

Attorney General: The Honorable Terry Goddard

JLBC Analyst: Leah Ruggieri

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved	FY 2009 Approved
<b>OPERATING BUDGET</b>				
<i>Full Time Equivalent Positions</i>	619.9	637.9	644.9 <sup>1/</sup>	644.9 <sup>1/</sup>
Personal Services	26,699,900	30,944,300	34,215,600	31,150,000
Employee Related Expenditures	7,314,800	9,441,400	10,128,200	9,445,500
Professional and Outside Services	1,790,600	1,236,200	1,011,200	1,011,200
Travel - In State	275,600	243,000	251,200	251,200
Travel - Out of State	101,400	72,100	74,100	74,100
Other Operating Expenditures	5,763,400	5,203,500	6,221,600	4,649,000
Equipment	623,900	833,800	0	0
<b>OPERATING SUBTOTAL</b>	<b>42,569,600</b>	<b>47,974,300<sup>2/</sup></b>	<b>51,901,900</b>	<b>46,581,000</b>
<b>SPECIAL LINE ITEMS</b>				
Ch. 279 Fair and Legal Employment Act	0	0	100,000 <sup>3/</sup>	0
State Grand Jury	159,500	160,100	177,700 <sup>4/</sup>	160,000 <sup>4/</sup>
Victims' Rights	3,019,800	3,266,400	3,282,900	3,266,000
Military Airport Planning	64,800	100,000	100,000 <sup>5/</sup>	100,000 <sup>5/</sup>
Risk Management ISA	7,987,300	9,214,200	9,958,800	9,189,700
<b>AGENCY TOTAL</b>	<b>53,801,000</b>	<b>60,715,000</b>	<b>65,521,300<sup>6/7/</sup></b>	<b>59,296,700<sup>6/7/</sup></b>
<b>FUND SOURCES</b>				
General Fund	25,209,800	22,757,000	24,651,900	21,382,900
<u>Other Appropriated Funds</u>				
Antitrust Enforcement Revolving Fund	307,400	232,400	243,200 <sup>8/</sup>	232,200 <sup>8/</sup>
Attorney General Legal Services Cost Allocation Fund	0	6,497,500	6,775,900	6,193,600
Collection Enforcement Revolving Fund	4,339,400	4,585,200	4,916,900	4,574,700
Consumer Fraud Revolving Fund	1,748,800	2,135,000	2,214,600	2,128,300
Interagency Service Agreements Fund	11,188,500	12,027,300	13,477,100 <sup>9/</sup>	12,329,300 <sup>9/</sup>
Risk Management Revolving Fund	7,987,300	9,214,200	9,958,800	9,189,700
Victims' Rights Fund	3,019,800	3,266,400	3,282,900	3,266,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>28,591,200</b>	<b>37,958,000</b>	<b>40,869,400</b>	<b>37,913,800</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>53,801,000</b>	<b>60,715,000</b>	<b>65,521,300</b>	<b>59,296,700</b>
Other Non-Appropriated Funds	24,285,900	24,206,400	24,180,500	24,180,500
Federal Funds	5,745,400	6,682,000	6,095,200	6,095,200
<b>TOTAL - ALL SOURCES</b>	<b>83,832,300</b>	<b>91,603,400</b>	<b>95,797,000</b>	<b>89,572,400</b>

<sup>1/</sup> Includes 115.8 OF FTE Positions and 2.6 GF FTE Positions funded from Special Line Items in FY 2008 and FY 2009.

<sup>2/</sup> Laws 2007, Chapter 256 appropriated \$261,500 for a shortfall in pro rata charge revenues relative to operating costs.

<sup>3/</sup> Laws 2007, Chapter 279 appropriation of \$100,000.

<sup>4/</sup> The \$177,700 appropriated in FY 2008 and \$160,000 in FY 2009 for State Grand Jury expenses are for costs incurred pursuant to A.R.S. § 21-428C. It is the intent of the Legislature that State Grand Jury expenses be limited to the amount appropriated and that a supplemental appropriation will not be provided. (General Appropriation Act footnote, as adjusted for statewide allocations)

<sup>5/</sup> Includes \$100,000 from the General Fund appropriated by Laws 2004, Chapter 235 for Military Airport Planning.

