

FY 2009 BUDGET RECONCILIATION BILLS (BRB)

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FY 2009 BUDGET RECONCILIATION BILLS (BRB)

BUDGET PROCEDURES - CHAPTER 291 (HB 2462)

Section

Department of Commerce

Motion Picture Production

- As permanent law, allows the Department of Commerce, subject to legislative authorization, to allocate \$337,700 of the motion picture income tax credits for up to 6.0 FTE Positions dedicated solely for administration of the credits. Authorizes the Department of Commerce to allocate and use these monies in FY 2009. 4, 11

Twenty-First Century Competitive Initiative Fund

- As session law, amends Laws 2007, Chapter 260, Section 6, and changes the existing appropriation of \$25.0 million from the General Fund to the Twenty-First Century Competitive Initiative Fund in FY 2009 and FY 2011, to \$22.5 million and \$27.5 million, respectively. The existing appropriation in FY 2010 remains unchanged at \$25.0 million. 7
- Expands the source of matching funds from private contributions to include governmental investments. Limits contributions from governmental investments and other auditable cash equivalent contributions to no more than 50% of the match requirement to receive the General Fund appropriation

Correctional Officers Retirement Plan

Employer and Member Contributions

- As permanent law, amends A.R.S. § 38-891 and changes the date member contributions for the Correctional Officer Retirement Plan increases, from 7.96% to 8.41%, to the general effective date. Laws 2008, Chapter 234 previously set the rate increase to become effective July 1, 2009. 3

Department of Emergency and Military Affairs

Declaration of Disaster Liability Limits

- As session law, reduces the aggregate amount of liabilities that may be incurred under any emergency declared by the Governor pursuant to A.R.S. § 35-192 from \$4.0 million to \$3.5 million. 16

Government Information Technology Agency

Information Technology Fund

- As permanent law, increases the pro rata share of technology costs charged to agencies from 0.15% to 0.20%. Retroactive to July 1, 2008. 6, 17

Arizona State Retirement System

Information Technology Appropriation Lapsing Extension

- As session law, amends the FY 2006 General Appropriation Act to extend the lapsing date of the Information Technology Plan appropriations from June 30, 2008 to June 30, 2009. 8

Secretary of State

Professional Employer Organizations

- As session law, suspends the requirement that the Secretary of State register Professional Employer Organizations pursuant to A.R.S. § 23-563 until July 1, 2010. Retroactive to February 29, 2008. 9

Department of Weights and Measures

Civil Penalties

- As permanent law, amends A.R.S. § 41-2115 and increases the civil penalties assessed by the Department of Weights and Measures. Exempts the department from the rule making process for a period of 1 year for the purpose of raising fees. 5, 15

Other

Accounting Procedure

- As session law, specifies that any non-lapsing monies appropriated from the General Fund that remain unexpended or unencumbered at the close of FY 2009 shall be counted as part of the closing balance. 13

County Revenue Sources

- As session law, allows counties to meet statutory funding requirements from any source of county revenue designated by the county, including funds of any county wide special taxing districts in which the Board of Supervisors serves as the Board of Directors.

Federal Funds

- As session law, continues to require unrestricted federal funds received between May 1, 2008 and June 30, 2009 to be deposited in the General Fund for the payment of essential government services. Retroactive to April 30, 2008. 10

Fees For Services

- As session law, allows the Director of the Department of Public Safety, Department of Agriculture, Department of Environmental Quality, Department of Health Services, State Land Department, and Radiation Regulatory Agency to increase fees in FY 2009 for services provided. Appropriates monies generated from the increased fees in FY 2009 and exempts the agencies from the rule making process for a period of one year for the purpose of raising fees. 12
- As session law, specifies that any county expenditures resulting from these fee-for-service increases shall not be included in the county's expenditure limitation. 14

Vehicle License Tax

- As permanent law, amends A.R.S. § 28-5801 and A.R.S. § 28-5808 by expanding the use of vehicle license tax monies by counties to include any transportation related use as determined by the Board of Supervisors. Current law limits the use to the same use as Highway User Revenue Fund monies. 1, 2

