

Attorney General - Department of Law

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	592.9	547.9	547.9
Personal Services	26,655,400	29,007,900	29,007,900
Employee Related Expenditures	9,710,900	10,812,000	10,812,000
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	4,366,600
Equipment	464,600	0	0
OPERATING SUBTOTAL	42,336,300	46,937,400	45,737,400
SPECIAL LINE ITEMS			
Military Airport Planning	84,800	85,800	85,800
Risk Management ISA	7,987,500	9,183,500	9,183,500
State Grand Jury	175,300	177,500	177,500
Victims' Rights	3,222,500	3,240,200	3,240,200
AGENCY TOTAL	53,806,400^{1/}	59,624,400^{2/}	58,424,400
FUND SOURCES			
General Fund	17,386,900	23,049,900	21,849,900
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	141,600	242,800	242,800
Attorney General Legal Services Cost Allocation Fund	5,625,900	2,026,900	2,026,900
Collection Enforcement Revolving Fund	4,486,100	5,313,900	5,313,900
Consumer Protection - Consumer Fraud Revolving Fund	2,307,400	3,450,300	3,450,300
Interagency Service Agreements Fund	12,648,500	13,116,900	13,116,900
Risk Management Revolving Fund	7,987,500	9,183,500	9,183,500
Victims' Rights Fund	3,222,500	3,240,200	3,240,200
SUBTOTAL - Other Appropriated Funds	36,419,500	36,574,500	36,574,500
SUBTOTAL - Appropriated Funds	53,806,400	59,624,400	58,424,400
Other Non-Appropriated Funds	36,204,700	62,513,900	63,345,400
Federal Funds	6,859,500	5,877,000	5,104,000
TOTAL - ALL SOURCES	96,870,600	128,015,300	126,873,800

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 Baseline includes \$45,737,400 and 446.3 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$21,586,600
Antitrust Enforcement Revolving Fund	242,800
Attorney General Legal Services Cost Allocation Fund	2,026,900
Collection Enforcement Revolving Fund	5,313,900
Consumer Fraud Revolving Fund	3,450,300
Interagency Service Agreements Fund	13,116,900

^{1/} Includes a total of \$412,300 GF and \$1,130,700 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

^{2/} In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of \$(176,600) GF for the premium holiday and an increase of \$529,600 GF and \$717,800 OF for the employee retention payment.

FY 2014 adjustments would be as follows:

Elimination of One-Time Federal Grant Backfill GF (1,200,000)

The Baseline 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.

Military Airport Planning

The Baseline includes \$85,800 and 1 FTE Position from the General Fund in FY 2014 for Military Airport Planning. These amounts are unchanged from FY 2013.

A.R.S. § 26-263 appropriated \$85,000 annually (prior to statewide adjustments) from the General Fund to the Attorney General's Office. Therefore, 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.

Risk Management ISA

The Baseline includes \$9,183,500 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2014 for the Risk Management ISA. These amounts are unchanged from FY 2013.

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 Baseline includes \$177,500 and 1.6 FTE Positions from the General Fund in FY 2014 for the State Grand Jury. These amounts are unchanged from FY 2013.

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 Baseline includes \$3,240,200 and 6 FTE Positions from the Victims' Rights Fund in FY 2014 for Victims' Rights. These amounts are unchanged from FY 2013.

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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The Attorney General shall notify the President of the Senate, the Speaker of the House of Representatives and the Joint Legislative Budget Committee before entering into a settlement of \$100,000 or more that will result in the receipt of monies by the Attorney General or any other person. The Attorney General shall not allocate or expend these monies until the Joint Legislative Budget Committee reviews the allocations or expenditures. Settlements that pursuant to statute must be deposited in the state General Fund need not be reviewed by the Joint Legislative Budget Committee. This paragraph does not apply to actions under Title 13, Arizona Revised Statutes, or other criminal matters.

In addition to the \$13,116,900 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.

STATUTORY CHANGES

The Baseline would:

- As permanent law, raise the non-lapsing cap for the Collections Enforcement Fund from \$100,000 to \$500,000. This provision has previously been in session law for 2 years.
- As a FY 2013 session law in the General Appropriation Act, modify the Attorney General Legal Service charges for 5 agencies. Continue this charge level in FY 2014. (See discussion in *Other Issues for Legislative Consideration*).

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

National Mortgage Settlement Fund Distribution

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. As of this writing, an appeal has been filed with the Court of Appeals to overturn the ruling, and the Attorney General has not transferred the \$50,000,000 to the General Fund.

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, 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 remainder, \$85,000,000, is to be used to lower interest rates for some homeowners.

As of November 2012, approximately 13,000 Arizona residents have received settlement funded assistance. Approximately \$762,000,000 of the settlement represents short sales approved by lenders. An additional \$121,000,000 reflects assistance for refinancing and modifying existing underwater mortgages.

