

Arizona Department of Administration

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	689.7	689.7	528.1 ^{1/}
Personal Services	23,552,300	29,100,200	30,421,000
Employee Related Expenditures	10,339,800	11,437,700	9,984,900
Professional and Outside Services	3,925,900	4,121,300	4,251,300
Travel - In State	257,500	294,700	294,700
Travel - Out of State	17,800	30,100	30,100
Other Operating Expenditures	28,815,200	30,170,000	30,357,900
Equipment	4,325,200	3,665,700	3,665,700
OPERATING SUBTOTAL	71,233,700	78,819,700	79,005,600 ^{2/}
SPECIAL LINE ITEMS			
Facilities Management			
Utilities	7,326,200	7,975,600	8,275,600
Financial Services			
County Attorney Immigration Enforcement	1,213,200	1,213,200	1,213,200 ^{3/}
ENSCO	2,862,800	1,436,400	0
Named Claimants	68,700	198,300	0
White Mountain Apache Water Rights Settlement	0	0	2,000,000 ^{4/}
Human Resources			
Human Resources Information Solution COP	4,749,700	5,550,600	3,319,600
Information Technology Services			
Automation Projects	0	0	28,100,000
Public Safety Communications	586,700	529,600	531,500
Statewide Information Security and Privacy Office	708,400	856,600	857,800
Telecommunications Lease Payment	381,400	0	0
Risk Management			
Federal Transfer Payment	0	10,400,000	0
Risk Management Administrative Expenses	6,696,200	8,746,100	8,746,100
Risk Management Losses and Premiums	34,192,800	43,480,200	44,691,200
Workers' Compensation Losses and Premiums	24,886,100	30,620,200	30,955,200
Support Services			
State Surplus Property Sales Proceeds	1,152,900	1,260,000	1,260,000 ^{5/}
Other			
Ch. 34 One-Time COSF	0	613,300	0
AGENCY TOTAL	156,058,800	191,699,800 ^{6/}	208,955,800 ^{7/8/}
FUND SOURCES			
General Fund	16,678,000	15,100,500	30,230,300
<u>Other Appropriated Funds</u>			
Air Quality Fund	596,500	714,100	714,100 ^{9/}
Automation Operations Fund	17,414,800	18,716,000	22,930,100 ^{10/}
Capital Outlay Stabilization Fund	15,843,700	17,912,800	17,878,700
Corrections Fund	442,100	554,300	558,300
Federal Surplus Materials Revolving Fund	96,400	451,400	451,600
Information Technology Fund	2,487,600	3,133,500	4,644,500
Motor Vehicle Pool Revolving Fund	8,639,800	10,043,500	10,041,300 ^{11/}
Personnel Division Fund	13,865,000	14,752,500	14,420,800
Risk Management Revolving Fund	72,152,200	100,750,100	91,919,200
Special Employee Health Insurance Trust Fund	3,897,400	5,122,300	5,136,700
State Surplus Materials Revolving Fund	2,070,200	2,378,800	2,375,000
State Web Portal Fund	250,500	250,000	5,850,000

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
Telecommunications Fund	1,624,600	1,820,000	1,805,200
SUBTOTAL - Other Appropriated Funds	139,380,800	176,599,300	178,725,500
SUBTOTAL - Appropriated Funds	156,058,800	191,699,800	208,955,800
Other Non-Appropriated Funds	878,454,700	835,477,800	855,971,000
Federal Funds	6,457,500	14,431,200	6,375,700
TOTAL - ALL SOURCES	1,040,971,000	1,041,608,800	1,071,302,500

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

Operating Budget

The budget includes \$79,005,600 and 521.1 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$9,059,900
Air Quality Fund	714,100
Automation Operations Fund	18,730,100
Capital Outlay Stabilization Fund (COSF)	10,228,800
Corrections Fund	558,300
Federal Surplus Materials Revolving Fund	451,600
Information Technology Fund	2,286,700
Motor Vehicle Pool Revolving Fund	10,041,300

Personnel Division Fund	11,101,200
Risk Management Revolving Fund	7,526,700
Special Employee Health Insurance Trust Fund	5,136,700
State Surplus Materials Revolving Fund	1,115,000
State Web Portal Fund	250,000
Telecommunications Fund	1,805,200

These amounts fund the following adjustments:

State Personnel System Implementation Costs

The budget includes an increase of \$1,846,000 from the Personnel Division Fund in FY 2013 for costs associated with the implementation of the new state personnel system. Laws 2012, Chapter 294, Section 106 includes a FY 2012 supplemental appropriation of \$154,000 for costs

