totaling about \$16 million/year) awarded by the Department of Commerce in FY 2004 would be reduced, as a \$5,000,000 transfer to the General Fund in FY 2004 would prohibit the proposed level of grants planned by the agency in that year.

Proposal: Transfer from Oil Overcharge Fund to Deficiencies Corrections

FY 2003 Transfer Amount: \$4,000,000

FY 2004 Balance After Transfer: \$0

Description: Monies in the Oil Overcharge Fund are used for energy programs throughout the state. The option would transfer \$4,000,000 from the fund to the School Facilities Board Deficiencies Correction Fund. An equal amount would then be transferred from the Deficiencies Correction Fund to the General Fund.

The Oil Overcharge Fund consists of monies given to the states from federal court settlements for alleged violations of price controls of oil and petroleum products between 1973 and 1981. The funds may be used in accordance with purposes specified under 5 separate federal laws governing: a) the weatherization of buildings and dwellings of low-income or handicapped individuals; b) the implementation of state energy conservation programs; c) the reduction of energy usage in schools and hospitals; d) the promotion of

energy conservation by small businesses and by individual; and e) home heating bill assistance for low-income individuals. Additionally, oil overcharge funds may be used for any restitutionary purpose that has previously been approved in any other state by the federal Department of Energy.

According to the Department of Commerce, transferring the remaining balance from the Oil Overcharge Fund would significantly impact the operations of the Energy Office. The Energy Office has been using the interest earned from the fund to support a portion of the costs of the office. With the \$8 million transfer to the General Fund in FY 2003, there is not significant interest revenue to continue supporting operations on interest earnings alone. Because of this, and the fact that Oil Overcharge monies represent a one-time source of revenue, the Energy Office cannot continue to rely on Oil Overcharge monies to support the office absent any fund transfer. Oil Overcharge Fund monies contribute \$1,500,000 towards Energy Office costs and support 11.8 of the Energy Office's 17 FTE Positions. The remaining FTE Positions are funded through federal monies. Commerce received \$2.7 million in federal grants for energy related programs in FY 2002.

### **State Compensation Fund**

Proposal: Transfer from State Compensation Fund

FY 2003 Transfer Amount: \$50,000,000

FY 2004 Transfer Amount: \$100,000,000

CY 2004 Balance After Transfer: \$432,000,000

Description: The fund consists of monies from workers' compensation insurance premiums, and investment income. The purpose of the fund is to insure employers against liability for workers' compensation, occupational disease and other areas required by Arizona and federal statutes. The fund was created in 1925 as part of Arizona's original Workman's Compensation Act. The Act provided start-up capital for the fund, which was later repaid. Since that time, the fund has operated without liability to the State. From 1925 through 1968, the Arizona Industrial Commission administered the fund. Beginning in 1969, the fund was separated from the Industrial Commission. It now operates under the control of a manager, who is appointed by the Governor and who operates under a Board of Control. About 85% of the Fund's policyholders are small business owners with less than 10 employees. By board resolution, the fund voluntarily acts as the insurer of last resort, thus ensuring workers' compensation coverage is available to all Arizona businesses.

### **Corporation Commission**

Proposal: Transfer from Utility Regulation Revolving Fund

FY 2003 Transfer Amount: \$650,000

FY 2004 Balance After Transfer: \$0 (before assessments for FY 2005)

Description: Fund includes assessments against public utilities regulated by the Commission. Assessments are levied on June 15 with 90% of revenues received by the 30<sup>th</sup> of the month. In FY 2002, the Commission assessed \$8.7 million, increasing the FY 2003 balance in the fund to \$12.2 million. The appropriation from the Utility Regulation Revolving fund in FY 2003 is \$10.8 million, resulting in an excess balance of \$1.4 million for FY 2003, of which \$750,000 was transferred to the General Fund during the 6<sup>th</sup> Special Session. This left a remaining excess balance of \$650,000. Assessments are levied in June in order to match operational expenditures for the next fiscal year. This proposal would reduce the FY 2003 balance to \$0.

### **Department of Corrections**

Proposal: Transfer from Alcohol Abuse Treatment Fund

FY 2003 Transfer Amount: \$400,000

FY 2004 Balance After Transfer: \$57,800

Description: The Alcohol Abuse Treatment Fund is an appropriated fund used by the department to provide alcohol abuse treatment and rehabilitation services to DUI inmates. The fund receives its revenue from wages earned by DUI inmates. Monies in the fund could be transferred to the General Fund without impacting the department's current level of expenditure from the fund.

