

**Arizona Department of Administration**  
**Financial Services**

A.R.S. § 41-722 and 41-2511

JLBC Analyst: Tyler Palmer

|  | <b>FY 2005<br/>Actual</b> | <b>FY 2006<br/>Estimate</b> | <b>FY 2007<br/>Approved</b>    |
|--|---------------------------|-----------------------------|--------------------------------|
| <b>OPERATING BUDGET</b>                      |                           |                             |                                |
| <i>Full Time Equivalent Positions</i>        | 103.5                     | 109.5                       | 109.5 <sup>1/</sup>            |
| Personal Services                            | 2,908,200                 | 3,826,300                   | 4,009,500                      |
| Employee Related Expenditures                | 935,500                   | 1,243,500                   | 1,431,900                      |
| Professional and Outside Services            | 36,500                    | 3,000                       | 3,000                          |
| Travel - In State                            | 1,100                     | 5,500                       | 5,500                          |
| Travel - Out of State                        | 1,600                     | 3,200                       | 3,200                          |
| Other Operating Expenditures                 | 2,342,600                 | 2,300,700                   | 2,306,800                      |
| Equipment                                    | 94,600                    | 0                           | 0                              |
| <b>OPERATING SUBTOTAL</b>                    | <b>6,320,100</b>          | <b>7,382,200</b>            | <b>7,759,900</b>               |
| <b>SPECIAL LINE ITEMS</b>                    |                           |                             |                                |
| ADC Overtime Pay                             | 12,261,400                | 0                           | 0                              |
| Ch. 328 Named Claimants; Appropriations      | 105,700                   | 309,400                     | 0                              |
| Zuni Water Rights Settlement                 | 0                         | 800,000                     | 796,000 <sup>2/</sup>          |
| ENSCO  | 5,309,300                 | 5,310,300                   | 5,330,400                      |
| Arizona Financial Information System         | 740,200                   | 983,200                     | 1,032,400 <sup>3/</sup>        |
| <b>PROGRAM TOTAL</b>                         | <b>24,736,700</b>         | <b>14,785,100</b>           | <b>14,918,700<sup>4/</sup></b> |
| <b>FUND SOURCES</b>                          |                           |                             |                                |
| General Fund                                 | 14,720,500                | 13,722,000                  | 13,843,100                     |
| <u>Other Appropriated Funds</u>              |                           |                             |                                |
| Capital Outlay Stabilization Fund            | 39,300                    | 91,800                      | 97,900                         |
| Corrections Fund                             | 32,500                    | 95,000                      | 101,100                        |
| Risk Management Revolving Fund               | 9,883,000                 | 0                           | 0                              |
| Special Employee Health Insurance Trust Fund | 61,400                    | 76,300                      | 80,600                         |
| Watercraft Licensing Fund                    | 0                         | 800,000                     | 796,000 <sup>2/</sup>          |
| SUBTOTAL - Other Appropriated Funds          | 10,016,200                | 1,063,100                   | 1,075,600                      |
| <b>SUBTOTAL - Appropriated Funds</b>         | <b>24,736,700</b>         | <b>14,785,100</b>           | <b>14,918,700</b>              |
| Other Non-Appropriated Funds                 | 34,804,500                | 47,960,600                  | 49,405,500                     |
| <b>TOTAL - ALL SOURCES</b>                   | <b>59,541,200</b>         | <b>62,745,700</b>           | <b>64,324,200</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 2007.  
<sup>2/</sup> Laws 2005, Chapter 332 appropriation of \$796,000 in FY 2007.  
<sup>3/</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>4/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Fund.

| PERFORMANCE MEASURES   | FY 2003 | FY 2004 | FY 2005 | FY 2007  |
|--|---------|---------|---------|----------|
|  | Actual  | Actual  | Actual  | Approved |
| • % of procurement plan award dates met for the RFP process  | --      | --      | 87      | 89       |
| • Customer satisfaction with establishing contracts (Scale 1-8)<br>Comments: The agency did not submit information for any measure labeled as "NA".  | 5.9     | NA      | 5.2     | 5.5      |
| • Customer satisfaction with administering contracts (Scale 1-8)<br>Comments: The agency did not submit information for any measure labeled as "NA". | 5.9     | NA      | 4.8     | 5.0      |
| • Customer satisfaction rating for the operation of Arizona Financial Information System (AFIS) (Scale 1-8)  | 5.8     | 6.5     | 6.2     | 6.5      |

### Operating Budget

The budget provides \$7,759,900 for the operating budget in FY 2007. This amount consists of:

|  | <b>FY 2007</b> |
|--|----------------|
| General Fund                                 | \$7,480,300    |
| Capital Outlay Stabilization Fund            | 97,900         |
| Corrections Fund                             | 101,100        |
| Special Employee Health Insurance Trust Fund | 80,600         |

These amounts include an increase of \$377,700 for statewide adjustments. This amount consists of:

|  |         |
|--|---------|
| General Fund                                 | 361,200 |
| Capital Outlay Stabilization Fund            | 6,100   |
| Corrections Fund                             | 6,100   |
| Special Employee Health Insurance Trust Fund | 4,300   |

(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)

### Special Line Items

#### ADC Overtime Pay

The budget provides no new funding for ADC Overtime Pay as it was a one-time FY 2005 appropriation for a litigation settlement. Laws 2005, Chapter 6 appropriated \$12,499,100 for the ADC On-Call Pay Settlement in FY 2005. This amount consisted 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, ADOA 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 provided settlements for the remaining claims.

#### Ch. 328 Named Claimants; Appropriations

Laws 2006, Chapter 328 provides \$309,382.61 from the General Fund in FY 2006 for Named Claimants. The state must annually settle legitimate unpaid claims against received goods and services, as submitted by the various state agencies. Monies in this line item are not included in the General Appropriation Act. A separate legislative act usually makes this appropriation. Laws 2005, Chapter 227 paid \$105,700 from the General Fund in FY 2005.

Vendors providing goods and services to the state can make claims against the 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.

#### Zuni Water Rights Settlement

The budget provides \$796,000 from the Watercraft Licensing Fund for the Zuni Indian Tribe Water Rights Settlement in FY 2007.

#### Settlement Decrease

The amount includes a decrease of \$(4,000) from the Watercraft Licensing Fund in FY 2007 for decreased settlement costs. Laws 2005, Chapter 332 appropriated \$800,000 in FY 2006 and \$796,000 in FY 2007 from the Watercraft Licensing Fund.

The 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. As Chapter 332 advance appropriated the FY 2007 amount, these monies do not appear in the FY 2007 General Appropriation Act.

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.

If the United States Department of the Interior does not formally record the state's compliance with the settlement by December 31, 2006, the amounts appropriated from Chapter 332 revert back to the Watercraft Licensing Fund.

#### ***ENSCO***

The budget provides \$5,330,400 from the General Fund for ENSCO in FY 2007.

#### **Debt Service Increase**

This amount includes an increase of \$20,100 from the General Fund in FY 2007 for increased lease-purchase costs.

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 \$1,032,400 and 11.1 FTE Positions from the General Fund for the Arizona Financial Information System (AFIS) in FY 2007. This amount includes an increase of \$49,200 from the General Fund for statewide adjustments.

Monies in this line item pay the General Fund cost of operating the statewide accounting system. The budget continues to allow the department to collect up to \$1,762,600 in FY 2007 from other funding sources, excluding the General Fund and Federal Funds, to supplement the cost of operating AFIS.