

## Attorney General - Department of Law

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	592.9	547.9	547.9 <sup>1/</sup>
Personal Services	26,655,400	29,853,300	30,164,800
Employee Related Expenditures	9,710,900	10,989,000	10,987,700
Professional and Outside Services	643,600	1,243,300	1,243,300
Travel - In State	96,500	119,700	119,700
Travel - Out of State	65,700	187,900	187,900
Other Operating Expenditures	4,699,600	5,566,600	4,241,200
Equipment	464,600	0	0
<b>OPERATING SUBTOTAL</b>	<b>42,336,300</b>	<b>47,959,800</b>	<b>46,944,600</b>
<b>SPECIAL LINE ITEMS</b>			
Capital Postconviction Prosecution	0	0	500,000 <sup>2/</sup>
Military Airport Planning	84,800	88,900	90,000 <sup>3/</sup>
National Mortgage Settlement Distribution	0	47,000,000 <sup>4/</sup>	0
Risk Management ISA	7,987,500	9,395,200	9,439,500
State Grand Jury	175,300	180,100	181,100
Victims' Rights	3,222,500	3,247,800	3,997,800
<b>AGENCY TOTAL</b>	<b>53,806,400</b>	<b>107,871,800<sup>5/</sup></b>	<b>61,153,000<sup>6/7/</sup></b>
<b>FUND SOURCES</b>			
General Fund	17,386,900	23,579,500	22,464,600
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	141,600	244,400	244,200
Attorney General Legal Services Cost Allocation Fund	5,625,900	2,076,700	2,087,500
Collection Enforcement Revolving Fund	4,486,100	5,378,400	5,387,800
Consumer Protection - Consumer Fraud Revolving Fund	2,307,400	3,500,300	3,506,200
Court-Ordered Trust Fund	0	47,000,000	0
Interagency Service Agreements Fund	12,648,500	13,449,500	13,525,400 <sup>8/</sup>
Risk Management Revolving Fund	7,987,500	9,395,200	9,439,500
State Aid to Indigent Defense Fund	0	0	500,000
Victims' Rights Fund	3,222,500	3,247,800	3,997,800
SUBTOTAL - Other Appropriated Funds	36,419,500	84,292,300	38,688,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>53,806,400</b>	<b>107,871,800</b>	<b>61,153,000</b>
Other Non-Appropriated Funds	36,204,700	43,513,900	44,345,400
Federal Funds	6,859,500	5,877,000	5,104,000
<b>TOTAL - ALL SOURCES</b>	<b>96,870,600</b>	<b>157,262,700</b>	<b>110,602,400</b>

<sup>1/</sup> Includes 2.6 GF and 99 OF FTE Positions funded from Special Line Items in FY 2014.

<sup>2/</sup> The \$500,000 appropriation for Capital Postconviction Prosecution is a one-time appropriation pending further legislative review of the appropriate location of those duties. The Attorney General shall submit a report on or before November 1, 2013, to the Joint Legislative Budget Committee for review of the Attorney General's plan to transition capital postconviction prosecution responsibilities for Maricopa County related cases to Maricopa County during the next 4 years. (General Appropriation Act footnote)

<sup>3/</sup> Includes \$90,000 from the General Fund appropriated by A.R.S. § 26-263 for Military Airport Planning, as adjusted for statewide allocations.

<sup>4/</sup> Laws 2013, Chapter 118 appropriates the National Mortgage Settlement proceeds, excluding the \$50,000,000 deposit into the General Fund, in FY 2013 to the Attorney General as a nonlapsing appropriation. This amount is estimated to be \$47,000,000.

<sup>5/</sup> In addition to these amounts, the General Appropriation Act included a one-time FY 2013 adjustment of \$(176,600) GF for a state employee health insurance payment holiday. (Please see the FY 2013 General Fund Adjustments section.)