Proposal: Transfer from Arizona Correctional Industries Revolving (ACI) Fund

FY 2003 Transfer Amount: \$1,000,000

FY 2004 Transfer Amount: \$1,000,000

FY 2004 Balance After Transfer: \$4,421,500

Description: The ACI Fund is a non-appropriated fund used by the department for ACI operational costs including compensating state employees and inmates working at ACI, and purchasing materials for the manufacture of goods for sale by ACI. The fund receives its revenue from the sale of ACI goods and services. Monies in the fund could be transferred to the General Fund without impacting the department's current FY 2003 or FY 2004 expenditure plans.

Proposal: Transfer from Drug Treatment and Education Fund

FY 2003 Transfer Amount: \$1,000,000

FY 2004 Balance After Transfer: \$1,389,300

Description: The Drug Treatment and Education Fund is a non-appropriated fund used by the department to provide rehabilitation programs and counseling for paroled inmates who have a history of substance abuse. The fund receives its revenue from tax revenues collected on liquor products. Monies in the fund could be transferred to the General Fund without impacting the department's current FY 2003 expenditure plans.

### **AZ Commission for the Deaf and the Hard of Hearing**

Proposal: Transfer from Telecommunication Fund for the Deaf

FY 2004 Transfer Amount: \$1,000,000

FY 2004 Balance After Transfer: \$2,458,900

Description: The fund receives revenue from the Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills. The fund receives revenues from the tax equal to 0.8% of local telephone bills. The remainder of the surcharge, equal to 0.3% of the local telephone bills, is allocated to the Poison Control Fund that is administered by the Department of Health Services. The Telecommunication Fund for the Deaf pays for operating expenses of the Commission and of the Arizona Relay Service, and also purchases, repairs, and distributes telecommunication devices for the deaf and the severely hearing and speech impaired. This transfer will not impact the agency's operations as current estimated revenues for FY 2004 would cover estimated expenditures.

### **Department of Economic Security**

Proposal: Transfer from Dept. Long Term Care System Fund (Federal Matched)

FY 2003 Transfer Amount: \$2,000,000

FY 2004 Balance After Transfer: \$6,000,000

Description: This portion of the Long Term Care System Fund consists of both state General Fund monies and matching federal Title XIX monies received as capitation rate revenue for the state's Long Term Care (LTC) program for developmentally disabled clients. These revenues represent capitation rate revenues in excess of client expenditures. Approximately \$9.4 million was transferred from this fund to the General Fund in FY 2002. This transfer would not affect services unless DES spends \$6 million more on the LTC program than it receives in capitation rate revenues.

Proposal: Transfer from Public Assistance Collections Fund

FY 2003 Transfer Amount: \$400,000

FY 2004 Balance After Transfer: \$135,300

Description: This fund receives 25% of monies collected in recovery payments from ineligible or overpaid public assistance recipients. The monies are appropriated to improve public assistance collection activities.

### **Department of Environmental Quality**

Proposal: Transfer from Air Quality Fund

FY 2003 Transfer Amount: \$650,000

FY 2004 Balance After Transfer: \$187,000

Description: The Air Quality Fee Fund's primary revenue source is a \$1.50 fee assessed on motor vehicle registrations. The fund is used to pay costs of air quality research, experiments, education, and programs conducted by or for the Department of Environmental Quality (DEQ). The fund also provides monies for Department of Weights and Measures Oxygenated Fuels and Vapor Recovery programs and Department of Administration Bus Subsidy and Travel Reduction programs. The transfer would not impact the existing level of air quality research, experimentation, and education.

Proposal: Transfer from Underground Storage Tank (UST) Assurance Account: Municipal Closure Account  
FY 2003 Transfer Amount: \$500,000  
FY 2004 Balance After Transfer: \$576,700  
Description: The Underground Storage Tank Assurance Account – Municipal Closure Account received a one-time transfer of approximately \$2.6 million from the UST-Grant Account in FY 2002. The fund is used to perform permanent closures and corrective actions on underground storage tanks in cities and towns requesting assistance. The transfer would reduce the resources available in future years for tank closures and corrective actions in small towns.

Proposal: Transfer from UST Assurance Account: Maricopa County  
FY 2003 Transfer Amount: \$500,000  
FY 2004 Balance After Transfer: \$17,809,600  
Description: The Underground Storage Tank Assurance Account – Maricopa County receives revenue from a 1¢/gallon excise tax on gasoline purchased in Maricopa County. The fund is used to provide partial coverage of corrective action costs to underground storage tank owners and to reimburse DEQ if the state is required to take corrective action on a tank in Maricopa County. The transfer would reduce the amounts available to pay claims for corrective action costs in future years.