<sup>6/</sup> The Attorney General shall notify the President of the Senate, the Speaker of the House of Representatives and the Joint Legislative Budget Committee before entering into a settlement of \$100,000 or more that will result in the receipt of monies by the Attorney General or any other person. The Attorney General shall not allocate or expend these monies until the Joint Legislative Budget Committee reviews the allocations or expenditures. Settlements that pursuant to statute must be deposited in the state General Fund need not be reviewed by the Joint Legislative Budget Committee. This paragraph does not apply to actions under Title 13, Arizona Revised Statutes, or other criminal matters. (General Appropriation Act footnote)

<sup>7/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>8/</sup> All revenues received by the Antitrust Enforcement Revolving Fund in excess of \$243,200 in FY 2008 and \$232,200 in FY 2009 are appropriated. Expenditures from the fund may not exceed \$750,000 in FY 2008 and FY 2009. Before the expenditure of any Antitrust Enforcement Revolving Fund receipts in excess of \$243,200 in FY 2008 and \$232,200 in FY 2009, the Attorney General shall submit the intended uses of the monies for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

**AGENCY DESCRIPTION** — The Attorney General is an elected constitutional officer. The office provides legal counsel to state agencies, represents the state in juvenile dependency matters, enforces civil rights, environmental, consumer protection and anti-trust laws, and investigates and prosecutes criminal cases, handles criminal appeals, and assists county attorneys.

<b>PERFORMANCE MEASURES</b>	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2008 Approved
<ul style="list-style-type: none"> <li>Solicitor General - number of days to respond to a request for a legal opinion Comments: The number of days to respond to a request for a legal opinion increased from 39 days in FY 2005 to 59 days in FY 2006 due to a high number of same-day and one-day turnarounds in FY 2005, which the agency does not expect to reoccur in FY 2008.</li> </ul>	73	39	59	55
<ul style="list-style-type: none"> <li>% of Victims' Rights award recipients satisfied with the Victims' Rights Program Comments: The budget provides a new performance measure to assess the percentage of Victims' Rights grant award recipients satisfied with the Victims' Rights Program.</li> </ul>	--	--	--	90
<ul style="list-style-type: none"> <li>Customer satisfaction rating for client agencies (Scale 1-8)</li> </ul>	7.2	7.0	7.2	7.3

**Operating Budget**

The budget provides \$51,901,900 and 526.5 FTE Positions for the operating budget in FY 2008 and \$46,581,000 and 526.5 FTE Positions in FY 2009. These amounts consist of:

	<b>FY 2008</b>	<b>FY 2009</b>
General Fund	\$24,274,200	\$21,122,900
Antitrust Enforcement Revolving Fund	243,200	232,200
Attorney General Legal Services Cost Allocation Fund	6,775,900	6,193,600
Collection Enforcement Revolving Fund	4,916,900	4,574,700
Consumer Fraud Revolving Fund	2,214,600	2,128,300
Interagency Service Agreements Fund	13,477,100	12,329,300

These amounts fund the following adjustments:

**Statewide Adjustments**

The budget provides an increase of \$2,598,000 in FY 2008 and a decrease of \$(594,100) in FY 2009 for standard changes. These amounts consist of:

General Fund	1,690,000	(580,800)
Antitrust Enforcement Revolving Fund	10,800	(200)
Attorney General Legal Services Cost Allocation Fund	187,100	(3,900)

Collection Enforcement Revolving Fund	169,200	(10,500)
Consumer Fraud Revolving Fund	79,600	(6,700)
Interagency Service Agreements Fund	461,300	8,000

*(Please see the Statewide Adjustments section at the end of this Appropriations Report for details. The annualization of these adjustments for FY 2009 will be addressed in the 2008 budget process.)*

**Assistant Attorney General Salary Adjustment**

The budget provides an increase of \$2,102,100 in FY 2008 for assistant attorney general (AAG) salary adjustments. This amount consists of:

General Fund	853,800
Attorney General Legal Services Cost Allocation Fund	391,300
Collection Enforcement Revolving Fund	162,500
Interagency Service Agreements Fund	694,500