<sup>6/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>7/</sup> The Attorney General shall submit to the Joint Legislative Budget Committee for review the quarterly reports on legal settlements required by A.R.S. § 41-192, 44-1531.01 and 44-1531.02, as amended by Laws 2013, Chapter 143. (General Appropriation Act footnote)

<sup>8/</sup> In addition to the \$13,525,400 appropriated from the Interagency Service Agreements Fund in FY 2014, an additional \$800,000 and 11 FTE Positions are appropriated from the Interagency Service Agreements Fund in FY 2014 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)

**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.

**Operating Budget**

The budget includes \$46,944,600 and 446.3 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	<b>FY 2014</b>
General Fund	\$22,193,500
Antitrust Enforcement Revolving Fund	244,200
Attorney General Legal Services Cost Allocation Fund	2,087,500
Collection Enforcement Revolving Fund	5,387,800
Consumer Protection-Consumer Fraud Revolving Fund	3,506,200
Interagency Service Agreements Fund	13,525,400

These amounts fund the following adjustments:

**Elimination of One-Time Federal Grant Backfill**

The budget includes a decrease of \$(1,200,000) from the General Fund in FY 2014 to eliminate one-time funding. In FY 2013, the budget included an increase of \$1,200,000 from the General Fund to backfill expiring funding from a Federal Recovery Act Cross Border Grant that supports prosecutions within the Criminal Division.

**Statewide Adjustments**

The budget includes an increase of \$184,800 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	83,000
Antitrust Enforcement Revolving Fund	(200)
Attorney General Legal Services Cost Allocation Fund	10,800
Collection Enforcement Revolving Fund	9,400
Consumer Protection - Consumer Fraud Revolving Fund	5,900
Interagency Service Agreements Fund	75,900

*(Please see the Agency Detail and Allocations section.)*

**Capital Postconviction Prosecution**

The budget includes \$500,000 from the State Aid to Indigent Defense Fund in FY 2014 for capital postconviction prosecution. These amounts fund the following adjustments:

**Capital Postconviction Prosecution**

The budget includes an increase of \$500,000 from the State Aid to Indigent Defense Fund in FY 2014 to fund capital postconviction prosecution.

This line item serves as a one-time appropriation to fund capital postconviction prosecutions for the state over the next 4 years. The FY 2014 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2013, 1<sup>st</sup> Special Session, Chapter 5) permits the Attorney General to use State Aid to Indigent Defense Fund monies for this purpose. A General Appropriation Act footnote directs the Attorney General to submit a report by November 1, 2013, on its plan to transition these responsibilities to Maricopa County during the 4 years to the Joint Legislative Budget Committee for its review.

**Military Airport Planning**

The budget includes \$90,000 and 1 FTE Position from the General Fund in FY 2014 for Military Airport Planning. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes an increase of \$1,100 from the General Fund in FY 2014 for statewide adjustments.

A.R.S. § 26-263 appropriated \$85,000 annually (prior to statewide adjustments) from the General Fund to the Attorney General’s Office. Therefore, \$85,000 of 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 original 2004 legislation, including review and determination of compliance with land use plans.

**National Mortgage Settlement Distribution**

The budget includes no funding from the National Mortgage Settlement Distribution in FY 2014 for disbursement of court orders. This amount funds the following adjustments:

**Remove One-Time Settlement Distribution**

The budget includes a decrease of \$(47,000,000) from the Court-Ordered Trust Fund in FY 2014 associated with a one-time distribution of \$47,000,000 from the National Mortgage Settlement Distribution in FY 2013. This amount excludes the \$50,000,000 that will be transferred into the General Fund by Laws 2012, Chapter 294.

In 2012, Arizona, along with 49 other states and attorneys general, reached a state-federal settlement with the nation’s 5 largest residential mortgage loan servicers. The National Mortgage Settlement is a result of state and federal investigations that the 5 loan servers did not act

legally in signing foreclosure documents, thus acting fraudulently in services and practices. The total settlement was \$25 billion, of which Arizona's total share was \$1.3 billion.