CRIMINAL JUSTICE - CHAPTER 286 (HB 2210)

Section

Attorney General

Consumer Fraud Revolving Fund

- As session law, permit the Attorney General's office to use monies available in the Consumer Fraud Revolving Fund for any operating cost incurred by the Attorney General, including costs associated with the Tobacco Master Settlement Agreement arbitration. 33

Department of Corrections

Budget Structure

- As session law, require the Department of Corrections to report actual FY 2008, estimated FY 2009, and requested FY 2010 expenditures as delineated in the FY 2009 General Appropriations Act when the department submits its FY 2010 budget request pursuant to A.R.S. § 35-133. 30

Transition Office Fund

- As session law, permit the Department of Corrections to use monies appropriated to the Transition Office Fund for operating expenses related to the Transition Program. Retroactive to, from and after July 1, 2007. 34

Judiciary

Defensive Driving Surcharge

- As permanent law, add a \$45 surcharge for all persons who elect to take a Defensive Course in lieu of paying the civil traffic violation fine. Monies from this surcharge are deposited into the General Fund. The surcharge is expected to generate \$10.8 million in revenue for the General Fund. 17

Filing Fees

- As permanent law, increase various filing fees charged by the clerk of the Superior Court and Justices of the Peace. In the future, allow the Supreme Court to increase these fees annually in an amount not to exceed the percentage increase in the average consumer price index. 9, 11, 22
- As permanent law, add the Elected Officials' Retirement Plan Fund as a beneficiary of Justice of the Peace filing fees by reducing the percentage distribution to current beneficiaries. The percentage distribution of fees to the Elected Officials' Retirement Plan Fund (EORP) will be the same for both the Superior Court and the Justice of the Peace Courts at 23.79% for a county with a population of more than 500,000 persons and 15.3% for a county with a population of 500,000 persons or less. 11, 22
- As permanent law, permit the Supreme Court to increase various filing fees charged by the Supreme Court and the Court of Appeals. 7

<i>Global Positioning System User Fees</i>	
• As permanent law, require all offenders who are must use global positioning system (GPS) monitoring as a condition of their probation to pay a GPS user fee to offset the cost of the monitoring device.	8, 10
<i>Reports of Decisions Distribution</i>	
• As permanent law, eliminate the requirement for the Supreme Court to print, bind and distribute the court's report of opinions to various libraries and other entities. Bound copies may still be purchased by requesting entities.	5
<i>Time Payment Fee</i>	
• Repeal Laws 2006, Chapter 369 so as to continue the time payment fee at a cost of \$20. Chapter 369 had reduced the time payment fee from \$20 to \$12 beginning January 1, 2010.	6, 28-29
Department of Public Safety	
<i>Photo Radar Enforcement</i>	
• As permanent law, create a state photo radar system and establish the Photo Enforcement Fund that will receive photo citation and notice of violation revenue from the new photo enforcement system.	23
• As permanent law, sets a \$165 fine for all issued citations or notices of violation from the new state photo radar system, which is not subject to any surcharges except for Clean Elections.	
• As permanent law, exclude state photo enforcement citations or notices of violation in calculations for Judicial Productivity Credits.	
• As permanent law, require that photo enforcement citations resulting from the state photo radar system not be reported to the Department of Transportation and not result in points incurred on a driver's license.	
• As permanent law, permit a notice of violation to be issued prior to filing a citation in court and allow the citation to be issued by a person that is paid to act on behalf of the department.	16
• Retroactive to July 1, 2008.	37
• As session law, appropriate Photo Enforcement Fund revenue to the Department of Public Safety for department expenditures (\$2.2 million), to the Administrative Office of the Courts for processing citations (\$4.1 million), and to the Department of Public Safety for payment of private photo radar vendors (\$20.4 million).	35
• As permanent law, revert all monies remaining in the Photo Enforcement Fund at the end of each calendar quarter in excess of \$250,000 to the General Fund.	23
<i>Public Safety Communications Commission Transfer</i>	
• As permanent law, transfer the Public Safety Communications Commission to operate under the Government Information Technology Agency rather than the Department of Public Safety.	24-27
<i>Public Safety Equipment Fund and Vehicle Retrofit</i>	
• As permanent law, redirect the additional Driving Under the Influence (DUI) assessments to the Public Safety Equipment Fund rather than the General Fund. Establish the Public Safety Equipment Fund in the Department of Public Safety.	1-4, 12-15, 18-21, 38
• As permanent law, the first \$3 million of revenue generated by the DUI assessments will be used by the department for officer safety equipment and all remaining revenue will be deposited into the General Fund. Since FY 2006, DPS has received \$3 million from these DUI assessments through the General Fund for highway patrol equipment expenses.	23
• As session law, require the department to redirect the first \$500,000 of the \$3 million received into the Department of Public Safety Public Safety Equipment Fund to the Arizona Criminal Justice Commission for distribution to local law enforcement agencies to retrofit public safety vehicles for fire prevention in FY 2009. Monies are to be distributed on a first-come, first-served basis with a maximum allocation of \$1,000 per vehicle.	36
<i>Redirect CJEF Revenues</i>	
• As session law, continue to redirect 9% of CJEF revenues, formerly deposited into the General Fund, to DPS to fund the department's crime lab operations in FY 2009.	31
State Treasurer	
<i>Justice of the Peace Salaries</i>	
• As session law, continue to fund the state share of Justice of the Peace (JP) salaries at 38.5% in FY 2009.	32