- 1/ Includes 4 GF and 3 OF FTE Positions funded from Special Line Items in FY 2013.
- 2/ 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)
- 3/ Of the \$1,213,200 appropriated to the County Attorney Immigration Enforcement line item, \$200,000 shall be distributed to the county attorney of a county in this state having a population of 2,000,000 or more persons for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes, and \$500,000 shall be distributed to the county sheriff of a county in this state having a population of 2,000,000 or more persons for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes. Subject to the prior approval of the Joint Legislative Budget Committee, the remaining monies may be distributed to county attorneys and county sheriffs of counties with populations of less than 2,000,000 persons for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes. This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. The appropriated monies may be spent in the sole discretion of the county attorney or county sheriff to whom the monies are distributed for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes, without any further approval or other action by the county board of supervisors of the county. (General Appropriation Act footnote)
- 4/ This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 5/ 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 2013 are appropriated to the department. Before the expenditure of State Surplus Materials Revolving Fund receipts in excess of \$1,260,000 in FY 2013, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 6/ In addition to these amounts, a total of \$265,700 GF and \$1,068,600 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)
- 9/ 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)
- 10/ The appropriation for the Automation Operations Fund is an estimate representing all monies, including balance forward, revenue and transfers during FY 2013. 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. Before the expenditure of any Automation Operations Fund revenues in excess of \$18,730,100 in FY 2013, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 11/ 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)

associated with the implementation of the new state personnel system.

Laws 2012, Chapter 321 establishes the State Personnel System, which is an expansion of the Arizona Department of Administration (ADOA) Personnel System. *(Please see the Additional Legislation section for more information.)*

Secretary of State Building Operating Costs

The budget includes an increase of \$300,000 from COSF in FY 2013 for the operation and maintenance expenses of the Polly Rosenbaum Archives Building and the Records Management Center. *(Please see the Department of Administration Capital Outlay section for more information.)*

Laws 2009, Chapter 114 transferred control of the Arizona State Library, Archives and Public Records (ASLAPR) functions from the Legislature to the Secretary of State. However, even with this transfer, ASLAPR facilities remained under the control of the Legislature. The Consolidation Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 27) transferred control of ASLAPR facilities, including the Polly Rosenbaum Archives Building and the Records Management Center, to the Secretary of State, thereby making the Department of Administration responsible for maintenance of the buildings.

Because the materials in these buildings need to be stored at specific environmental conditions in order to ensure proper preservation, this funding will be used to provide maintenance to advanced heating, ventilation, and air conditioning (HVAC) systems, as well as other technical document preservation systems.

Statewide Adjustments

The budget includes a decrease of \$(1,960,100) in FY 2013 for statewide adjustments.

This amount consists of:

General Fund	(2,037,400)
Automation Operations Fund	14,100
COSF	(20,800)
Corrections Fund	4,000
Federal Surplus Materials Revolving Fund	200
Information Technology Fund	9,800
Motor Vehicle Pool Revolving Fund	(2,200)
Personnel Division Fund	53,300
Risk Management Revolving Fund	23,100
Special Employee Health Insurance Trust Fund	14,400
State Surplus Materials Revolving Fund	(3,800)
Telecommunications Fund	(14,800)

Of these amounts, a decrease of \$(2,031,200) from the General Fund in FY 2013 is to eliminate funding for ADOA to make the lease-purchase payment for the Arizona State Schools for the Deaf and the Blind high school/auditorium. The final lease-purchase payment was

made in FY 2012. *(Please see the Agency Detail and Allocations section for more information.)*

Facilities Management

Utilities

The budget includes \$8,275,600 in FY 2013 for Utilities.

This amount consists of:

General Fund	625,700
COSF	7,649,900

These amounts fund the following adjustments:

Secretary of State Building Utilities Costs

The budget includes an increase of \$300,000 from COSF in FY 2013 for the utility expenses of the Polly Rosenbaum Archives Building and the Records Management Center. The materials in these buildings need to be stored at specific environmental conditions in order to ensure proper preservation, which results in increased utility costs. *(Please see the Department of Administration Capital Outlay section for more information.)*

This line item funds utility charges, including electric, water, gas, and garbage disposal, for state-owned buildings.

Financial Services

Named Claimants

Laws 2012, Chapter 291 appropriates \$198,343.16 from the General Fund in FY 2012 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 SLI are not included in the General Appropriation Act. A separate legislative act usually makes this appropriation. Laws 2011, Chapter 120 included \$68,687.30 in FY 2011 for prior year unpaid claims. All \$68,687.30 was expended on claims.

