

Interim Director: David Raber

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	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	863.7	730.7	724.7
Personal Services	30,664,900	29,407,000	28,834,100
Employee Related Expenditures	11,868,300	11,919,200	12,352,600
Professional and Outside Services	4,225,600	4,072,300	4,382,300
Travel - In State	309,900	307,600	307,600
Travel - Out of State	17,700	27,700	28,700
Other Operating Expenditures	29,617,800	35,087,100	35,074,300
Equipment	2,651,500	4,180,400	4,180,400
OPERATING SUBTOTAL	79,355,700	85,001,300	85,160,000^{1/}
SPECIAL LINE ITEMS			
Facilities Management			
Relocation	0	60,000	0
Utilities	7,653,400	7,975,600	7,975,600
Financial Services			
Arizona Financial Information System	1,059,400	1,120,500	0
Ch. 246 Appropriations for Named Claimants	254,000	101,600	0
County Attorney Immigration Enforcement	2,430,000	1,213,200	1,213,200 ^{2/}
ENSCO	2,867,300	2,867,300	2,862,800
Federal Legal Services Payback	0	1,700,000	0
Human Resources			
Employee Wellness Program	296,700	300,000	0
Human Resources Information Solution COP	4,354,000	4,354,000	4,749,700
Information Technology Services			
Statewide Telecommunications Management Contract Lease Payment	809,500	851,800	425,900
Telecommunications Fund - Infrastructure Improvements Account	2,362,900	4,713,700	0
Risk Management			
Burke Settlement	523,500	0	0
External Legal Services	3,172,800	5,592,200	0
Non-Legal Related Expenditures	2,833,200	3,153,900	0
Risk Management Administrative Expenses	0	0	8,746,100
Risk Management Losses and Premiums	36,444,800	45,371,300	45,371,300
Workers' Compensation Losses and Premiums	23,201,700	30,112,300	30,112,300
Support Services			
State Surplus Property Sales Proceeds	1,152,300	2,512,000	1,260,000 ^{3/}
Other			
5th Special Session Reduction	0	(5,813,400)	(5,813,400)
AGENCY TOTAL	168,771,200	191,187,300	182,063,500^{4/}
FUND SOURCES			
General Fund	20,416,500	19,617,000	17,734,300
<u>Other Appropriated Funds</u>			
Air Quality Fund	597,800	714,100	714,100 ^{5/}
Automation Operations Fund	19,870,600	19,182,900	18,944,200 ^{6/}
Capital Outlay Stabilization Fund	14,953,500	17,408,000	17,348,200
Corrections Fund	536,100	568,500	564,000
Federal Surplus Materials Revolving Fund	112,100	453,400	458,700
Motor Vehicle Pool Revolving Fund	7,795,400	10,529,400	10,515,200 ^{7/}

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
Personnel Division Fund	16,358,100	14,876,100	13,975,100
Risk Management Revolving Fund	77,163,100	92,463,700	92,389,100
Special Employee Health Insurance Trust Fund	4,224,900	5,246,600	5,182,700
State Surplus Materials Revolving Fund	2,203,600	3,617,700	2,397,600
Telecommunications Fund	2,176,600	1,796,200	1,840,300
Telecommunications Fund - Infrastructure Improvements Account	2,362,900	4,713,700	0
SUBTOTAL - Other Appropriated Funds	148,354,700	171,570,300	164,329,200
SUBTOTAL - Appropriated Funds	168,771,200	191,187,300	182,063,500
Other Non-Appropriated Funds	1,016,832,100	934,902,200	967,588,000
Federal Funds	236,200	27,500	27,500
TOTAL - ALL SOURCES	1,185,839,500	1,126,117,000	1,149,679,000

AGENCY DESCRIPTION — The department provides centralized general support services to state agencies, including accounting, financial, purchasing, building and grounds maintenance, personnel, information technology, Capitol Police, motor pool, travel reduction, and risk management services.