In addition to the \$853,800 from the General Fund and \$1,248,300 from Other Funds included in the Operating Budget, the budget includes \$5,300 from the General Fund and \$390,200 from the Risk Management Revolving Fund in Special Line Items for the assistant attorney general salary adjustments. The budget also includes \$1,736,700 from the General Fund and \$509,300 from Other Funds for

<sup>9/</sup> In addition to the \$13,477,100 appropriated from the Interagency Service Agreements Fund in FY 2008 and \$12,329,300 in FY 2009, an additional \$800,000 and 11 FTE Positions are appropriated from the Interagency Service Agreements Fund in FY 2008 and FY 2009 for new or expanded interagency service agreements. The Attorney General shall report to the Joint Legislative Budget Committee whenever an interagency service agreement is established that will require expenditures from the additional amount. The report shall include the name of the agency or entity with which the agreement is made, the dollar amount of the contract by fiscal year and the number of associated FTE Positions. (General Appropriation Act footnote, as adjusted for statewide allocations)

state agencies that utilize Attorney General legal services. *Table 1* below displays these allocations.

	<b>General Fund</b>	<b>Other Fund</b>	<b>Total</b>
AG Operating	\$ 853,800	\$1,248,300	\$2,102,100
AG SLI	5,300	390,200	395,500
ISA Agencies	248,500	446,000	694,500
Pro Rata Agencies	276,300	44,500	320,800
Department of Economic Security	1,211,900	-	1,211,900
AZ Game and Fish Department	-	18,800	18,800
<b>Total</b>	<b>\$2,595,800</b>	<b>\$2,147,800</b>	<b>\$4,743,600</b>

The approved amount provides funding for salary increases for AAGs. These pay increases are in addition to the 3.25% statewide adjustment and the amount per attorney will be determined by the department. The department plans to allocate 75% of the funding for parity raises that would increase AAG salaries to a level that is more commensurate with that of attorneys at other large public law offices in the state. The department estimates that, depending on the number of years of certification by the American Bar Association, AAGs earn between \$10,000 and \$6,600 less than attorneys employed by select public law offices in the state. The department will allocate the remaining 25% of funding for merit-based raises.

The Criminal Justice Budget Reconciliation Bill (Laws 2007, Chapter 261) increases, retroactive to July 1, 2007, the pro rata rate for the Attorney General Legal Services Cost Allocation Fund from .635% to .675% so that it will generate the additional revenue necessary to cover the AAG pay raise. (*See Other Issues for background on the pro rata rate.*)

#### **Pro Rata Charge Offset**

The budget provides an increase of \$300,000 from the General Fund in FY 2008 and FY 2009, and a corresponding decrease of \$(300,000) from the Attorney General Legal Services Cost Allocation Fund, to address a projected shortfall in both years. In FY 2007, a pro rata charge was implemented to shift a portion of the Attorney General budget to charges paid by client agencies. Based upon actual revenue in FY 2007, the pro rata charge is estimated to generate less than necessary to finance non-contracted services. Additionally, Laws 2007, Chapter 256 provides \$261,500 from the General Fund in FY 2007 to address the shortfall. (*See Other Issues for background on the pro rata rate.*)

#### **Criminal Prosecution of Elder Abuse**

The budget provides an increase of \$91,700 and 1 FTE Position from the General Fund in FY 2008 and an increase of \$81,900 and 1 FTE Position in FY 2009 for the prosecution of elder abuse. The Attorney General estimates that at least 12,700 instances of elder abuse

occur in Arizona every year. In FY 2006, the Department of Economic Security substantiated 2,700 cases reported by victims. The additional attorney position will allow the Attorney General's office to file and resolve additional elder abuse cases each year.

The FY 2008 approved amount includes \$9,800 in one-time equipment monies that are reduced from the FY 2009 approved amount.