Proposal: Transfer from UST Assurance Account: Non-Maricopa County  
FY 2003 Transfer Amount: \$1,500,000  
FY 2004 Balance After Transfer: \$25,929,800  
Description: The Underground Storage Tank Assurance Account: Non-Maricopa County receives revenue from a 1¢/gallon excise tax on regulated substances (predominantly gasoline) purchased in all areas outside Maricopa County. The fund is used to provide partial coverage of corrective action costs to underground storage tank owners and to reimburse DEQ if the state is required to take corrective action on a tank in areas outside Maricopa County. The transfer would reduce the amounts available to pay claims for corrective action costs in future years.

Proposal: Transfer from Arizona Clean Air Fund  
FY 2003 Transfer Amount: \$2,300,000  
FY 2004 Balance After Transfer: \$2,220,800  
Description: The Arizona Clean Air fund receives its primary revenue from fees that owners of vehicles 5-years old or newer may pay in-lieu of receiving an emissions inspection. The fund is used to provide grants for purchasing alternative fuels vehicles and for diesel vehicle conversion grants. The transfer would result in fewer monies available for grants.

Proposal: Transfer from Voluntary Vehicle Repair and Retrofit (VVRR) Fund  
FY 2003 Transfer Amount: \$500,000  
FY 2004 Balance After Transfer: \$0  
Description: The Voluntary Vehicle Repair and Retrofit Fund receives revenue from legislative appropriations and from a \$10 fee on diesel vehicles registered in the state. In addition, Laws 2001, Chapter 371 appropriated \$2,600,000 from the Air Quality Fund to VVRR in FY 2003. The fund is used to provide monies to local programs intended to repair or retrofit vehicles that fail emissions tests. The transfer would result in a reduction in monies available for grants.

Proposal: Transfer from Recycling Fund  
FY 2003 Transfer Amount: \$1,000,000  
FY 2004 Balance After Transfer: \$198,600  
Description: The Recycling Fund received revenue from landfill disposal fees and legislative appropriations. The purpose of the fund is to provide grants to local governments and others for developing recycling markets and programs, for public information and assistance on source reduction and recycling. This transfer would not affect the current level of grants provided by the department.

Proposal: Transfer from Indirect Cost Recovery Fund  
FY 2003 Transfer Amount: \$900,000  
FY 2004 Balance After Transfer: \$454,900  
Description: The Indirect Cost Recovery Fund receives revenue from monies transferred from DEQ's appropriated and non-appropriated funds, including federal grants, and is used to pay departmentwide administrative and overhead costs. Administrative expenditures include supporting the Director's office, the Deputy Directors' Office, and other agencywide administrative expenses.

Proposal: Transfer from Vehicle Emissions Inspection Fund

FY 2003 Transfer Amount: \$500,000

FY 2004 Balance After Transfer: \$171,000

Description: The Vehicle Emissions Inspection (VEI) Fund receives revenue from a fee charged to motorists for vehicle emissions inspections. The purpose of the fund is to pay the contractor's costs of operating the VEI program and DEQ's program administrative costs. The transfer would constrain the ability to reduce the administrative fee charged by DEQ.

Proposal: Transfer from the Air Quality Fund In-lieu Fee Account

FY 2004 Transfer Amount: \$11,700,000

FY 2004 Balance after Transfer: \$0

Description: Beginning in FY 2004, the Air Quality Fund will receive revenues from a fee paid by motorists, in Pima and Maricopa County, that own vehicles 5 years old or newer, in-lieu of an emissions inspection. This VEI In-Lieu fee was originally set to expire at the end of FY 2003. Laws 2002, Chapter 296, however, continued the VEI In-Lieu fee and deposits it into an account of the Air Quality Fund for a number of air quality purposes. The uses of these monies include:

- 5% of the revenues for the Voluntary Lawn and Garden Equipment program,
- 15% for the Voluntary Vehicle Repair and Retrofit program,
- 30% for the Diesel Vehicle Low Emissions Incentive Grant program,
- 10% for the voluntary accelerated purchase of Tier 2 and Tier 3 non-road equipment,
- 15% for grants to counties with a population fewer than 400,000 for travel reduction and voluntary no-drive day programs, and
- 25% for other air quality programs and measures to be determined by DEQ.

These fees are estimated to generate approximately \$11,700,000 for these purposes in FY 2004. The proposed transfer would result in the elimination of the uses for the monies listed above. A recommended session law provision repeals the VEI In-Lieu fee beginning in FY 2006.