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 \$198,343.16, the General Fund will receive \$16,724.06 from the Risk Management Revolving Fund and \$5,000 from the Emergency Medical Services Operating Fund. The total of \$21,724.06 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 in FY 2013 for County Attorney Immigration Enforcement. This amount is unchanged from FY 2012.

This line item is for distribution to county attorneys and county sheriffs for the purpose of enforcement of Title 23, Chapter 2, Article 2, Arizona Revised Statutes which prohibits an employer from knowingly employing unauthorized immigrants and general enforcement of immigration related matters. A footnote specifies the allocation of these funds.

Laws 2012, Chapter 346 states that monies distributed to the Apache County Attorney’s Office shall be used to represent the interests of the people of Arizona and Apache County for legal action against the United States Forest Service for the destruction of endangered species habitat in Arizona caused by the lack of forest thinning and forage fuel removal activities.

ENSCO

The budget includes no funding from the General Fund in FY 2013 for ENSCO. This amount funds the following adjustments:

Funding Elimination

The budget includes a decrease of \$(1,436,400) from the General Fund in FY 2013 for funding elimination. The lease-purchase payments for the ENSCO site ended in FY 2012.

Monies in this line item were 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.

White Mountain Apache Settlement

Section 119 of the FY 2013 General Appropriation Act includes \$2,000,000 from the General Fund in FY 2013 to comply with this state’s obligation relating to the settlement of the White Mountain Apache Tribe’s water rights claims. The monies are exempt from lapsing requirements.

This line item funds a one-time obligation which becomes effective on receipt of notice by the Executive Director of the Arizona Legislative Council from the Department of

Water Resources that the Secretary of the United States Department of Interior has issued a Record of Decision approving the construction of the White Mountain Apache Tribe rural water system.

Human Resources

Human Resources Information Solution COP

The budget includes \$3,319,600 from the Personnel Division Fund in FY 2013 for the Human Resources Information Solution (HRIS) Certificate of Participation (COP). This amount funds the following adjustments:

Lease-Purchase Payment Decrease

The budget includes a decrease of \$(2,231,000) from the Personnel Division Fund in FY 2013 for a decreased HRIS lease-purchase payment.

This line item funds semi-annual payments made on the \$35,000,000 12-year COP issued to fund HRIS. The COP will be paid off in FY 2013.

Information Technology Services

Automation Projects

The budget includes \$28,100,000 in FY 2013 for Automation Projects. This amount consists of:

General Fund	16,800,000
Automation Operations Fund	4,200,000
Information Technology Fund	1,500,000
State Web Portal Fund	5,600,000

These monies are deposited into the Automation Projects Fund, which is administered by the department.

In addition to the FY 2013 funding, the General Appropriation Act appropriates the following amounts from the General Fund in future years to the Automation Projects Fund: \$20,000,000 in FY 2014, \$20,000,000 in FY 2015, and \$23,000,000 in FY 2016.

The Government BRB (Laws 2012, Chapter 298) established the Automation Project Fund, which consists of monies appropriated by the Legislature. Once deposited into the fund, the monies are not subject to further appropriation. The fund is exempt from lapsing.

Monies in the fund are to be used to implement, upgrade or maintain automation and information technology projects for any state agency. The primary project is expected to be the replacement of the state’s financial accounting system.

Public Safety Communications

The budget includes \$531,500 and 4 FTE Positions from the General Fund in FY 2013 for Public Safety Communications. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,900 from the General Fund in FY 2013 for statewide adjustments.

The Public Safety Communications Program designs and implements a standard based system that provides interoperability between statewide public safety agencies.

Radio interoperability allows public safety personnel from one agency to communicate with personnel from other agencies.

This program was previously a function of the Government Information Technology Agency (GITA). The Consolidation BRB (Laws 2011, Chapter 27) transferred the functions of GITA to the Department of Administration beginning in FY 2012. FY 2011 expenditures for GITA are reflected in the Department of Administration's expenditure information.

Statewide Information Security and Privacy Office

The budget includes \$857,800 and 3 FTE Positions from the Information Technology Fund in FY 2013 for the Statewide Information Security and Privacy Office. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,200 from the Information Technology Fund in FY 2013 for statewide adjustments.

The office performs strategic planning, policy development, and risk assessment to protect the state's information resources.

This program was previously a function of GITA. The FY 2012 Consolidation BRB (Laws 2011, Chapter 27) transferred the functions of GITA to the Department of Administration beginning in FY 2012. FY 2011 expenditures for GITA are reflected in the Department of Administration's expenditure information.

