

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Approved
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	100.5	100.5	102.5 <sup>1/</sup>
Personal Services	2,710,400	3,049,700	3,251,300
Employee Related Expenditures	854,600	960,500	1,081,800
Professional and Outside Services	88,900	1,500	1,500
Travel - In State	500	3,500	3,500
Travel - Out of State	200	1,700	1,700
Other Operating Expenditures	2,691,000	2,388,900	2,395,500
Equipment	38,500	22,000	23,500
<b>OPERATING SUBTOTAL</b>	<b>6,384,100</b>	<b>6,427,800</b>	<b>6,758,800</b>
<b>SPECIAL LINE ITEMS</b>			
ENSCO	5,420,100	5,310,300	5,310,300
Arizona Financial Information System	656,300	939,800	967,400 <sup>2/</sup>
Ch. 6 Appropriation; Overtime Pay; DOC	0	12,499,100	0
Ch. 227 Named Claimants; Appropriations	202,600	105,700	0
Ch. 332 Environmental Protections; Budget	0	0	800,000 <sup>3/</sup>
<b>PROGRAM TOTAL</b>	<b>12,663,100</b>	<b>25,282,700</b>	<b>13,836,500<sup>4/</sup></b>
<b>FUND SOURCES</b>			
General Fund	12,394,100	15,210,300	12,961,500
<u>Other Appropriated Funds</u>			
Certificate of Participation Fund	203,100	0	0
Risk Management Revolving Fund	0	10,000,000	0
Special Employee Health Insurance Trust Fund	65,900	72,400	75,000
Watercraft Licensing Fund	0	0	800,000 <sup>3/</sup>
SUBTOTAL - Other Appropriated Funds	269,000	10,072,400	875,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>12,663,100</b>	<b>25,282,700</b>	<b>13,836,500</b>
Other Non-Appropriated Funds	31,860,800	35,483,900	35,483,900
<b>TOTAL - ALL SOURCES</b>	<b>44,523,900</b>	<b>60,766,600</b>	<b>49,320,400</b>

**COST CENTER DESCRIPTION** — The Financial Services Division includes the General Accounting Office (GAO), which maintains the state's financial records, provides accounting services to agencies, processes payroll, and oversees state compliance with financial requirements and appropriation authority; and Enterprise Procurement Services (EPS), which provides purchasing services and oversees procurement for state agencies.

<sup>1/</sup> Includes 11.1 FTE Positions funded from Special Line Items in FY 2006.  
<sup>2/</sup> The department may collect an amount of not to exceed \$1,762,600 from other funding sources, excluding Federal Funds, to recover pro rata costs of operating AFIS II. Any amounts left unspent from the Arizona Financial Information System Special Line Item shall revert to the State General Fund. (General Appropriation Act footnote)  
<sup>3/</sup> Laws 2005, Chapter 332 also appropriates \$796,000 in FY 2007.  
<sup>4/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Fund.

<b>PERFORMANCE MEASURES</b>	FY 2003	FY 2004	FY 2006
	Actual	Actual	Approved
• Average cycle time for requests for proposal (RFP) (in days)	65.7	40.7	40.0
• Customer satisfaction with establishing and administering contracts (Scale 1-8)	--	5.9	6.1
• Customer satisfaction rating for the operation of Arizona Financial Information System (AFIS) (Scale 1-8)	5.8	6.5	6.5

**Comments:** RFP turnaround time declined substantially from FY 2003 to FY 2004 as EPS filled vacant positions and transitioned to the use of SPIRIT, an automated online procurement system. The AFIS satisfaction rating derives from a survey of all state employees who use any department service.

### **Operating Budget**

The budget provides \$6,758,800 for the operating budget in FY 2006. This amount consists of \$6,683,800 from the General Fund and \$75,000 from the Special Employee Health Insurance Trust Fund.

The approved amounts include an increase of \$140,400 in FY 2006 for statewide adjustments. This amount consists of \$137,800 from the General Fund and \$2,600 from the Special Employee Health Insurance Trust Fund. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

#### *Vacant FTE Savings*

The approved amount includes a decrease of \$(9,400) and (1.8) FTE Positions from the General Fund in FY 2006 for the elimination of vacant FTE Positions. By reducing the number of vacant FTE Positions, the budget reduced the amount of money appropriated for health, dental, and life insurance. These monies are passed through directly to the Arizona Department of Administration for statewide insurance costs and will not affect the amount of monies the agency has for other purposes. All other funding for these vacant positions had been previously eliminated.