Proposal: Transfer from Water Quality Assurance Revolving Fund (WQARF)

FY 2004 Transfer Amount: \$5,000,000

FY 2004 Balance After Transfer: \$0

Description: WQARF is funded in part from an annual transfer of \$15,000,000 from the Corporate Income Tax (CIT), as stipulated in A.R.S. § 49-282. In addition, WQARF generates other revenue from other license and registration fees (approximately \$4,000,000). A.R.S. § 49-282 directs the State Treasurer to adjust the CIT transfer so that, when combined with certain other fee and license revenue, the WQARF program is guaranteed to receive \$18,000,000 annually. Some types of revenue, including cost recovery collections and interest earnings, are not included in this calculation. Therefore, actual program revenues can exceed \$18,000,000 in a year depending on how much is deposited from these other sources. For FY 2003, the CIT transfer was temporarily reduced to \$10,000,000, therefore total revenues to the fund may not meet the \$18,000,000 mark in the current year. This transfer amount is continued in the JLBC recommendation for FY 2004.

The WQARF Program is similar to the federal Superfund program in that it is designed to monitor, contain, and remediate contaminated groundwater at specified sites. Program expenditures cover cleanups at contaminated sites, water monitoring, site investigations, emergency response activities, responsible party searches, litigation costs, and annual transfers to the Department of Water Resources, the Department of Health Services, and the Voluntary Remediation Fund. This transfer would result in a delay in site cleanups, responsible party searches, and emergency response resources.

### **Exposition and State Fair**

Proposal: Transfer from the Exposition and State Fair Fund

FY 2004 Transfer Amount: \$1,000,000

FY 2004 Balance After Transfer: \$0

Description: The Exposition and State Fair Fund receives its revenue through receipts and leasing of state fairground facilities. The money in this fund is used to support the operating costs associated with the State Fair.

## **Arizona Game and Fish Department**

Proposal: Transfer from the Game and Fish Heritage Fund

FY 2003 Transfer Amount: \$10,000,000

FY 2004 Transfer Amount: \$5,000,000

FY 2004 Balance After Transfer: \$4,554,900

Description: The Heritage Fund consists of money deposited from the State Lottery Fund and interest earned on that money. Most of the Heritage Fund is used for programs that manage and protect areas containing sensitive or endangered biological features and wildlife. At least 29% of the fund, but no more than 60%, may be used for capitol projects and acquisitions. Interest earnings are to be used for administration. Annual transfers from the State Lottery can total a maximum of \$10,000,000. However, the agency reports that actual transfers have been lower over the past 2 years due to decreasing lottery revenues. Monies in the fund could be transferred to the General Fund without impacting the department's current FY 2003 or FY 2004 expenditure plans for the fund.

Proposal: Transfer from the Watercraft Licensing Fund

FY 2003 Transfer Amount: \$1,000,000

FY 2004 Transfer Amount: \$1,000,000

FY 2004 Balance After Transfer: \$770,000

Description: The Watercraft Licensing Fund receives its revenues from watercraft registration fees, license taxes, and penalty assessments. The money in this fund is used for enforcing watercraft safety laws and promoting watercraft safety. Monies in the fund could be transferred to the General Fund without impacting the department's current FY 2003 or FY 2004 expenditure plans for the fund.

## **Department of Health Services**

Proposal: Transfer from Poison Control Fund

FY 2003 Transfer Amount: \$1,500,000

FY 2004 Balance After Transfer: \$1,817,500

Description: The Poison Control Fund receives revenues from the Telecommunications Services Excise Tax. This option would transfer a portion of the accumulated fund balance to the General Fund.

Proposal: Transfer from the Medical Services Stabilization Fund

FY 2003 Transfer Amount: \$500,000

FY 2004 Balance After Transfer: \$0

Description: This option would transfer monies remaining in the Medical Services Stabilization Fund in DHS from a FY 2002 appropriation to create a Mental Health Institute.

## **Department of Housing**

Proposal: Transfer from the Housing Trust Fund

FY 2003 Transfer Amount: \$3,000,000

FY 2004 Balance After Transfer: \$350,000

Description: The Housing Trust Fund, which receives revenues from unclaimed property collections, received \$19.8 million in revenue in FY 2002, leaving a balance of \$9.5 million in FY 2003. Not including the proposed transfer, the department projects a balance of \$3.35 million at the end of FY 2004. After the transfer, the projected FY 2004 balance is \$350,000.

## **Industrial Commission of Arizona**

Proposal: Transfer from Administrative Fund

FY 2004 Transfer Amount: \$2,000,000

FY 2004 Balance After Transfer: \$6,410,500

Description: The fund consists of monies from an annual tax on workers' compensation premiums. Monies are used for any expenses of the Industrial Commission in carrying out its duties. The transfer should not significantly impact departmental operations.