Operating Budget

The budget includes \$85,160,000 and 724.7 FTE Positions from the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$13,819,900
Air Quality Fund	765,100
Automation Operations Fund	20,500,600
Capital Outlay Stabilization Fund	10,814,100
Corrections Fund	609,800
Federal Surplus Materials Revolving Fund	458,700
Motor Vehicle Pool Revolving Fund	11,369,000
Personnel Division Fund	10,197,600
Risk Management Revolving Fund	8,159,400
Special Employee Health Insurance Trust Fund	5,182,700

State Surplus Materials Revolving Fund	1,297,200
Telecommunications Fund	1,985,900

These amounts fund the following adjustments:

Relocation SLI Funding Shift

The budget includes an increase of \$60,000 from the Capital Outlay Stabilization Fund in FY 2011 for a funding shift. Funding for Relocation is included in the operating budget instead of the Facilities Management's Relocation Special Line Item (SLI) beginning in FY 2011.

Arizona Financial Information System SLI Funding Shift

The budget includes an increase of \$1,120,500 and 11.1 FTE Positions from the General Fund in FY 2011 for a funding shift. Funding for the Arizona Financial Information System (AFIS) is included in the operating budget instead of the Financial Services' AFIS SLI beginning in FY 2011.

- 1/ 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. (General Appropriation Act footnote)
- 2/ The \$1,213,200 appropriated to the County Attorney Immigration Enforcement line item shall be distributed to the county attorney of a county in this state having a population of 1,500,000 or more persons. The county attorney may enter into agreements with county sheriffs or other law enforcement agencies or jurisdictions for the purposes of implementing A.R.S. § 23-212. This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 3/ All State Surplus Materials Revolving Fund revenues received by the Department of Administration in excess of the \$1,260,000 appropriated to the State Surplus Property Sales Proceeds line item in FY 2011 are appropriated to the department. Before the expenditure of State Surplus Materials Revolving Fund receipts in excess of \$1,260,000 in FY 2011, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 5/ The amounts appropriated for the State Employee Transportation Service Subsidy shall be used for up to a 50% subsidy of charges payable for transportation service expenses as provided in A.R.S. § 41-786, of nonuniversity state employees in a vehicle emissions control area as defined in A.R.S. § 49-541, of a county with a population of more than 400,000 persons. (General Appropriation Act footnote)
- 6/ The appropriation for the Automation Operations Fund is an estimate representing all monies, including balance forward, revenue and transfers during FY 2011. These monies are appropriated to the Department of Administration for the purposes established in A.R.S. § 41-711. The appropriation shall be adjusted as necessary to reflect receipts credited to the Automation Operations Fund for Automation Operation Center projects. Expenditures for all additional Automation Operation Center projects above the \$18,944,200 appropriation shall be subject to review by the Joint Legislative Budget Committee, following approval of the Government Information Technology Agency. Expenditures for each additional project shall not exceed the specific revenues of that project. (General Appropriation Act footnote, as adjusted for statewide allocations.)
- 7/ It is the intent of the Legislature that the department not replace vehicles until an average of 120,000 miles or more. (General Appropriation Act footnote)

Employee Wellness Program SLI Funding Shift

The budget includes an increase of \$300,000 from the Special Employee Health Insurance Trust Fund (HITF) in FY 2011 for a funding shift. Funding for the Employee Wellness Program is included in the operating budget instead of the Human Resources Employee Wellness Program SLI beginning in FY 2011.

Personnel Division Fund Revenue Realignment

The budget includes a decrease of \$(1,200,000) from the Personnel Division Fund in FY 2011 to realign revenues with expenditures.

State Surplus Property Sales Proceeds SLI Funding Shift

The budget includes an increase of \$39,600 from the State Surplus Revolving Fund in FY 2011 for a funding shift from the State Surplus Property Sales Proceeds SLI to the operating budget.

Statewide Adjustments

The budget includes a decrease of \$(161,400) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	349,300
Automation Operations Fund	(238,700)
Capital Outlay Stabilization Fund	(59,800)
Corrections Fund	(4,500)
Federal Surplus Materials Revolving Fund	5,300
Motor Vehicle Pool Revolving Fund	(14,200)
Personnel Division Fund	(96,700)
Risk Management Revolving Fund	(74,600)
Special Employee Health Insurance Trust Fund	(63,900)
State Surplus Materials Revolving Fund	(7,700)
Telecommunications Fund	44,100

(Please see the General Provisions section.)

Facilities Management

Relocation

The budget includes no funding from the Capital Outlay Stabilization Fund for the Relocation SLI in FY 2011. This funds the following adjustments:

Funding Shift

The budget includes a decrease of \$(60,000) from the Capital Outlay Stabilization Fund in FY 2011 for a funding shift. Funding for Relocation is included in the operating budget instead of this SLI beginning in FY 2011.

