

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	109.5	105.5	105.5 ^{1/}
Personal Services	3,411,200	3,863,900	4,248,000
Employee Related Expenditures	1,154,700	1,466,700	1,613,100
Professional and Outside Services	40,700	5,500	5,500
Travel - In State	2,800	6,500	6,500
Travel - Out of State	2,800	6,200	6,200
Other Operating Expenditures	2,696,700	2,211,400	2,362,900
Equipment	19,100	10,000	10,000
OPERATING SUBTOTAL	7,328,000	7,570,200	8,252,200
SPECIAL LINE ITEMS			
Ch. 279 Fair and Legal Employment Act	0	0	2,430,000
Ch. 285 Named Claimants; Appropriations	309,700	472,200	0
Uniform Allowance Audit Agreement	0	1,937,000 ^{2/}	0
Zuni Water Rights Settlement	800,000	796,000	0
ENSCO	5,310,300	5,330,400	7,289,400
Arizona Financial Information System	890,400	1,032,400	1,115,200 ^{3/}
PROGRAM TOTAL	14,638,400	17,138,200	19,086,800^{4/}
FUND SOURCES			
General Fund	13,578,200	14,125,600	18,796,000
<u>Other Appropriated Funds</u>			
Capital Outlay Stabilization Fund	96,300	97,900	102,000
Corrections Fund	78,500	101,100	105,200
Payroll Clearing Fund	0	1,937,000	0
Special Employee Health Insurance Trust Fund	85,400	80,600	83,600
Watercraft Licensing Fund	800,000	796,000	0
SUBTOTAL - Other Appropriated Funds	1,060,200	3,012,600	290,800
SUBTOTAL - Appropriated Funds	14,638,400	17,138,200	19,086,800
Other Non-Appropriated Funds	44,726,000	46,771,300	51,872,300
TOTAL - ALL SOURCES	59,364,400	63,909,500	70,959,100

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 State Procurement Office (SPO), which provides purchasing services and oversees procurement for state agencies.

	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2008 Approved
PERFORMANCE MEASURES				
• % of procurement plan award dates met for the RFP process	--	87	75.5	77
• Customer satisfaction with establishing contracts (Scale 1-8)	NA	5.2	NA	5.5
Comments: The agency did not submit information for this measure in FY 2006 as required by the General Appropriation Act. The agency reports that it will resume administering the customer satisfaction survey in FY 2007.				

^{1/} Includes 11.1 FTE Positions funded from Special Line Items in FY 2008.
^{2/} Laws 2007, Chapter 256 provides \$1,937,000 from the Payroll Clearing Fund for a one-time payment to the Internal Revenue Service.
^{3/} The department may collect an amount 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 line item shall revert to the State General Fund. (General Appropriation Act footnote)
^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Fund.

PERFORMANCE MEASURES (Cont'd)	FY 2004	FY 2005	FY 2006	FY 2008
	Actual	Actual	Actual	Approved
<ul style="list-style-type: none"> Customer satisfaction with administering contracts (Scale 1-8) Comments: The agency did not submit information for this measure in FY 2006 as required by the General Appropriation Act. The agency reports that it will resume administering the customer satisfaction survey in FY 2007. 	NA	4.8	NA	5.0
<ul style="list-style-type: none"> Customer satisfaction rating for the operation of Arizona Financial Information System (AFIS) (Scale 1-8) 	6.5	6.2	7.4	7.5

Operating Budget

The budget provides \$8,252,200 and 94.4 FTE Positions for the operating budget in FY 2008. This amount consists of:

	FY 2008
General Fund	\$7,961,400
Capital Outlay Stabilization Fund	102,000
Corrections Fund	105,200
Special Employee Health Insurance Trust Fund	83,600

These amounts fund the following adjustments:

Statewide Adjustments

The budget provides an increase of \$236,200 in FY 2008 for statewide adjustments. This amount consists of:

General Fund	225,000
Capital Outlay Stabilization Fund	4,100
Corrections Fund	4,100
Special Employee Health Insurance Trust Fund	3,000

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

General Accounting Office (GAO) Turnover

The budget provides \$320,800 from the General Fund in FY 2008 for salary increases in the GAO to reduce staff turnover. The department had a 34% turnover rate in FY 2006, and hopes to reduce the loss of skilled workers by offering competitive salaries.

Increased Operating Costs

The budget provides \$125,000 from the General Fund in FY 2008 for additional operating costs.