## **Judiciary**

Proposal: Transfer from the Defensive Driving School Fund

FY 2003 Transfer Amount: \$1,000,000

FY 2004 Transfer Amount: \$1,000,000

FY 2004 Balance After Transfer: \$0

Description: The fund consists of a fee, not to exceed \$15, imposed on each person who attends a defensive driving school, and \$500 initial certification and \$50-\$250 recertification fees paid by defensive driving schools. The monies are used to monitor defensive driving schools for compliance with claims and court policy, to supervise their use by the courts in Arizona, and to expedite the processing of highway traffic offenses. The Administrative Office of the Courts also spends a portion of these monies on court automation projects throughout the state. The monies transferred are taken from the fund balance and do not affect projected expenditures in FY 2003 or FY 2004.

## **State Lottery Commission**

Proposal: Transfer from the State Lottery Fund

FY 2004 Transfer Amount: \$2,500,000

FY 2004 Ending Balance After Transfer: \$0

Description: The State Lottery Fund receives revenue from sales of lottery tickets, retailers license fees, and interest earnings. The monies in the fund are used to pay the costs of lottery operations, to provide monies for prizes, and to make distributions to beneficiaries of lottery proceeds. Since all revenues are dedicated to prizes, operations, or profit distributions, the transfer amount will reduce the amounts available for one or all of these purposes.

## **Arizona Parents Commission on Drug Education and Prevention**

Proposal: Transfer from the Drug Treatment and Education Fund

FY 2003 Transfer Amount: \$1,000,000

FY 2004 Balance After Transfer: \$0

Description: The fund receives its revenue from 50% of the monies deposited into the Judiciary Drug Treatment and Education Fund. The Judiciary Drug Treatment and Education Fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor. Monies in the fund are non-appropriated, and fund various programs that increase and enhance parental involvement and education regarding the abuse of alcohol and controlled substances. The monies transferred do not affect projected expenditures in FY 2003.

## **State Parks Board**

Proposal: Transfer from Off-Highway Vehicle Recreation Fund

FY 2003 Transfer Amount: \$4,000,000

FY 2004 Transfer Amount: \$4,000,000

FY 2004 Balance After Transfer: \$305,300

Description: The Off Highway Vehicle Recreation Fund (OHV Fund) receives 0.55% of motor vehicle fuel taxes in each year. Of this total, 70% of the monies are administered by the Game and Fish Department, and 30% by the State Parks Department. This proposal is to transfer \$4,000,000 from the Off-Highway Vehicle Recreation Fund (OHV Fund) to the General Fund. In FY 2003, this amount would then be replaced with a transfer of \$4,000,000 from the State Highway Fund into the OHV Fund. Up to \$5,000,000 may be spent each year from the State Highway Fund for off-highway purposes. The FY 2004 transfer would be taken from new revenue to the fund, and would not be offset with State Highway Fund monies. As a result of the FY 2004 transfer, new grants would likely not be awarded, and some ongoing expenditures may need to be eliminated.

Proposal: Transfer from Arizona Heritage Fund

FY 2003 Transfer Amount: \$10,000,000

FY 2004 Transfer Amount: \$5,000,000

FY 2004 Balance After Transfer: \$16,400,200

Description: The Arizona Heritage Fund receives up to \$10 million in revenue from the Arizona Lottery every year. In FY 2002, the agency received approximately \$9.8 million. This fund is divided into 7 different components, which all receive a statutorily specified percentage of the total fund revenue. The

major allocations are as follows: Local, Regional, and State Parks – 35%; Historic Preservation – 17%; State Parks Acquisitions and Development – 17%; and Natural Areas Acquisitions – 17%. The fund should receive approximately \$9 million in total revenue (transfers from the Lottery, and interest earnings) in each FY 2003 and FY 2004.

The cash balances reported above may include previously obligated monies, and FY 2003 operating expenses. As of October 1, 2002, the fund has an unobligated balance of approximately \$9,830,600. This amount includes approximately \$800,000 of FY 2003 revenue. Current year operating expenditures and grants awarded in prior years will continue to be paid with the cash balance of the fund. While these transfers should not affect prior year grants, less money will be available for grants in both FY 2003 and FY 2004.

Proposal: Transfer from State Lake Improvement Fund (SLIF)

FY 2004 Transfer Amount: \$10,000,000

FY 2004 Balance After Transfer: \$23,604,200

Brief Description: Through SLIF, the Parks Board administers grants to outside entities for projects on waters where boating is permitted. Transferring \$10,000,000 in FY 2004 represents the revenue the fund should receive in FY 2004. Grants awarded in prior years will continue to be paid with the cash balance of the fund, and should not be affected by this transfer. SLIF monies are also used to fund 16.0 FTE Positions, and has a yearly operating budget of approximately \$1.4 million. This FY 2004 transfer may have an impact on these FTE. The above balances reflect cash balances, which may include monies obligated in prior years.