This SLI funded unanticipated agency relocations.

Utilities

The budget includes \$7,975,600 for Utilities in FY 2011. This amount consists of:

General Fund	625,700
Capital Outlay Stabilization Fund	7,349,900

These amounts are unchanged from FY 2010.

This SLI funds utility charges, including electric, water, gas, and garbage disposal, for buildings located on the Capitol Mall and the Tucson Office Complex.

Financial Services

Arizona Financial Information System

The budget includes no funding and no FTE Positions from the General Fund for the AFIS SLI in FY 2011. This funds the following adjustments:

Funding Shift

The budget includes a decrease of \$(1,120,500) and (11.1) FTE Positions from the General Fund in FY 2011 for a funding shift. Funding for AFIS is included in the operating budget instead of this SLI beginning in FY 2011.

Monies in this SLI paid the General Fund cost of operating the statewide accounting system. A footnote allows the department to collect up to \$1,762,600 in FY 2011 from other funding sources, excluding the General Fund and Federal Funds, to supplement the cost of operating AFIS.

Ch. 246 Appropriations for Named Claimants

Laws 2010, Chapter 246 appropriates \$101,633.47 from the General Fund for Named Claimants in FY 2010. The state must annually settle legitimate unpaid claims against received goods and services, as submitted by the various state agencies. Monies in this SLI are not included in the General Appropriation Act. A separate legislative act usually makes this appropriation. Laws 2009, Chapter 79 included \$255,778 in FY 2009 for prior year unpaid claims, however, the FY 2009 amount that was expended was \$254,000.

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 \$101,633.47, the General Fund will receive \$9,778.38 from the Risk Management Fund, \$68,517.50 from the Newborn Screening Program Fund, and \$422.94 from the Board of Respiratory Care Examiners Fund. The total of \$78,718.82 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.

County Attorney Immigration Enforcement

The budget includes \$1,213,200 from the General Fund for County Attorney Immigration Enforcement in FY 2011. This amount is unchanged from FY 2010.

The FY 2011 appropriation is for distribution to the Maricopa County Attorney for the purpose of enforcement of the provisions in A.R.S. § 23-212 that prohibit an employer from knowingly employing unauthorized immigrants and general enforcement of immigration related matters.

ENSCO

The budget includes \$2,862,800 from the General Fund for ENSCO in FY 2011. This amount funds the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(4,500) from the General Fund in FY 2011 for statewide adjustments.

Monies in this SLI are used to pay the lease-purchase requirements for acquisition of the ENSCO site. Laws 1991, Chapter 282 authorized the simultaneous sale and lease-purchase of state properties to fund this appropriation. In October 1991, the Arizona Department of Administration (ADOA) issued a 20-year, \$54,514,200 Certification of Participation (COP) in which portions of the adult prison complex at Florence were used as collateral. The COP will be paid off in August of 2011 at which time the state will regain ownership of the properties at the Florence prison complex.

A total of \$45,634,500 was appropriated to the ADOA, the Department of Environmental Quality, and the Governor's Office to settle the ENSCO issue. Of this amount, \$37,000,000 went to purchase the ENSCO facility and its contract to process hazardous waste. Of the remaining \$8,634,500 appropriation, \$7,000,000 was allocated to settle claims between ENSCO and the state, \$1,000,000 was used to purchase the land, \$350,000 was for property tax, \$214,500 was for per diem interest costs to ENSCO, and \$70,000 was for legal fees.

Federal Legal Services Payback

The budget includes no funding for Federal Legal Services Payback in FY 2011. This funds the following adjustments:

FY 2010 Supplemental Appropriation

The budget includes a decrease of \$(1,700,000) from the General Fund in FY 2011 to back out a one-time supplemental appropriation. The FY 2011 General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1, Section 117) appropriated \$1,700,000 from the General Fund as a FY 2010 supplemental for repayment to the federal government for Attorney General Legal Services Cost Allocation Fund pro rata charges. The federal government requires a reimbursement of all federal monies used to pay for this charge in FY 2007 – FY 2009. This is because the federal government does not allow this kind of charge to be paid for with federal monies.