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 2013 General Appropriation Act set the level of charges at \$1,906,600 and specified the charge per agency. The FY 2013 legislation also required the Joint Legislative Budget Committee (JLBC) to review the allocation of these charges by fund sources. Based on the JLBC review, the Legal Services charges for 5 agencies were modified in FY 2013. Of these, 4 do not have relevant fund sources and 1 does not have sufficient funding. As a result, the FY 2014 Baseline sets the level of charges at \$1,809,500 to reflect the modifications. The FY 2014 General Appropriation Act would include language setting the charges as required by Chapter 302. Charges for agencies will be found in their individual agency narratives.

See *Table 1* for a list of agencies and their corresponding Attorney General Legal Services Charge.

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 <u>1/</u>	30,000
Department of Environmental Quality	135,600
Governor's Office of Equal Opportunity <u>2/</u>	0
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
State Mine Inspector <u>3/</u>	0
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
School Facilities Board <u>4/</u>	0
Office of Tourism <u>5/</u>	0
State Treasurer	9,200
Department of Veterans' Services	52,700
Department of Weights and Measures	<u>4,200</u>
Total Legal Services Charges	\$1,809,500

1/ The Department of Emergency and Military Affairs' Legal Services charge has been modified to \$30,000 from \$115,300.

2/ The Governor's Office of Equal Opportunity's Legal Services charge has been modified to \$0 from \$100.

3/ The State Mine Inspector's Legal Services charge has been modified to \$0 from \$1,200.

4/ The School Facilities Board's Legal Services charge has been modified to \$0 from \$2,400.

5/ The Office of Tourism's Legal Services charge has been modified to \$0 from \$8,100.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Anti-Racketeering Revolving Fund (AGA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	25,162,000	28,973,300
Year-End Fund Balance	40,496,700	40,023,400
Antitrust Enforcement Revolving Fund (AGA2016/A.R.S. § 41-191.02)		Appropriated
Source of Revenue: Monies recovered for the state as a result of antitrust, restraint of trade or price-fixing activity enforcement.		
Purpose of Fund: For antitrust enforcement expenses, excluding attorney compensation.		
Funds Expended	141,600	242,800
Year-End Fund Balance	76,000	0
Attorney General Expendable Trust Fund (AGA3102/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Restricted donations and gifts from individuals and corporations.		
Purpose of Fund: For purposes specified by donors or grantors.		
Funds Expended	7,300	1,080,800
Year-End Fund Balance	2,700	0
Attorney General Legal Services Cost Allocation Fund (AGA4240/A.R.S. § 41-191.09)		Appropriated
Source of Revenue: Flat dollar amount from agencies as annually specified by the General Appropriation Act.		
Purpose of Fund: To fund non-contracted Attorney General Legal Services.		
Funds Expended	5,625,900	2,026,900
Year-End Fund Balance	1,170,600	1,050,300
CJEF Distribution to County Attorneys Fund (AGA2068/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: 9.35% of the Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To enhance prosecutorial efforts of county attorneys.		
Funds Expended	3,710,500	4,041,100
Year-End Fund Balance	0	0
Collection Enforcement Revolving Fund (AGA2132/A.R.S. § 41-191.03)		Appropriated
Source of Revenue: The fund receives 35% of monies recovered by the Attorney General from debts owed to the state.		
Purpose of Fund: For expenses related to debt collection owed to the state, including reimbursement of other accounts within the department. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration.		
Funds Expended	4,486,100	5,313,900
Year-End Fund Balance	888,300	500,000
Colorado River Land Claims Revolving Fund (AGA2430/A.R.S. § 41-191.05)		Non-Appropriated
Source of Revenue: Receives 25% of monies recovered by the state from the settlement of the State of Arizona's sovereign land claims.		
Purpose of Fund: To pay ownership claims near the Colorado River.		
Funds Expended	0	0
Year-End Fund Balance	12,300	12,300