Proposal: Transfer from Land Conservation Fund Interest

FY 2003 Transfer Amount: \$1,600,000

FY 2004 Balance After Transfer: \$0

Description: This option would transfer prior year interest earnings of the Land Conservation Fund to the General Fund. The Land Conservation Fund consists of General Fund monies deposited for the Growing Smarter grant program. Interest earned by this fund is available for use by the State Parks Board for administering the grant program. Any unused interest is credited to the Fund at the end of the year. Statutes directing the use of the interest portion of the Fund were not part of the voter passed proposition, therefore, the Legislature could transfer any unspent interest earnings to the General Fund.

### **Department of Public Safety**

Proposal: Transfer from the State Highway Fund (Reimbursement for Prior Year Expenditures)

FY 2003 Transfer Amount: \$12,000,000

FY 2004 Balance After Transfer: Not Applicable

Description: This proposal would reduce the Arizona Department of Transportation's (ADOT) operating budget by \$12 million in State Highway Fund monies and transfer these monies to the General Fund as reimbursement for FY 2001 Department of Public Safety highway patrol and related expenditures. Use of these monies is consistent with statute concerning the use of the State Highway Fund for the expenses of state enforcement of traffic laws and state administration of traffic safety programs, and would not reduce funding in ADOT's capital budget for highway construction projects.

### **Residential Utility Consumer Office**

Proposal: Transfer from the Residential Utility Consumer Office Revolving Fund (RUCO)

FY 2003 Transfer Amount: \$1,000,000

FY 2004 Balance After Transfer: \$0

Description: The RUCO Revolving Fund receives revenues through an annual assessment by the Corporation Commission on utilities with annual residential revenues in excess of \$250,000, except those not required to hold Certificates of Convenience and Necessity. The revenues received are for the costs of operation of the Residential Utility Consumer Office. The office had an ending FY 2002 balance of \$1.47 million, with revenues in FY 2003 expected to equal the office's appropriation level of \$1.1 million. The Corporation Commission indicated that its FY 2003 assessment did not take into account the ending balance in the RUCO Fund, resulting in an excess balance. As part of the 6<sup>th</sup> Special session, \$300,000 was transferred to the General Fund, leaving an excess balance of \$1,170,800. This proposal would reduce the FY 2003 ending balance to \$170,800.

**Department of Revenue**

Proposal: Transfer from Department of Revenue Estate and Unclaimed Property Fund

FY 2003 Transfer Amount: \$4,200,000

FY 2004 Transfer Amount: \$4,200,000

FY 2004 Balance After Transfer: \$2,084,200

Description: The fund receives revenues from the sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits and life insurance policies. The appropriated portion of the fund covers the department's administrative costs including the handling, publicizing and selling of abandoned property. Once monies are determined to be "unreturnable" they are disbursed as follows: Monies associated with unclaimed utility deposits are transferred to the Utility Assistance Fund. Monies from unclaimed shares and dividends of Arizona corporations are transferred to the Permanent State School Fund. Unclaimed victim restitution monies are transferred to the Arizona Criminal Justice Commission's Victim Compensation and Assistance Fund. The remaining monies are transferred to the following funds in the following percentages: Housing Trust Fund (55%), State General Fund (25%), and Racing Fund (20%). The total amount of monies transferred from the DOR Estate and Unclaimed Property Fund to other funds increased by \$20,092,000 in FY 2002, from a total of \$15,457,900 in FY 2001 to \$35,549,900 in FY 2002. DOR reports that FY 2002 reflects a one-time increase, which is primarily due to a reduced holding period of 5 years for most abandoned property. For this reason, DOR expects the transfers to other funds in FY 2003 to show a slight increase over FY 2001. This proposal would transfer \$5,000,000 to the General Fund both in FY 2003 and in FY 2004, (by notwithstanding the provisions of A.R.S. § 44-313), before the remaining monies are distributed to the Housing Trust Fund, State General Fund, and Racing Fund. The result would be estimated net increases both in FY 2003 and in FY 2004 above FY 2001 of \$4,200,000 for the General Fund, \$1,248,000 for the Housing Trust Fund and \$10,600 for the Permanent State School Fund. Net decreases would occur both in FY 2003 and in FY 2004 below FY 2001 of \$(177,200) for the Utility Assistance Fund, \$(964,600) for the Racing Fund and \$(3,700) for the Victim Compensation and Assistance Fund, as shown in the following table. Note that \$760,800 more would be transferred to the General Fund both in FY 2003 and in FY 2004 than in FY 2002, with the proposed \$5,000,000 transfer off the top to the General Fund both in FY 2003 and in FY 2004. Also note that the department shows the Victim Compensation and Assistance Fund with a negative distribution of \$(18,400) in FY 2002, since they paid out more in claims than they received in unclaimed victim restitution monies, thus the future year projections are also negative. The projected ending balance is \$2,362,500 for FY 2003 and \$2,084,200 for FY 2004.