Human Resources

Employee Wellness Program

The budget includes no funding from HITF for the Employee Wellness Program SLI in FY 2011. This funds the following adjustments:

Funding Shift

The budget includes a decrease of \$(300,000) from HITF in FY 2011 for a funding shift. Funding for the Employee Wellness Program is included in the operating budget instead of this SLI beginning in FY 2011.

This SLI funded a vendor contract to conduct employee wellness screenings and provide wellness feedback to participants. As the program is intended to reduce overall health insurance costs, HITF, which consists of health insurance contributions, provides for the program's funding.

Human Resources Information Solution COP

The budget includes \$4,749,700 from the Personnel Division Fund for the Human Resources Information Solution (HRIS) COP in FY 2011. This amount funds the following adjustments:

Lease Payment Increase

The budget includes an increase of \$395,700 from the Personnel Division Fund in FY 2011 for an increased HRIS lease-purchase payment.

This SLI funds semi-annual payments made on the COP issued to fund the HRIS. HRIS replaced the Human Resources Management System in FY 2004. The HRIS portion of the COP involved a principal amount of

approximately \$35,000,000. The first payment was made in FY 2002. Total interest costs for the COP are projected to be \$15,600,000 over its 12-year term.

Information Technology Services

**Statewide Telecommunications Management
Contract Lease Payment**

The budget includes \$425,900 from the General Fund for the Statewide Telecommunications Management Contract Lease Payment in FY 2011. This amount funds the following adjustments:

Lease Payment Decrease

The budget includes a decrease of \$(425,900) from the General Fund in FY 2011 for a decreased lease payment.

The 5-year payment schedule began with a payment of \$894,000 in FY 2007, decreased to \$851,800 for payments scheduled in FY 2008 – FY 2010, and concludes with a payment of \$425,900 in FY 2011.

This lease financed the \$3,500,000 transition from the Arizona Telecommunications System to the state's new telecommunication system, the Arizona Network (AZNet). The Telecommunications Program Office chose this option in order to reduce the fiscal impact of the contract on agencies in FY 2006.

**Telecommunications Fund - Infrastructure
Improvements Account**

The budget includes no funding from the Telecommunications Fund Infrastructure Improvements Account for the Infrastructure Improvements SLI in FY 2011. This funds the following adjustments:

Spending Authority Elimination

The budget includes a decrease of \$(4,713,700) from the Telecommunications Fund Infrastructure Improvements Account in FY 2011 to eliminate this SLI's spending authority. ADOA will charge agencies a total of \$4,700,000 for this service in FY 2011 and will deposit that amount into the General Fund.

Monies in this line item funded network upgrades, new features, and services for the state's telecommunication system. This account was supported from a portion of the AZNet charges to state agencies.

Risk Management

Burke Settlement

The budget includes no funding for plaintiff attorney fees associated with the Burke Settlement in FY 2011. This is unchanged from FY 2010.

This SLI funded one-time settlement costs associated with the Burke lawsuit. This lawsuit required the state to reimburse employees who were affected by the ending of the defined contribution retirement system in 1981.

External Legal Services

The budget includes no funding from the Risk Management Revolving Fund for External Legal Services SLI in FY 2011. This funds the following adjustments:

Funding Shift

The budget includes a decrease of \$(5,592,200) from the Risk Management Revolving Fund for a funding shift in FY 2011. Funding for External Legal Services is included in the newly-created Risk Management Administrative Expenses SLI (*see below*) instead of this SLI beginning in FY 2011.

This SLI funded legal representation from outside the Office of the Attorney General in Risk Management or workers' compensation related lawsuits against the state. The division hires private counsel in circumstances where a legal conflict of interest exists. In the past few years, the division has also sought outside counsel when staffing from the Office of the Attorney General was not available.

Non-Legal Related Expenditures

The budget includes no funding from the Risk Management Revolving Fund for Non-Legal Related Expenditures in FY 2011. This funds the following adjustments:

Funding Shift

The budget includes a decrease of \$(3,153,900) from the Risk Management Revolving Fund in FY 2011 for a funding shift. Funding for Non-Legal Related Expenditures is included in the newly-created Risk Management Administrative Expenses SLI (*see below*) instead of this SLI beginning in FY 2011.

This SLI funded financial and actuarial analyses, relevant investigations, and related travel.

