

FY 2005 JLBC BUDGET DESCRIPTION OF METHODOLOGY AND MAJOR TECHNICAL ISSUES

FY 2005 Budget

A.R.S. § 35-101 specifies 17 state agencies as “annual budget units” receiving one annual appropriation; all other agencies are “biennial budget units” receiving biennial appropriations with the dollar amounts itemized for each fiscal year. FY 2005 is the second year of the biennial budget. In making its budget decisions last year, however, the Legislature enacted annual budgets for 44 agencies due to the state’s fiscal condition. As a result, these 44 agencies will also need to have a budget approved in the 2004 legislative session. The JLBC recommendation also addresses supplemental FY 2004 and FY 2005 funding and budget reductions for selected budget units.

Performance Measures

The JLBC has included performance measures for the General Appropriation Act. The measures and their targets follow the “Change in Funding Summary” in the agency narrative in the main budget book.

Recommended Changes from Prior Year

The JLBC recommendation includes adjustments for the following:

- One-time appropriations (decrease)
- Annualization of any items funded for a partial year (increase)
- Statutory programmatic requirements for schools and the Federal Title XIX population.

The individual agency descriptions in this volume provide further narrative detail on these changes, which are explained in a section for each agency budget entitled “Recommended Changes from FY 2004.” In addition, the book provides the line item detail for individual agency budgets. The major technical issues with regard to each of these line items are described below.

FY 2003 Actual - This dollar amount represents the FY 2003 expenditures as reported by the agency.

FY 2004 Estimate - This dollar amount represents the FY 2004 appropriations as of Laws 2003, Chapter 6, 2nd Special Session.

FY 2005 OSPB - Because JLBC had not received recommendation detail for the Governor’s budget request in time for publication, this column is left blank.

Full-Time Equivalent (FTE) Positions - The number of FTE Positions reflects personnel funded from both Personal Services and Special Line Items.

Other Non-Appropriated and Federal Funds - Each budget summary includes the level of non-appropriated and Federal Funds available to the agency. The detail for these funds can be found in the “Summary of Funds” section at the end of each individual agency recommendation pages. (For multiple cost center agencies, the “Summary of Funds” is at the end of the Agency Summary.)

Technical Changes

The FY 2005 JLBC budget assumes that state agencies will make all payments as required by law or contractual agreement. The only significant increases from the FY 2004 budget are changes in lease payments for lease-purchase and Privatized Lease-To-Own (PLTO) properties. The JLBC recommendation adjusts agencies’ FY 2005 Other Fund budgets for changes in lease payments. The JLBC recommendation adjusts agencies’ FY 2005 General Fund budgets downward if their lease payments decrease in FY 2005 but requires agencies to absorb increased General Fund lease payments.

JLBC Recommended Format

This book includes the JLBC’s recommendation for individual agency budget formats. Any changes from the prior year format are noted. The format governs how an agency’s appropriation will appear in the General Appropriation Act. The most common budget formats are as follows:

- *Lump Sum by Agency*
- *Lump Sum by Program*
- *Modified Lump Sum by Agency*
- *Detailed Line Item by Agency*

A less detailed format will provide an agency with more discretion in implementing the budget at the expense of legislative oversight for that agency. Conversely, a more detailed format may require an agency to use formal

processes for redirecting appropriated funds to a purpose different from that originally intended by the Legislature.

Details on each of these common formats is below:

Lump Sum by Agency - The appropriation consists of a single dollar amount, thereby allowing the agency to shift funds among line items and programs without further legislative review. In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Lump sum appropriation	\$100,000

Within this format, the Legislature will need to determine whether Special Line Items (funds generally granted to entities or individuals outside of state government, or which merit special attention) will be included in the Lump Sum or listed separately.

Lump Sum by Program - The appropriation consists of a single dollar amount for each agency program. Agencies must receive Arizona Department of Administration (ADOA) approval prior to shifting monies from one program to another. Any Special Line Items would be listed under the program with which they are associated. In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Program A	\$30,000
Program B	30,000
Program C	<u>40,000</u>
Total Appropriations - Agency X	\$100,000

Modified Lump Sum - The appropriation consists of at least 3 lines: Personal Services, Employee Related Expenditures, and All Other Operating Expenditures. Any Special Line Items would be listed separately. Under this format, an agency must seek approval of the Joint Legislative Budget Committee before moving any funds into or out of the Personal Services or ERE line items (A.R.S. § 35-173(e)). In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Personal Services	\$60,000
Employee Related Expenditures	15,000
All Other Operating Expenditures	<u>25,000</u>
Total Appropriations - Agency X	\$100,000

Detailed Line Item - The appropriation consists of each line item listed in this book, including Personal Services, Employee Related Expenditures, Professional and Outside

Services, Travel, Other Operating Expenditures, and Equipment. Any Special Line Items would be listed separately. While the same rules govern Personal Services/ERE transfers as noted in the Modified Lump Sum description, the detailed line item appropriation requires the agency to seek ADOA approval before transferring monies between any other line items.

Agency X	
FTE Positions	2.0
Personal Services	\$60,000
Employee Related Expenditures	15,000
Professional & Outside Services	3,000
Travel - In State	7,500
Travel - Out of State	2,500
Other Operating Expenditures	5,000
Equipment	2,000
Local Grants	<u>5,000</u>
Total Appropriations - Agency X	\$100,000

JLBC Recommended Footnotes

This book includes recommended footnotes. These narrative statements in the General Appropriation Act establish conditions for expenditures, reporting requirements, and legislative intent. A footnote, however, cannot be used to modify an existing program's authorizing law. We have classified footnotes into one of the following categories:

- Standard Footnotes
- New Footnotes
- Deletion of Prior Year Footnotes

Substantive revisions to standard footnotes are shown by displaying new language in "uppercase" style (all capital letters) and deleted language using "strikethrough" markings.

JLBC Recommended Statutory Changes

This book includes recommended statutory changes required in order to enact the budget. These changes will be introduced in one or more Omnibus Reconciliation Bills (ORBs).

Other Issues for Legislative Consideration

FY 2004 Supplemental Funding - Recommendations to fund current year (FY 2004) unanticipated costs are included as part of "Other Issues for Legislative Consideration." The amounts associated with these recommendations, however, are not included in the agency's current year estimate column in the number table.