EDUCATION - CHAPTER 287 (HB 2211)

	<u>Section</u>
Arizona Department of Education	
<i>Formula Adjustments</i>	
<ul style="list-style-type: none"> • As permanent law, increase by 2% the formula funding “base level” in A.R.S. § 15-901(B2), the “Additional Assistance” amounts per pupil in A.R.S. § 15-185(B4) and the transportation funding amounts per route mile in A.R.S. § 15-945. 	6, 7, 13
<ul style="list-style-type: none"> • As session law for FY 2009, fund state aid for JTEDs at 91% of the amount that otherwise would be provided by law. (A 92% adjustment factor was used in FY 2008. The FY 2009 factor is slightly lower due to ongoing JTED enrollment growth.) 	47
<ul style="list-style-type: none"> • As session law for FY 2009, continue to “hold harmless” a JTED if the 91% adjustment factor otherwise would cause it to receive less state aid in FY 2009 than in FY 2008, apart from reductions due to changes in student counts, property values and other technical factors. 	52
<ul style="list-style-type: none"> • As session law, suspend the Rapid Decline funding formula for FY 2009. 	52
<i>School-by-School Reporting</i>	
<ul style="list-style-type: none"> • As permanent law, eliminate remaining statute that requires schools report certain expenditures on a school-by-school basis (technical correction to Laws 2008, Chapter 206). 	9
<i>Excess Utilities</i>	
<ul style="list-style-type: none"> • As permanent law starting in FY 2010, fund 90% of excess utilities costs (computed under a slightly revised formula) through Basic State Aid, rather than through local property taxes (the current practice). 	10 – 12, 14, 15
<i>Teacher Performance Pay</i>	
<ul style="list-style-type: none"> • As permanent law, for each fiscal year in which the legislature appropriates sufficient monies for teacher performance pay, the amount appropriated to the Classroom Site Fund for teacher performance pay shall equal the base level multiplied by the prior year statewide weighted student count multiplied by a percentage that will be increased in 6 “stages” to 5.5% by June 30, 2018. 	16
<ul style="list-style-type: none"> • As permanent law, give school districts that currently participate in Career Ladder or the Optional Performance Incentives Program (OPIP) the option to either continue their current program or join the new program, but require the deduction of any overlapping funding during the phase in period. 	55
<ul style="list-style-type: none"> • As session law, specify intent language for the program. 	55
<i>Tax Rates</i>	
<ul style="list-style-type: none"> • As session law, specify the official K-12 QTR for FY 2009, as adjusted for compliance with the Truth in Taxation law (A.R.S. § 41-1276) and the business property tax changes instituted by Laws 2005, Chapter 302. 	30
<i>E-Learning Pilot</i>	
<ul style="list-style-type: none"> • As permanent law, repeal the \$3 million appropriation for E-Learning from Laws 2006, Chapter 375, as amended by Laws 2007, Chapter 264, and revert any unexpended monies. 	44, 45, 58
<i>Rollover</i>	
<ul style="list-style-type: none"> • As session law, defer \$602.6 million in Basic State Aid payments for FY 2009 until FY 2010. Appropriate \$602.6 million in FY 2010 for these deferred Basic State Aid payments and \$886,200 for related interest costs in FY 2010. 	48
<ul style="list-style-type: none"> • As session law, require school districts to include in the FY 2009 revenue estimates that they use for computing their FY 2009 tax rates the rollover monies that they will receive for FY 2009 in July 2009. 	48
<i>TAPBI</i>	
<ul style="list-style-type: none"> • As session law, prohibit ADE from recouping past overpayments. 	49
<i>ADM Audits</i>	
<ul style="list-style-type: none"> • As session law, continue to authorize the Department of Education or Auditor General to conduct Average Daily Membership audits of school districts and charter schools. 	50
<i>Desegregation Cap</i>	
<ul style="list-style-type: none"> • As session law, continue “soft cap” on desegregation expenditures for FY 2009 (permits increases only for enrollment growth and inflation). 	51
<i>Achievement Testing Task Force</i>	
<ul style="list-style-type: none"> • As session law, create a 7-member task force to examine the use of graduation tests in other states and other testing issues. 	63 – 66
<ul style="list-style-type: none"> • As session law, limit to 1 year the length of any new contract for statewide achievement testing that is executed after June 30, 2008. 	63 – 66