Risk Management Administrative Expenses

The budget includes \$8,746,100 from the Risk Management Fund for Risk Management Administrative Expenses in FY 2011. This amount funds the following adjustments:

Funding Shift

The budget includes an increase of \$8,746,100 from the Risk Management Revolving Fund in FY 2011 for a funding shift. Funding for the External Legal Services and Non-Legal Related Expenditures SLIs are included in this newly-created SLI beginning in FY 2011.

This SLI funds financial and actuarial analyses, relevant investigations, and related travel. This SLI also funds legal representation from outside the Office of the Attorney General in Risk Management or workers' compensation related lawsuits against the state. The division hires private counsel in circumstances where a legal conflict of interest exists. In the past few years, the division has also sought outside counsel when staffing from the Office of the Attorney General was not available.

Risk Management Losses and Premiums

The budget includes \$45,371,300 from the Risk Management Revolving Fund for Risk Management Losses and Premiums in FY 2011. This amount is unchanged from FY 2010.

This SLI represents estimated payments for liability and property settlements, medical expenses, and supplemental insurance premiums. An actuarial study annually updates the projected loss exposures.

Workers' Compensation Losses and Premiums

The budget includes \$30,112,300 from the Risk Management Revolving Fund for Workers' Compensation Losses and Premiums in FY 2011. This amount is unchanged from FY 2010.

This SLI accounts for the state's liability in workplace injuries. The funding represents payments for workers' compensation beneficiaries, hospital and medical expenses, and supplemental insurance premiums. An actuarial study annually updates the projected loss exposures.

Support Services

State Surplus Property Sales Proceeds

The budget includes \$1,260,000 from the State Surplus Materials Revolving Fund for State Surplus Property Sales

Proceeds in FY 2011. This amount funds the following adjustments:

Revenue Realignment

The budget includes a decrease of \$(1,212,400) from the State Surplus Materials Revolving Fund in FY 2011 to realign revenues with expenditures.

Funding Shift

The budget includes a decrease of \$(39,600) from the State Surplus Materials Revolving Fund in FY 2011 for a funding shift from this SLI to the operating budget.

This SLI separates surplus sales proceeds returned to agencies from the division's operating budget. The surplus property yard returns 90% of sales proceeds to the agency from which the property originated. The yard retains 10% of the proceeds to fund its operations.

Other

5th Special Session Reduction

The budget includes \$(5,813,400) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate. This amount consists of:

General Fund	(1,213,200)
Air Quality Fund	(51,000)
Automation Operations Fund	(1,556,400)
Capital Outlay Stabilization Fund	(815,800)
Corrections Fund	(45,800)
Motor Vehicle Pool Revolving Fund	(853,800)
Personnel Division Fund	(972,200)
State Surplus Materials Revolving Fund	(159,600)
Telecommunications Fund	(145,600)

The \$(815,800) reduction from the Capital Outlay Stabilization Fund, \$(972,200) reduction from the Personnel Division Fund, \$(159,600) reduction from the State Surplus Materials Revolving Fund, and \$(1,056,400) of the Automation Operations Fund reduction will not be transferred to the General Fund in FY 2011, however, they are shown here as reductions since the funds' appropriation levels will remain at the FY 2010 levels.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (*Please see the Fund Transfers section at the back of this report for more details.*)

Additional Legislation

Differentiated Health Insurance Premium

The FY 2011 Health Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 10) continues to prohibit the department from implementing a differentiated health insurance premium in FY 2011 based on integrated or non-integrated status of the provider beginning October 1, 2010.

State Employee Health Plan

The Patient Protection and Affordable Care Act was enacted into law on March 23, 2010. This bill, along with the accompanying Reconciliation Bill, made significant changes to health insurance requirements. To conform to federal legislation, a number of changes will be made to the state employee health plan, which are dependent coverage for children up to their 26th birthday, no lifetime limits in the PPO plan, and no co-pays on preventative services. Laws 2010, Chapter 232 made statutory changes to include children through their 26th birthday, while the other 2 changes can be made without statutory changes.

Beginning on January 1, 2013, employees will be automatically enrolled into a health plan but can choose to opt out. Currently, 84% of eligible employees are enrolled.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Arizona Department of Administration to reduce 5 General Fund FTE Positions in FY 2010 and an additional 6 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.