<b>Transfers from the DOR Estate and Unclaimed Property Fund</b>					
<b>Fund</b>	<b>FY 01 Actual</b>	<b>FY 02 Actual</b>	<b>FY 03 &amp; FY 04 Est. Without Transfer</b>	<b>FY 03 &amp; FY 04 Est. With Transfer</b>	<b>FY 03 &amp; FY 04 With Transfer Change from FY 01</b>
General Fund (\$5M Transfer)	\$ 0	\$ 0	\$ 0	\$ 5,000,000	\$5,000,000
General Fund (25%)	4,310,000	7,746,000	5,257,900	3,506,800	(803,200)
Subtotal General Fund	4,310,000	7,746,000	5,257,900	8,506,800	4,196,800
Housing Trust Fund (55%)	6,467,000	19,762,000	10,211,200	7,715,000	1,248,000
Racing Fund (20%)	3,770,000	7,186,000	3,558,100	2,805,400	(964,600)
Utility Assistance Fund	905,000	868,400	727,800	727,800	(177,200)
Permanent State School Fund	5,900	5,900	16,500	16,500	10,600
Victim Compensation and Assistance Fund	0	(18,400)	(3,700)	(3,700)	(3,700)
<b>Total</b>	<b>\$15,457,900</b>	<b>\$35,549,900</b>	<b>\$19,767,800</b>	<b>\$19,767,800</b>	<b>\$4,309,900</b>

**School Facilities Board**

Proposal: Transfer from the Deficiencies Correction Fund (Backfill with Oil Overcharge Monies)

FY 2003 Transfer Amount: \$4,000,000

FY 2004 Balance After Transfer: \$0

Description: The option would transfer \$4,000,000 from the Deficiencies Correction Fund to the General Fund. An equal amount would then be transferred from the Department of Commerce Oil Overcharge Fund to the Deficiencies Correction Fund. Monies from the Oil Overcharge Fund would be used for energy related school repair projects. The net effect to the Deficiencies Correction Fund would be zero. (See the Department of Commerce for more information on this option.)

Proposal: Transfer from the Deficiencies Correction Fund (Reappropriate in FY 2005)

FY 2003 Transfer Amount: \$100,000,000

FY 2004 Balance After Transfer: \$0

Description: The option would transfer \$100,000,000 from the Deficiencies Correction Fund to the General Fund. The transfer would be made from monies that were originally appropriated from the General Fund to the Deficiencies Correction, not from any monies received as bond proceeds. An equal amount would then be reappropriated to the Deficiencies Correction Fund in FY 2005. The net effect to the Deficiencies Correction Fund would be zero, however, this option would defer completion of the Deficiencies Correction Program until FY 2005.

### **Office of Tourism**

Proposal: Transfer from the Tourism Fund

FY 2004 Transfer Amount: \$4,410,000

FY 2004 Balance After Transfer: \$817,900

Description: The Tourism Fund is statutorily scheduled to receive \$4,410,000 in FY 2004 from the Tourism and Sports Authority for Maricopa County Tourism Promotion. In FY 2003, this allocation was reduced by the Legislature to \$2 million, with the remaining \$2.2 million being transferred to the General Fund. This budget reduction option would transfer all of the \$4,410,000 in FY 2004 from the Tourism Fund to the General Fund. This option would require a statutory change.

### **Arizona Department of Transportation**

Proposal: Transfer from State Aviation Fund

FY 2003 Transfer Amount: \$5,000,000

FY 2004 Balance After Transfer: \$3,402,500

Description: The fund receives revenues from flight property tax, aircraft registration fees, license taxes and penalties, fuel taxes, the sale of abandoned aircraft, receipts from airports operated by the department, and interest earnings. The fund is used to administer aviation laws, to operate and maintain state-owned airports, and for capital projects at publicly-owned and operated airports of political subdivisions. The fund receives 50% of flight property tax revenues in FY 2003 (estimated at \$7,500,000), and is scheduled to increase to 100% of flight property tax revenues beginning in FY 2004 (estimated at \$15,000,000). This proposal would transfer \$5,000,000 to the General Fund in FY 2003. Flight property taxes would continue to be shared equally between the General Fund and the State Aviation Fund until FY 2006. This transfer could cause ADOT to re-prioritize and to rescind some of their grants for capital projects at publicly-owned and operated airports of political subdivisions, since ADOT makes their grants based on projected cash flow in the State Aviation Fund. ADOT reports current unexpended grant obligations of \$18,500,000. The Arizona Department of Transportation projects an ending balance of \$8,402,500 in FY 2004 prior to the proposed \$5,000,000 transfer in FY 2003 and prior to the proposed additional \$7,500,000 deposit of flight property tax revenue to the General Fund in FY 2004.