Special Line Items

Chapter 279 Fair and Legal Employment Act

Laws 2007, Chapter 279 appropriates \$2,430,000 from the General Fund in FY 2008 for the new Chapter 279 Fair and Legal Employment Act Special Line Item. The appropriation is for distribution to county attorneys for the

purpose of enforcement of the provisions in Chapter 279 that prohibit an employer from knowingly employing unauthorized immigrants, and general enforcement of immigration related matters. The department shall distribute this appropriation as follows: \$1,430,000 to each county having a population of greater than 1,500,000, \$500,000 to each county having a population between 800,000 and 1,500,000, with the remainder to be distributed as equally as possible to counties with populations less the 500,000. The appropriation is non-lapsing.

Ch. 285 Named Claimants; Appropriations

Laws 2007, Chapter 285 provides \$472,245 from the General Fund in FY 2007 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 2006, Chapter 328 paid \$309,400 from the General Fund in FY 2006.

The General Fund is used to pay the Named Claimants bills but is reimbursed if the claim would have otherwise been paid by another fund source. Of the \$472,245, the General Fund will receive \$550 from the Newborn Screening Fund, \$37,582 from the Penitentiary Land Earnings Fund, \$660 from the Administrative Fund, \$3,373 from the Personnel Division Fund, and \$19,130 from the Risk Management Fund as reimbursement. The total of \$61,295 will be deposited in the General Fund as revenue.

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.

Uniform Allowance Audit Agreement

Laws 2007, Chapter 256 (the FY 2007 Supplemental Bill) appropriates \$1,937,000 as one-time from the Payroll Clearing Fund in FY 2007 for a payment to the Internal

Revenue Service (IRS). An IRS audit revealed that the state had been improperly reporting uniform allowances for state employees.

Zuni Water Rights Settlement

The budget provides no funding from the Watercraft Licensing Fund for the Zuni Indian Tribe Water Rights Settlement in FY 2008. This reflects the following adjustment:

Zuni Settlement Decrease

The budget provides a decrease of \$(796,000) from the Watercraft Licensing Fund for FY 2008, as required payments ended in FY 2007.

Laws 2005, Chapter 332 appropriated \$800,000 in FY 2006 and \$796,000 in FY 2007 from the Watercraft Licensing Fund. The settlement allowed the Zuni Tribe to purchase water rights and restore wetlands on its reservation in eastern Arizona. In return, the Zuni Tribe waived 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 \$25,000,000.

The settlement required the state to fund \$2,000,000. The Department of Water Resources contributed approximately \$400,000 from the non-appropriated Arizona Water Protection Fund.

On December 19, 2006, the United States Department of the Interior formally recorded the state's compliance with the terms of the settlement.

ENSCO

The budget provides \$7,289,400 from the General Fund for ENSCO in FY 2008. This amount funds the following adjustment:

Debt Service Increase

The budget provides an increase of \$1,959,000 from the General Fund in FY 2008 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 \$1,115,200 and 11.1 FTE Positions from the General Fund for the Arizona Financial

Information System (AFIS) in FY 2008. This amount funds the following adjustments:

Statewide Adjustments

The budget provides an increase of \$33,600 from the General Fund in FY 2008 for statewide adjustments.

GAO Turnover

The budget provides an increase of \$49,200 from the General Fund in FY 2008 for accountant pay raises to reduce employee turnover.

Monies in this line item pay the General Fund cost of operating the statewide accounting system. The budget would continue to allow the department to collect up to \$1,762,600 in FY 2008 from other funding sources, excluding the General Fund and Federal Funds, to supplement the cost of operating AFIS.

Additional Legislation

Prison Bed Contracting

The Criminal Justice Budget Reconciliation Bill (Laws 2007, Chapter 261) requires the department, in consultation with ADC, to revise the request for proposals developed under Laws 2006, Chapter 348 to eliminate the ADC as an eligible bidder and to eliminate any opening date requirements. The revised contract will be for 2,000 prison beds. The Department of Corrections will assume ADOA contract responsibility after the contract is awarded.

Chapter 261 also repealed Laws 2006, Chapter 348, which would have advance appropriated \$11,193,000 from the General Fund in FY 2008 to the department for 3,000 prison beds for the Department of Corrections (ADC). Since ADC and private vendors were permitted to bid for construction of these beds, the appropriation was made to ADOA as a third party. None of the received bids were responsive to the request for proposal and with the repeal of Chapter 348, the appropriation to the ADOA will not occur.