School Facilities Board

Full Day Kindergarten Capital

- As permanent law, consider kindergarteners in school districts to be full-time Average Daily Membership (ADM) pupils for purposes of determining minimum school facility adequacy requirements, thereby requiring the School Facilities Board (SFB) to fund new classroom costs for full-day kindergarten. 8, 26

Building Renewal

- As permanent law, establish a Building Renewal Grant Fund to provide grant-based funding for building renewal. 27
- As session law, suspend the Building Renewal formula for FY 2009. 60

Sunset Date

- As permanent law, repeal the current sunset date for the SFB (July 1, 2008) and establish a new sunset date of July 1, 2018. 34, 46, 61
- As permanent law, include references to lease-to-own funding in the sunset language.

New Construction

- As session law, prohibit the SFB from authorizing or awarding funding for the design or construction of any new school facility, except for full-day kindergarten, or for school site acquisitions. 53
- As session law, require school districts to submit capital plans during FY 2009, and permit the SFB to review and award new school facilities, subject to future appropriations.
- As session law, require the SFB to provide monies for architectural and engineering fees, project management services and preconstruction services if a school district qualifies for additional space in FY 2009 due to the implementation of full-day kindergarten.

Debt Financing

- As session law, require the SFB to enter into lease-to-own transactions for up to \$593 million, of which \$344 million shall be recouped from FY 2008 and prior year expenditures, \$8 million shall be used for full-day kindergarten capital costs and \$12 million used for a loan to a union high school district that meets criteria established in the bill. 54
- As session law, stipulate that the lease-to-own transactions shall mature in not more than 15 years.

Bridge Loan

- As session law, appropriate \$117 million to the SFB in FY 2009 to use for new construction until lease-to-own proceeds become available during FY 2009, at which time the loan is repaid. 56

Union High School District Loan

- As session law, authorize a loan of up to \$12 million to a union high school district that meets criteria established in the bill. 59

Community Colleges

Capital Outlay Funding

- As session law, suspend capital outlay funding for FY 2009. 41

Operating State Aid

- As session law, notwithstanding the operating state aid formula in FY 2009, and specify that the appropriation for operating state aid shall be as provided in the General Appropriation Act. 42

Equalization Aid

- As session law, notwithstanding the equalization aid formula in FY 2009, and specify that the appropriation for equalization aid shall be as provided in the General Appropriation Act. 43

Commission for Postsecondary Education

Commission Duties

- As permanent law, modify statute prescribing duties of the Commission. 18 – 25

Sunset Date

- As permanent law, establish a sunset date of July 1, 2010 for the Commission 31 – 33, 57, 62

Universities

University Debt Financing

- As permanent law, prohibit the Lottery from establishing or operating gaming that uses gaming devices or video lottery terminals. 1
- As permanent law, remove current 4% cap on the amount of Lottery revenues that can be spent on advertising. 2
- As permanent law, allow the Lottery to increase compensation to licensed sales agents.