The settlement requires Arizona to use the funds received from the settlement "for purposes intended to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, to enhance law enforcement efforts to prevent and prosecute financial fraud or unfair or deceptive acts or practices, and to compensate the State for costs resulting from the alleged unlawful conduct of the Defendants."

Of the \$1.3 billion, the Attorney General received approximately \$97,000,000 in a direct payment from the National Mortgage Settlement. The FY 2013 General Appropriation Act required the Attorney General to direct \$50,000,000 of these monies to the General Fund. In May 2012, a lawsuit was filed arguing that the state could not transfer money from the settlement to the General Fund. In October 2012, a Superior Court judge ruled that the State Legislature can decide how to spend the funds from the settlement. In March 2013, the Court of Appeals upheld the Superior Court ruling but the Arizona Supreme Court subsequently directed the Attorney General to not transfer the \$50,000,000 to the General Fund pending final resolution of the case in the Supreme Court.

Laws 2013, Chapter 118 appropriates the remainder of the settlement to the Attorney General for distribution pursuant to applicable court orders.

The Attorney General also has discretion to determine the remainder of the state's allocation. An approximate amount of \$47,000,000, plus \$10,000,000 from a settlement with Bank of America not subject to this appropriation, will be used as follows:

- \$41,000,000 for direct assistance to help keep residents in their home and consumer restitution;
- \$5,000,000 for enforcement and monitoring;
- \$5,000,000 for housing counseling;
- \$4,000,000 for legal services; and
- \$2,000,000 for outreach, marketing, and education.

Of the remaining \$1.3 billion from Arizona's share of the National Mortgage Settlement, \$1 billion is to be used to directly help residents who owe more on their property than what it is presently worth. In addition, \$110,000,000 is to be directed to residents who experienced foreclosures between 2008-2011. The remaining \$85,000,000 is to be used to lower interest rates for some homeowners.

In June 2013, the Attorney General announced that restitution monies from the settlement have started being sent out to individuals who have filed claims. Restitution checks are in the amount of \$1,480 to those who lost their homes to foreclosure as a result of the banks' alleged

misconduct. These restitution amounts are being funded directly by participating banks.

### ***Risk Management ISA***

The budget includes \$9,439,500 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2014 for the Risk Management ISA. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes an increase of \$44,300 from the Risk Management Revolving Fund in FY 2014 for statewide adjustments.

This line item provides funding for the Attorney General's contract with the Risk Management Division of the Arizona Department of Administration.

### ***State Grand Jury***

The budget includes \$181,100 and 1.6 FTE Positions from the General Fund in FY 2014 for the State Grand Jury. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes an increase of \$1,000 from the General Fund in FY 2014 for statewide adjustments.

This line item funds expenses incurred by the Attorney General to investigate and try matters that are under the jurisdiction of the State Grand Jury.

### ***Victims' Rights***

The budget includes \$3,997,800 and 6 FTE Positions from the Victims' Rights Fund in FY 2014 for Victims' Rights. These amounts fund the following adjustments:

#### **Victims Services**

The budget includes funding of \$749,100 from the Victims' Rights Fund in FY 2014 for victims services (\$509,700) and a one-time increase for grants management software (\$239,400).

#### **Statewide Adjustments**

The budget includes an increase of \$900 from the Victims' Rights Fund in FY 2014 for statewide adjustments.

This line item provides monies to state and local agencies that are required to notify victims during various steps in the criminal justice process. The program includes 7.68% of Criminal Justice Enhancement Fund monies and an assessment on parents of juvenile offenders.

## ***Additional Legislation***

### ***Consumer Restitution and Remediation Revolving Fund***

Laws 2013, Chapter 143 establishes the Consumer Restitution and Remediation Revolving Fund. In addition, the statute directs any monies resulting from compromises or settlements by or against the state, excluding restitution and reimbursement funds, into the General Fund.

The Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving Fund is to be used for monies collected from lawsuits intended to compensate a specific, identifiable person, including the state, for economic loss resulting from violations of consumer protection laws.

The Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund consists of monies collected as a result of a settlement to rectify violations of consumer protection laws, other than monies collected for the benefit of specific, identifiable persons. Monies in this subaccount up to \$3,500,000 are continuously appropriated. Any amount of money collected over that amount is subject to legislative appropriation. The Attorney General must submit an expenditure plan to the JLBC for review before expending any monies in this subaccount.

Chapter 143 requires the Attorney General to report quarterly to the Joint Legislative Budget Committee on the receipts and disbursements from the fund by subaccount (A.R.S. § 44-1531.02) and in the Consumer Protection - Consumer Fraud Revolving Fund (A.R.S. § 44-1531.01), as well as deposits made pursuant to other specified settlements (A.R.S. § 41-192). A General Appropriation Act further requires that these reports be submitted for Committee review. As a result of this provision, the FY 2014 budget does not include previous reporting guidelines on settlements exceeding \$100,000.

### ***Collections Enforcement Revolving Fund Limit***

The FY 2014 Criminal Justice BRB (Laws 2013, 1<sup>st</sup> Special Session, Chapter 5), as permanent law, raises the non-lapsing cap for the Collections Enforcement Revolving Fund from \$100,000 to \$500,000. This provision had previously been in session law.

## ***Other Issues***

### ***Attorney General Legal Services Cost Allocation Fund***

The FY 2013 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 302) revised the mechanism for agencies to pay their Attorney General pro rata 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 pro rata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The FY 2013 Criminal Justice BRB eliminated the 0.675% pro rata Personal Services charge. An agency's General Fund appropriation and Federal Funds are no longer charged for Attorney General Services. The pro rata for all other monies has been converted into a flat dollar charge as annually specified by the General Appropriation Act. The Attorney General received a FY 2013 General Fund appropriation to backfill for the loss of pro rata revenue.

The FY 2014 General Appropriation Act sets the level of charges at \$1,809,500 and specifies the charge per agency as required by Chapter 302. See *Table 1* for a list of agencies and their corresponding Attorney General Legal Services charge.

### ***Automation Projects Transfer***

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (*Please see the Automation Projects narrative for more details.*)

**Table 1****FY 2014 Attorney General Legal Services Charges**

<u>Agency</u>	<u>Legal Services Charge</u>
Arizona Department of Administration	\$127,700
Office of Administrative Hearings	3,000
Commission on the Arts	3,100
Automobile Theft Authority	1,400
Citizens Clean Elections Commission	2,700
State Department of Corrections	2,000
Arizona Criminal Justice Commission	8,700
Arizona Schools for the Deaf and the Blind	100,200
Commission for the Deaf and the Hard of Hearing	4,100
Early Childhood Development and Health Board	47,100
Department of Education	132,000
Department of Emergency and Military Affairs <sup>1/</sup>	30,000
Department of Environmental Quality	135,600
Exposition and State Fair Board	20,900
Department of Financial Institutions	1,900
Department of Fire, Building, and Life Safety	2,500
State Forester	12,100
Department of Gaming	35,000
Arizona Geological Survey	6,800
Department of Health Services	170,000
Arizona Historical Society	700
Department of Housing	18,100
Department of Insurance	10,500
Department of Juvenile Corrections	9,400
State Land Department	2,100
Department of Liquor, Licenses & Control	11,400
Arizona State Lottery Commission	24,800
Arizona State Parks Board	45,800
State Personnel Board	600
Arizona Pioneers' Home	12,100
Commission on Postsecondary Education	1,800
Department of Public Safety	677,400
Arizona Department of Racing	2,300
Radiation Regulation Authority	3,800
Arizona State Retirement System	69,100
Department of Revenue	4,900
Secretary of State	1,800
State Treasurer	9,200
Department of Veterans' Services	52,700
Department of Weights and Measures	<u>4,200</u>
<b>Total Legal Services Charges</b>	<b>\$1,809,500</b>

<sup>1/</sup> The Department of Emergency and Military Affairs' Legal Services charge has been modified in FY 2014 to \$30,000 from \$115,300 in FY 2013.