#### **Tobacco Enforcement**

The budget provides an increase of \$223,000 and 3 FTE Positions from the General Fund in FY 2008 and an increase of \$206,100 and 3 FTE Positions in FY 2009 to defend the Master Settlement Agreement (MSA). The MSA is the settlement agreement entered into in 1998 by several cigarette manufacturers and the states, territories, and the District of Columbia that brought suit. In exchange for settlement payments, the suing parties agreed to drop other state lawsuits against the tobacco companies for health care costs. Arizona's annual settlement payments are dedicated to the Arizona Health Care Cost Containment System Acute Care program. In FY 2006 and FY 2007 participating tobacco manufacturers withheld a portion of their payment, claiming that the MSA has resulted in a market share loss to non-participants. The state will not be able to reclaim these withholdings unless Arizona demonstrates it has "diligently enforced" model statutes of the MSA that require non-participating manufacturers to make deposits into an escrow account proportional to the number of cigarettes sold in Arizona. The additional attorney positions will both enforce the MSA model statutes and respond to future MSA payment challenges.

The FY 2008 approved amount includes \$16,900 in one-time equipment monies that are reduced from the FY 2009 approved amount.

#### **Expanded ISA**

The budget provides an increase of \$294,000 and 3 FTE Positions from the Interagency Services Agreement Fund in FY 2008 and FY 2009 for an expanded Interagency Service Agreement (ISA) with the Department of Insurance. These additional positions will be dedicated to the prosecution of insurance fraud cases. (*Please see the Department of Insurance agency page for details.*)

#### **One-Time Funding for Equipment**

The budget provides a decrease of \$(102,300) from the General Fund in FY 2008 and FY 2009 to reflect one-time funding for equipment in FY 2007.

#### **Information Technology (IT) Projects**

The budget provides a decrease of \$(1,017,400) from the General Fund in FY 2008 and FY 2009 for IT projects started in FY 2005. Laws 2006, Chapter 350 and the Executive designated \$1,000,000 of IT funding as one-time as part of the FY 2007 budget process. The projects

include enhancing the department's computer network security, replacing the case management system, expanding the document management system, and converting to Microsoft Word.

In FY 2007, the budget provided \$1,540,700 from the General Fund for these projects. Of this amount, \$523,300 would be continued in FY 2008 and FY 2009 to retain 2 employees for user training and annual software/hardware technical support and subscription services.

### **Special Line Items**

#### **Ch. 279 Fair and Legal Employment Act**

Laws 2007, Chapter 279 appropriates \$100,000 from the General Fund in FY 2008 for the new Chapter 279 Fair and Legal Employment Act Special Line Item. The appropriation is for Attorney General enforcement of the provisions in Laws 2007, Chapter 279 that prohibit an employer from knowingly employing unauthorized immigrants and general enforcement of immigration related matters. The appropriation is non-lapsing.

#### **State Grand Jury**

The budget provides \$177,700 and 1.6 FTE Positions from the General Fund for the State Grand Jury in FY 2008 and \$160,000 and 1.6 FTE Positions in FY 2009. These amounts fund the following adjustments:

##### **Statewide Adjustments**

The budget provides an increase of \$12,300 from the General Fund in FY 2008 and a decrease of \$(100) in FY 2009 for statewide adjustments.

##### **Assistant Attorney General Salary Adjustment**

The budget provides an increase of \$5,300 from the General Fund in FY 2008 for AAG salary adjustments. *(Please see the Operating Budget discussion for details.)*

#### **Victims' Rights**

The budget provides \$3,282,900 and 8.8 FTE Positions from the Victims' Rights Fund for Victims' Rights in FY 2008 and \$3,266,000 and 8.8 FTE Positions FY 2009. These amounts fund the following adjustment:

##### **Statewide Adjustments**

The budget provides an increase of \$16,500 from the Victims' Rights Fund in FY 2008 and a decrease of \$(400) in FY 2009 for statewide adjustments.

#### **Military Airport Planning**

The budget provides \$100,000 and 1 FTE Position from the General Fund for Military Airport Planning in FY 2008 and FY 2009. This amount is unchanged from FY 2007.

Laws 2004, Chapter 235 appropriated \$100,000 from the General Fund to the Attorney General's Office in FY 2005 and each year thereafter. Therefore, this funding does not

appear in the General Appropriation Act. The legislation sought to preserve the state's military bases by appropriating monies to several state agencies and charging them with certain responsibilities. Monies in this line item pay for the department's duties under the 2004 legislation, including review of, and determination of compliance with, land use plans.