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Consumer Protection - Consumer Fraud Revolving Fund (AGA2014/A.R.S. § 44-1531.01)		Appropriated
Source of Revenue: Any monies recovered for the state from investigative or court costs, attorney fees or civil penalties pertaining to consumer protection or consumer fraud.		
Purpose of Fund: For consumer fraud education and for investigative and enforcement operations of the Consumer Protection Division, excluding attorney compensation. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration.		
Funds Expended	2,307,400	3,450,300
Year-End Fund Balance	6,391,000	7,013,500
Court-Ordered Trust Fund (AGA3180/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Court-ordered deposits held in trust for parties to lawsuits. Includes funds from a 2012 nationwide settlement between numerous states and mortgage loan servicers. Arizona residents will receive a total of \$1.6 billion from the settlement, of which \$97 million is available to the Attorney General.		
Purpose of Fund: To assure funds are available to pay judgments. Future payments are dependent on case settlements. In FY 2012, the agency expended \$200,000 of the mortgage settlement. Starting in FY 2013, the agency plans to spend \$19,000,000 a year to provide assistance to homeowners affected by fraudulent mortgage servicing and foreclosure practices until funds are expired. In addition, the FY 2013 budget directed the transfer of \$50,000,000 of these monies to the General Fund. Due to litigation, the transfer has not yet occurred. The FY 2013 ending balance estimate assumes the transfer will occur by the end of the fiscal year. See <i>Other Issues for Legislative Consideration</i> for more information.		
Funds Expended	1,164,500	20,164,300
Year-End Fund Balance	113,035,900	46,710,000
Criminal Case Processing Fund (AGA2461/A.R.S. § 41-2421)		Non-Appropriated
Source of Revenue: A portion of redirected court collections and 0.35% of the surcharge on criminal, motor vehicle, and game and fish statute violations.		
Purpose of Fund: For the processing of criminal cases.		
Funds Expended	81,700	78,800
Year-End Fund Balance	59,100	40,300
Federal Grants (AGA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants awarded by various federal agencies and state agencies which pass through federal monies.		
Purpose of Fund: To be used in accordance with the terms of the individual grants.		
Funds Expended	4,729,500	5,877,000
Year-End Fund Balance	313,100	311,600
Federal Grants - American Recovery and Reinvestment Act (ARRA) (AGA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for drug, gang, and violent crime efforts and to combat criminal narcotics activity stemming from the Southern border of the United States.		
Funds Expended	2,130,000	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (AGA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grant monies and other appropriated and non-appropriated funds.		
Purpose of Fund: To pay administrative costs not directly attributable to any single agency program.		
Funds Expended	1,804,200	2,256,000
Year-End Fund Balance	883,600	872,600

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Interagency Service Agreements Fund (AGA2157/A.R.S. § 41-192)		Appropriated
Source of Revenue: Any monies received by the Attorney General from charges to state agencies for legal services related to interagency service agreements.		
Purpose of Fund: To provide contracted legal services to state agencies and political subdivisions.		
Funds Expended	12,648,500	13,116,900
Year-End Fund Balance	1,154,600	410,300
Intergovernmental Agreements Fund (AGA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Any monies received from state agencies for specialized projects.		
Purpose of Fund: For costs associated with approved projects.		
Funds Expended	2,551,000	4,514,900
Year-End Fund Balance	83,800	0
Microsoft Settlement Fund (AGA1992/A.R.S. § 44-1531.01)		Non-Appropriated
Source of Revenue: State agencies' settlement proceeds from <i>Daisy Mountain Fire District v. Microsoft</i> lawsuit.		
Purpose of Fund: Settlement monies intended to cover software and allowable costs of purchases in FY 2011. The General Accounting Office will reimburse state agencies for approved purchases according to their allotted settlement limits.		
Funds Expended	79,500	17,300
Year-End Fund Balance	17,300	0
Motor Carrier Safety Revolving Fund (AGA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: This fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28, Chapter 14; and monies received from private grants or donations.		
Purpose of Fund: The Department of Public Safety conducts motor carrier safety investigations, the Motor Vehicle Division of the Department of Transportation administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	23,600	23,600
Prosecuting Attorneys' Advisory Council Training Fund (AGA2057/A.R.S. § 41-1830.03)		Non-Appropriated
Source of Revenue: 3.03% of Criminal Justice Enhancement Fund monies. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For costs of training, technical assistance for prosecuting attorneys of the state and any political subdivision, and expenses for the operation of the council.		
Funds Expended	1,600,600	1,340,000
Year-End Fund Balance	132,200	92,200
Risk Management Revolving Fund (AGA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay for the legal services ISA contract between the Attorney General and ADOA.		
Funds Expended	7,987,500	9,183,500
Year-End Fund Balance	1,105,100	0
Victim Witness Fund (AGA2228/A.R.S. § 41-2407)		Non-Appropriated
Source of Revenue: Grants from the Victim Compensation and Assistance Fund and the Victims of Crime Act Fund.		
Purpose of Fund: To assist crime victims and surviving family members who are involved in felony cases and appellate matters.		
Funds Expended	43,400	47,400
Year-End Fund Balance	1,800	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Victims' Rights Fund (AGA3215/A.R.S. § 41-191.08)		Appropriated
Source of Revenue: 7.68% of Criminal Justice Enhancement Fund monies and an assessment on parents of juvenile offenders. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For states and local entities that provide victims' rights services and assistance.		
Funds Expended	3,222,500	3,240,200
Year-End Fund Balance	4,358,000	4,617,800