Proposal: Transfer from Highway Expansion and Extension Loan Program Fund

FY 2003 Transfer Amount: \$20,000,000

FY 2004 Balance After Transfer: \$2,211,000

Description: The fund consists of monies appropriated by the Legislature; monies received from the federal government, state agencies, political subdivisions and Indian tribes; interest; and public or private gifts, grants or donations. The fund acts as a state infrastructure bank under the Federal State Infrastructure Bank Act to provide financial assistance to political subdivisions, Indian tribes and state agencies for eligible transportation projects. Laws 99, Chapter 2, 1<sup>st</sup> Special Session appropriated \$20,000,000 of General Fund monies to the Highway Expansion and Extension Loan Program Fund in FY 2001. This proposal would transfer the \$20,000,000 back to the General Fund in FY 2003. Under this proposal, ADOT may have to repay early some loans made to the department from this fund, even though these loans are not callable, since ADOT reports that they have maximized the amount of loans that could be made from this fund. This could cause ADOT to use other revenue sources for some transportation projects, or could cause some projects to be delayed. The Arizona Department of Transportation projects an ending balance of \$2,211,000 in FY 2004.

Proposal: Transfer from Transportation Department Equipment Fund to Arizona Highway Patrol Fund

FY 2004 Transfer Amount: \$1,000,000

FY 2004 Balance After Transfer: \$0

Description: The fund receives revenues from equipment rental, sale at auction, insurance recoveries, donations, interest earnings, and monies appropriated by the Legislature (for purchase, repairs and maintenance). The Arizona Department of Transportation uses fund monies to provide for ownership, maintenance, service or repair of equipment and consumable material including administrative expenses. Transfers of \$1,088,800 in FY 2002 and \$750,000 in FY 2003 were made from the Transportation Department Equipment Fund to the Arizona Highway Patrol Fund. This proposal would transfer \$1,000,000 from the Transportation Department Equipment Fund to the Arizona Highway Patrol Fund in FY 2004, which would allow the General Fund appropriation to DPS to be reduced by \$1,000,000. This proposal could cause ADOT to buy fewer new vehicles and heavy equipment for FY 2004 to replace older equipment, since in the past ADOT has reported that they need a \$2,000,000 yearend carryforward to meet the next fiscal year's operating budget cash flow needs. The Arizona Department of Transportation projects an ending balance of \$602,600 in FY 2004 prior to the proposed transfer.

Proposal: Transfer from State Highway Fund to State Parks Off-Highway Vehicle Recreation Fund

FY 2003 Transfer Amount: \$4,000,000

FY 2004 Balance After Transfer: \$308,622,300

Description: The fund consists of monies distributed from the Highway User Revenue Fund, certain vehicle fees which are deposited directly to the State Highway Fund, interest earnings, appropriations by the Legislature, and donations. The fund is used for the department's operating budget, the acquisition of right-of-way, construction and maintenance of state highways and roads, and other highway related projects. ADOT can spend up to \$5,000,000 annually from the State Highway Fund to acquire, construct or improve entry roads to state parks or roads within state parks. This proposal would transfer \$4,000,000 to the Off-Highway Vehicle Recreation Fund. Subsequently, \$4,000,000 is being transferred from the Off-Highway Vehicle Recreation Fund to the General Fund. See the State Parks Board for more information. The Arizona Department of Transportation projects an ending balance of \$312,622,300 in FY 2004 prior to the proposed transfer.

### **Veterans' Services**

Proposal: Transfer from the Veterans' Cemetery Fund

FY 2003 Transfer Amount: \$315,000

FY 2004 Balance After Transfer: \$0

Description: The Veterans' Cemetery Fund received a \$500,000 General Fund appropriation to help fund the planning stages of a veterans' cemetery to be built in Southern Arizona. Federal funds were received to build the cemetery as well as to reimburse the \$500,000 used as seed money from the State. Federal reimbursement did not include \$22,000 used to purchase land for the site and operating costs are the state's responsibility.

A.R.S. § 41-608.02 established the fund to build up to three cemeteries and help support cemetery operations. To date, only one cemetery has been built with initial discussion to build a second cemetery in Prescott. Costs associated with the operation of cemeteries are paid by the state General Fund. Operations for the Southern Arizona cemetery are expected to cost \$252,000 annually for FY 2005 and beyond. This option would not affect the operation of the existing cemetery. It would, however, require a future appropriation of \$500,000 from the General Fund for the planning stages for any additional cemeteries.

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