#### **Risk Management ISA**

The budget provides \$9,958,800 and 107 FTE Positions from the Risk Management Revolving Fund for the Risk Management ISA in FY 2008 and \$9,189,700 and 107 FTE Positions in FY 2009. These amounts fund the following adjustments:

##### **Statewide Adjustments**

The budget provides an increase of \$354,400 from the Risk Management Revolving Fund in FY 2008 and a decrease of \$(24,500) in FY 2009 for statewide adjustments.

##### **Assistant Attorney General Salary Adjustment**

The budget provides an increase of \$390,200 from the Risk Management Revolving Fund in FY 2008 for AAG salary adjustments. *(Please see the Operating Budget discussion for details.)*

### **Additional Legislation**

#### **Collection Enforcement Revolving Fund**

The Criminal Justice Budget Reconciliation Bill (Laws 2007, Chapter 261) allows the Attorney General to use Collection Enforcement Revolving Fund monies for operating expenses incurred by the department in FY 2008 and FY 2009.

#### **Anti-Racketeering Revolving Fund**

The Criminal Justice Budget Reconciliation Bill (Laws 2007, Chapter 261) requires the Joint Committee on Capital Review (JCCR) to review the proposed use of Anti-Racketeering Revolving Fund monies for capital projects in excess of \$1,000,000.

In 2003, the Attorney General's office successfully prosecuted C.P. Direct, a Scottsdale-based company that marketed nutritional supplements, for fraud and money laundering. As a result of the lawsuit, C.P. Direct forfeited \$28,700,000 to the state. Of this amount, the Attorney General's office has allocated \$25,600,000, while \$3,100,000 remains unallocated. The allocations include:

- \$17,700,000 to the Department of Public Safety (DPS) for construction of a new crime lab;
- \$2,200,000 to DPS for the detail design phase of a fully interoperable communications system for public safety agencies' communications statewide;
- \$1,400,000 to DPS to replace personal computers;

- \$700,000 to DPS for a tri-agency disaster recovery system;
- \$2,100,000 to the Arizona Criminal Justice Commission for victim compensation;
- \$1,500,000 to the Attorney General Anti-Racketeering Fund.

While the C.P. Direct capital projects may proceed without JCCR review, any such future capital project would require Committee oversight.

<b><i>Other Issues</i></b>
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***Pro Rata Charge***

Laws 2005, Chapter 300 included a permanent law provision that established a pro rata charge beginning in FY 2007 on the total amount of payroll expenditure of select state agencies to finance non-contracted Attorney General Legal Services. It also established the Attorney General Legal Services Cost Allocation Fund to accept revenue generated from the charge. As a result, more of the Attorney General budget was shifted from the General Fund to charges paid by client agencies.

In FY 2007, non-contracted Attorney General Legal Services were estimated to be \$6,497,500 for a total of 88 FTE Positions. Laws 2006, Chapter 348 established a pro rata charge of .635%, which was estimated to generate almost \$6,600,000 when applied to the total payroll for all agencies subject to the charge, or almost \$100,000 above the amount necessary for non-contracted services. The charge actually generated approximately \$6,300,000 in FY 2007, or \$300,000 less than estimated. Laws 2007, Chapter 256 provides \$261,500 from the General Fund in FY 2007 and Laws 2007, Chapter 255 provides \$300,000 from the General Fund in FY 2008 and FY 2009 to address the shortfall. *(Please see the Operating Budget discussion for details.)*

Laws 2007, Chapter 261 further increases, retroactive to July 1, 2007, the pro rata rate to .675% so that it will generate the additional revenue necessary to cover the AAG pay raise.

***Interagency Service Agreements***

Table 2 displays the individual agency ISA expenditure amounts for FY 2007. Negotiations for the FY 2008 and FY 2009 ISAs have not been finalized between the Office of the Attorney General and its client agencies. Therefore, actual expenditures for FY 2008 and FY 2009 may vary.