• As permanent law, eliminate the relationship between certain Lottery tickets and their beneficiaries, except for the 2 special lottery games that benefit Commerce and Economic Development Commission.	2, 4, 5, 28, 29
• As permanent law, require the director of the Arizona State Lottery Commission to report annually by August 15 th to the JLBC and OSPB directors regarding employee performance pay distributions.	3
• As permanent law, add the State Land Department's Community Protection Initiative Fund and the Department of Environmental Quality's Water Supply Development Fund Special Line Item to the end of a list of recipients of State Lottery Fund monies.	4
• As permanent law, create a new University Capital Improvement Lease-to-Own and Bond Fund under the administration of the Arizona Board of Regents (ABOR) from which to make lease-to-own payments.	17
• As permanent law, authorize ABOR to enter into lease-to-own and bond transactions up to a combined total of \$1 billion.	
• As session law, require that the General Fund receive at least \$47 million from Lottery proceeds, plus an additional \$10 million if revenues allow.	35
• As session law, require incremental Lottery proceeds, up to \$20 million, that remain after all beneficiaries receive required distributions be deposited into the new University Capital Improvement Lease-to-Own and Bond Fund.	
• As session law, exempt ABOR and the Lottery from related rulemaking requirements for times specified in the bill (1 year for ABOR and until December 31, 2008 for Lottery).	36
• As session law, appropriate \$9.5 million in Lottery revenues in FY 2009 to the Local Transportation Assistance Fund (LTAF II).	37
• As session law, appropriate \$750,000 for performance pay for Lottery employees in FY 2009.	38
• As session law, require ABOR to allocate \$470 million of bond proceeds for construction of the Phoenix biomedical campus.	39
• As session law, exempt monies distributed from the University Capital Improvement Lease-to-Own and Bond Fund from university debt limit calculations and require each university to report what its debt limit would be with or without the exemption.	67
<i>Arizona Financial Aid Trust (AFAT)</i>	
• As session law, suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into AFAT.	40

HEALTH & WELFARE - CHAPTER 288 (HB 2275)

	<u>Section</u>
Arizona Department of Administration	
<i>Employee Health Insurance</i>	
• As session law, continue to prohibit ADOA from implementing a differentiated health insurance premium in FY 2009 based on the integrated or non-integrated status of the provider beginning October 1, 2008.	19
AHCCCS	
<i>Redetermination</i>	
• As permanent law, change the redetermination period for childless AHCCCS recipients age 21 or older from 12 to 6 months. Under current law, Temporary Assistance for Needy Families (TANF) Cash recipients are redetermined every 6 months.	3
<i>County ALTCS Contributions</i>	
• As session law, set county ALTCS contributions at \$256,642,400.	15
• As session law, require Maricopa County to transfer \$24,168,400 and Pima County to transfer \$3,794,400 into Budget Neutrality Compliance Fund. Permit counties to meet the requirements of this section from any source of county revenue designated by the county, including funds of any countywide special taxing district in which the Board of Supervisors serves as the board of directors. Exempt these contributions from county expenditure limitations.	10
<i>County Acute Care Contributions</i>	
• As session law, set the County Acute Care contribution at \$49,583,000. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328.	14
<i>County Transfers</i>	
• As session law, instruct AHCCCS to deposit \$17,830,500 of excess county ALTCS funds from FY 2007 and FY 2008 into the Budget Neutrality Compliance Fund.	11