#### *Non-Appropriated Funds Reporting*

The approved amount includes an increase of \$200,000 and 4 FTE Positions from the General Fund in FY 2006 for non-appropriated funds reporting. The State Budget Procedures Budget Reconciliation Bill (Laws 2005, Chapter 331) requires the department to phase-in the detailing of non-appropriated revenues and expenditures at the level of General Fund revenues and expenditures.

The department, in consultation with Joint Legislative Budget Committee Staff, will select 5 pilot agencies and provide preliminary reports by June 1, 2006 and December 1, 2006. Beginning with the Annual Financial Report due December 1, 2007, the department must account for all non-appropriated funds, including federal funds, in no less detail than the General Fund.

### **Special Line Items**

#### **ENSCO**

The budget provides \$5,310,300 from the General Fund for ENSCO in FY 2006. This amount is unchanged from FY 2005.

Monies in this line item are used to pay the lease-purchase requirements for acquisition of the ENSCO site. The state secured lease-purchase financing of \$55,825,000 in October 1991 to settle with ENSCO and acquire its partially-constructed hazardous waste treatment site in Mobile, Arizona. Payments will continue through FY 2011.

#### **Arizona Financial Information System**

The budget provides \$967,400 and 11.1 FTE Positions from the General Fund for the Arizona Financial Information System (AFIS) in FY 2006. The approved amount includes an increase of \$28,800 from the General Fund in FY 2006 for statewide adjustments.

#### *Vacant FTE Savings*

The approved amount includes a decrease of \$(1,200) and (0.2) FTE Positions from the General Fund in FY 2006 for the elimination of vacant FTE Positions.

Monies in this line item pay the General Fund cost of operating the statewide accounting system. A footnote of the General Appropriation Act allows the department to collect up to \$1,762,600 in FY 2006 from other funding sources, excluding the General Fund and federal funds, to supplement the cost of operating AFIS.

#### **Ch. 6 Appropriation; Overtime Pay; DOC**

Laws 2005, Chapter 6 provides \$12,499,100 for the Arizona Department of Corrections (ADC) On-Call Pay Settlement in FY 2005. This amount consists of \$2,499,100 from the General Fund and \$10,000,000 from the Risk Management Fund.

In *Cherry L. Schofield v. State of Arizona*, ADC staff filed over 1,700 claims seeking compensation for unpaid on-call

time. Officers on call, while not on duty, must remain available to respond to emergency orders. As part of the settlement negotiated in the Maricopa County Superior Court, this department and ADC paid \$8 million in settlements from their existing budgets between FY 2003 and FY 2004. However, over 400 claims were unsettled. Chapter 6 provides settlements for the remaining correctional officers.

***Ch. 227 Named Claimants; Appropriations***

Laws 2005, Chapter 227 provides \$105,724.66 from the General Fund for Named Claimants. The state must annually settle legitimate unpaid claims against received goods and services, as submitted by the various state agencies. GAO released the payments in FY 2005.

Vendors providing goods and services to the state can make claims against receiving agencies if invoices are not paid in full. Up to 1 year following receipt, state agencies have the financial authority to pay such claims through administrative adjustments. However, the Legislature must grant special appropriation authority to pay claims older than 1 year. Laws 2004, Chapter 40 provided \$202,600 from the General Fund for Named Claimants, which GAO paid in FY 2004.

***Ch. 332 Environmental Protections; Budget***

Laws 2005, Chapter 332 provides \$800,000 from the Watercraft Licensing Fund for the Zuni Indian Tribe Water Rights Settlement in FY 2006. This settlement allows the Zuni Tribe to purchase water rights and restore wetlands on its reservation in eastern Arizona. In return, the Zuni Tribe waives any further water or damages claims against the state.

The Federal Zuni Indian Tribe Water Rights Settlement Act of 2003 (P.L. 108-34) codifies this agreement. Under the arrangement, federal and private organizations contributed approximately \$25 million.

The settlement requires the state to fund \$2 million. The Department of Water Resources contributed around \$400,000 from the non-appropriated Arizona Water Protection Fund. In addition to the FY 2006 appropriation of \$800,000 from the Watercraft Licensing Fund, Chapter 332 provides \$796,000 from the Watercraft Licensing Fund for the Zuni Indian Tribe Water Rights Settlement in FY 2007.

If the United States Department of the Interior does not formally record the state's compliance with the settlement by December 31, 2006, Chapter 332 reverts the entire appropriation to the Watercraft Licensing Fund.