Risk Management

Federal Transfer Payment

The budget includes a decrease of \$(10,400,000) from the Risk Management Fund in FY 2013 to eliminate the one-time FY 2012 payment to the federal government. Laws

2012, Chapter 294, Section 107 included a FY 2012 supplemental appropriation to refund a portion of certain fund balances to the federal government. In prior fiscal years, the state had transferred the balances of certain funds to the General Fund. If federal monies had been deposited into these funds, the federal government requires that they receive their own proportional share of fund transfers. The \$10,400,000 is intended to cover the state's obligation for FY 2010 and FY 2011 transfers. Of this amount, \$5,921,900 was expended in May 2012 for the FY 2010 portion of the state's obligation.

Risk Management Administrative Expenses

The budget includes \$8,746,100 from the Risk Management Revolving Fund in FY 2013 for Risk Management Administrative Expenses. This amount is unchanged from FY 2012.

This line item funds financial and actuarial analyses, relevant investigations, and related travel. This line item also funds legal representation from outside the Office of the Attorney General.

Risk Management Losses and Premiums

The budget includes \$44,691,200 from the Risk Management Revolving Fund in FY 2013 for Risk Management Losses and Premiums. This amount funds the following adjustments:

Risk Management Losses

The budget includes an increase of \$1,211,000 from the Risk Management Revolving Fund in FY 2013 for an estimated increase in Risk Management Losses and Premiums. This increase is a result of an independent actuarial review of the department's claim history and exposure.

This line item 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 \$30,955,200 from the Risk Management Revolving Fund in FY 2013 for Workers' Compensation Losses and Premiums. This amount funds the following adjustments:

Losses and Premiums Increase

The budget includes an increase of \$335,000 from the Risk Management Revolving Fund in FY 2013 for an estimated increase in Workers' Compensation Losses and Premiums. This increase is a result of an independent actuarial review of the department's claim history and exposure.

This line item 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 in FY 2013 for State Surplus Property Sales Proceeds. This amount is unchanged from FY 2012.

This line item 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

Ch. 34 One-Time COSF

Laws 2011, Chapter 34 included a one-time appropriation of 50% of the balance of a completed capital project to be used by the Department of Administration for the operating and utility expenses for the Polly Rosenbaum Archives Building. The FY 2012 appropriation was \$613,300.

In FY 2013, funding now appears in the Operating Budget and Utilities Special Line Item.

Additional Legislation

Differentiated Health Insurance Premium

The Health and Welfare BRB (Laws 2012, Chapter 299) continues to prohibit ADOA from implementing a differentiated health insurance premium in FY 2013 based on the integrated or non-integrated status of the provider.

Dental Self-Insurance

The Health and Welfare BRB clarifies that ADOA must submit a dental self-insurance plan to JLBC for review prior to switching to self-insurance.

Health Insurance Trust Monies

The General Appropriation Act (Laws 2012, Chapter 294, Section 2) expands ADOA's authorization to pay the federal government for any obligations related to the FY 2012 transfer of Health Insurance Trust Fund monies to the General Fund. While 2011 legislation originally authorized this payment to occur in FY 2012, Chapter 294

now permits the payment of this FY 2012 obligation to also occur in FY 2013.

State Personnel System

Laws 2012, Chapter 321 expands the ADOA Personnel System, creating the State Personnel System, which includes 8 new agencies that have traditionally maintained their own personnel systems. ADOA's Human Resources Division will continue oversight of the personnel system.

Chapter 321 outlines the transition of a majority of the state's covered workforce to uncovered and at-will status. In addition to employees that voluntarily elect to be uncovered, any covered employees who accept a change of assignment will become uncovered. Covered employees currently in supervisor, attorney, and information technology positions, as well as those in grade 19 and higher positions, will automatically convert to uncovered status. Going forward, all new hires will also be uncovered.

The legislation also restructures the grievance and appeal process. All employees can still submit a complaint regarding unlawful discrimination or harassment. However, the State Personnel Board, which remains for covered employees, no longer has the authority to overturn or modify disciplinary actions made by agencies.

Chapter 321 also makes changes to other human resources practices such as administrative leave, overtime and compensatory leave, workers' compensation, and hiring procedures.

The legislation becomes effective September 28, 2012.

Prepaid Wireless 911 Excise Tax

Laws 2012, Chapter 198 establishes the prepaid wireless telecommunications 911 excise tax. The tax is equal to 0.8% of the gross income derived from the retail sale of prepaid wireless telecommunications services. The revenue generated from the tax will be deposited in the Emergency Telecommunications Services Revolving Fund. The tax becomes effective December 31, 2013.

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for the Department of Administration includes a reduction of 42.2 General Fund FTE Positions and 119.4 Other Fund FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice BRB, revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriation Act. Section 134 of the General Appropriation Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Department of Administration's share of this Non-General Fund charge will be \$127,700. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.