Table 2

## Interagency Service Agreements with the Office of the Attorney General

	<u>FTE Positions</u>	<u>Expenditures</u>
<b>Child &amp; Family Protection Division</b>		
Economic Security, Department of - Cost Recovery	0.00	\$172,884
<b>Civil Rights Division</b>		
Arizona Supreme Court Mediation Training	0.65	48,000
Other Non-State Mediation ISAs	<u>0.66</u>	<u>48,290</u>
Subtotal	1.31	96,290
<b>Civil Division</b>		
Accountancy Board	1.25	110,566
Accountancy Board - Enforcement Unit	3.00	191,895
Administration, Department of - Employment Unit	0.88	99,300
Administration, Department of - Risk Management Case Related	0.00	118,040
Appraisal Board	0.65	68,548
Behavioral Health Examiners Board	0.75	119,928
Charter Schools		7,700
Chiropractic Examiners Board	0.50	47,175
Cosmetology Board	0.80	107,580
Dental Examiners Board	0.80	100,473
Education, Board of	0.30	24,000
Education, Department of	1.66	146,690
Health Services, Department of - Behavioral Health	10.30	1,017,100
Land Department	4.50	387,280
Liquor Department	0.25	18,990
Medical Board, Arizona	4.50	423,450
Naturopathic Medical Examiners Board	0.20	10,000
Nursing Board	3.00	266,990
Osteopathic Examiners Board	0.50	59,152
Parks Board, Arizona State	0.50	29,910
Pharmacy Board	1.00	98,230
Physical Therapy Board	0.20	18,648
Private Postsecondary Education Board	0.20	27,771
Public Safety, Department of - POST / ALEOAC	1.50	133,026
Public Safety, Department of - POST/ALEOC	3.00	258,010
Registrar of Contractors	0.80	92,900
Revenue, Department of	1.33	164,580
School Facilities Board	1.25	127,400
Structural Pest Control Commission	0.27	28,738
Technical Registration Board	0.80	90,355
Transportation, Department of - Motor Vehicle	1.33	166,570
Transportation, Department of - Motor Vehicle	26.80	2,543,130
Transportation, Department of -Right of Way	5.00	342,600
Veterinary Medical Examining Board	<u>0.20</u>	<u>24,000</u>
Subtotal	78.02	7,470,725
<b>Criminal Division</b>		
Education, Department of - School Fraud Enforcement	1.00	89,770
Insurance, Department of	1.00	88,180
Revenue, Department of - Tax Enforcement	<u>1.50</u>	<u>124,880</u>
Subtotal	3.50	302,830
<b>Finance Division</b>		
Exposition and State Fair Board, Arizona (calendar year 2006)	1.00	54,610
Exposition and State Fair Board, Arizona (calendar year 2007)	1.00	55,405
Gaming, Department of	1.95	167,190
Housing, Department of	1.00	96,050
Juvenile Corrections	1.00	95,890
Lottery Commission, Arizona State	1.48	149,270
Retirement System	3.00	278,550
Veterans' Service Commission, Department of	<u>0.50</u>	<u>49,550</u>
Subtotal	10.93	946,515

	<u>FTE Positions</u>	<u>Expenditures</u>
<b>Public Advocacy Division:</b>		
Agriculture, Department of	1.00	83,690
Environmental Quality, Department of - Air Quality	2.93	315,180
Environmental Quality, Department of - Hazardous Waste	0.75	84,220
Environmental Quality, Department of - Underground Storage Tank	5.56	520,176
Environmental Quality, Department of - Water Quality Assurance	10.10	862,821
Financial Institutions, Department of	3.63	205,087
Game and Fish, Department of	0.00	12,000
Health Services, Department of - Tobacco Enforcement	5.68	600,000
Insurance, Department of	0.26	31,600
Real Estate Department	<u>0.56</u>	<u>43,430</u>
Subtotal	30.47	2,758,204
<b>Solicitor General's Office</b>		
Citizens Clean Elections Commission	1.50	142,510
Medical Board, Arizona	1.35	107,850
Secretary of State	<u>0.65</u>	<u>27,905</u>
Subtotal	3.50	278,265
Contingency Fund	11.00	800,000
<b>Total Budgeted Expenditures<sup>1/</sup></b>	<b>138.73</b>	<b>\$12,825,713</b>
<sup>1/</sup> Does not total to the FY 2007 ISA appropriation.		