<i>County Expenditure Limitation</i>	
• As session law, exclude Proposition 204 administration costs from county expenditure limitations, retroactive to June 30, 2004.	18, 26
<i>Disproportionate Share Hospitals (DSH) Withholding</i>	
• As session law, establish FY 2009 disproportionate share distributions to the Maricopa County Hospital District, the Arizona State Hospital and private qualifying disproportionate share hospitals.	13
<i>Disproportionate Share Uncompensated Care (DUC) Pool</i>	
• As session law, require the collection of \$2,646,200 in DUC pool contributions from counties other than Maricopa. Exclude these contributions from county expenditure limitations, retroactive to June 30, 2004.	16, 26
<i>Healthcare Group</i>	
• Eliminate 1-person employer groups from coverage. Current participants can remain eligible.	4, 5, 23,
• Reduce the “go bare” period from 180 days to 90 days.	24
• Prohibit reimbursing a non-contracting hospital (except for an emergency) and set the reimbursement rates for those services at 114% to 125% of AHCCCS rates.	
• Require AHCCCS to adjust premiums based on actuarial reviews by an independent actuary.	
• Require quarterly financial reports and an annual financial audit to JLBC.	
• Limit the increase in the number of employer groups to no more than 5% above the prior year.	
<i>KidsCare Parents</i>	
• As permanent law, establish KidsCare Parents program with no expiration.	6
<i>Reimbursement Rates</i>	
• As session law, prohibit increases in specified hospital rates in contract year beginning October 1, 2008.	20
<i>Temporary Medical Coverage Program</i>	
• As session law, suspend Temporary Medical Coverage Program, which provides coverage to previously-enrolled AHCCCS members who are receiving federal disability insurance benefits and are not yet eligible for Medicare benefits.	12
Behavior Analysts	
<i>Licensing</i>	
• As permanent law, license behavior analysts through the Board of Psychologist Examiners. Exempt Board from rulemaking requirements for two years after bill’s effective date.	1, 2, 9
Department of Health Services	
<i>Health Crisis Fund</i>	
• As session law, for FY 2009, reduce fund balance for Health Crisis Fund from \$1,000,000 to \$500,000.	21
<i>Restoration to Competency Cost Sharing</i>	
• As session law, continue to require Maricopa and Pima Counties and all cities to pay 86% of cost of Restoration to Competency treatment in FY 2009.	17
Maricopa Integrated Health System	
<i>Audit</i>	
• As session law, require the Auditor General to conduct a financial and performance audit of the Maricopa Integrated Health System and report to the Governor, President of the Senate, and Speaker of the House of Representatives by March 15, 2009. Outlines components of report.	22
Pioneers’ Home	
<i>Extension</i>	
• As permanent law, extend sunset date for the Pioneers’ Home 8 years, to July 1, 2016, retroactive to July 1, 2008. As session law, define purpose of home as providing services to long-term residents and miners of this state.	7, 8, 25, 26

REVENUE - CHAPTER 290 (HB 2391)

Section

Department of Public Safety

Highway User Revenue Fund/State Highway Fund Shift

- As session law, suspend the schedule established by A.R.S. § 28-6537 and A.R.S. § 28-6993 governing the level of HURF and State Highway Fund revenues available to fund DPS' Highway Patrol costs, and remove the spending cap in FY 2009. 8

Department of Revenue

Small City Grants Shift

- As permanent law, establish a minimum annual distribution of Urban Revenue Sharing funds to incorporated cities and towns equal to the amount that would be received by a city or town of 1,500 population. The distribution of Urban Revenue Sharing to other cities and towns shall be reduced by the increased distribution amounts required to meet this minimum distribution to small cities and towns. 1

Business Reengineering/Integrated Tax System BRITS

- As session law, continue to require JLBC review of any BRITS contract extensions or modifications that increase the contractor's share of gain-sharing proceeds from state revenues during FY 2009. Retroactive to June 30, 2008. Also require JLBC review of use of revenue proceeds for \$1.6 million in DOR data center charges. 9,10

Research and Development Income Tax Credit

- As session law, increase the individual and corporate income tax credits for research and development activities from 20% of the first \$2.5 million in qualifying expenses plus 11% of the amount exceeding \$2.5 million, to 22% and 13% respectively for CY 2010. As permanent law, increase the percentages to 24% and 15% respectively beginning in CY 2011. These increases have an effective date beginning in CY 2010, and would extend for 8 years, reverting back to the current credit amounts beginning in CY 2018. 2-7,11-13