

Arizona Department of Administration

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	508.1	504.1	504.1
Personal Services	27,356,600	30,881,400	30,881,400
Employee Related Expenditures	10,611,000	12,135,800	12,135,800
Professional and Outside Services	6,959,000	8,752,800	8,752,800
Travel - In State	206,500	193,400	193,400
Travel - Out of State	12,100	25,800	25,800
Other Operating Expenditures	27,381,300	34,299,400	34,299,400
Equipment	3,260,100	3,130,700	3,130,700
OPERATING SUBTOTAL	75,786,600	89,419,300	89,419,300
SPECIAL LINE ITEMS			
Facilities Management			
Utilities	7,554,800	8,275,600	8,275,600
Financial Services			
County Attorney Immigration Enforcement	973,700	1,213,200	1,213,200
Named Claimants	193,600	0	0
Information Technology Services			
Public Safety Communications	261,400	0	0
Statewide Information Security and Privacy Office	784,300	873,500	873,500
Risk Management			
Federal Transfer Payment	10,742,000	0	0
Risk Management Administrative Expenses	4,885,200	8,747,200	8,747,200
Risk Management Losses and Premiums	36,214,300	44,362,200	44,362,200
Workers' Compensation Losses and Premiums	26,857,100	31,159,200	31,159,200
Support Services			
State Surplus Property Sales Proceeds	1,734,900	1,260,000	1,260,000
Other			
Southwest Defense Contracts	0	25,000	25,000
AGENCY TOTAL	165,987,900	185,335,200	185,335,200
FUND SOURCES			
General Fund	11,095,800	11,193,000	11,193,000
<u>Other Appropriated Funds</u>			
Air Quality Fund	732,400	927,100	927,100
Automation Operations Fund	17,456,400	22,020,700	22,020,700
Capital Outlay Stabilization Fund	16,372,200	18,080,400	18,080,400
Corrections Fund	413,900	574,100	574,100
Federal Surplus Materials Revolving Fund	54,200	464,100	464,100
Information Technology Fund	2,770,500	3,238,100	3,238,100
Motor Vehicle Pool Revolving Fund	8,890,100	10,156,100	10,156,100
Personnel Division Fund	12,502,500	12,914,000	12,914,000
Risk Management Revolving Fund	85,242,100	91,995,400	91,995,400
Special Employee Health Insurance Trust Fund	4,149,400	5,267,400	5,267,400
State Surplus Materials Revolving Fund	2,775,900	2,399,800	2,399,800
State Web Portal Fund	1,725,700	4,250,000	4,250,000
Telecommunications Fund	1,806,800	1,855,000	1,855,000
SUBTOTAL - Other Appropriated Funds	154,892,100	174,142,200	174,142,200
SUBTOTAL - Appropriated Funds	165,987,900	185,335,200	185,335,200
Other Non-Appropriated Funds	955,627,700	995,538,300	1,035,247,100
Federal Funds	3,629,000	5,619,700	2,784,900
TOTAL - ALL SOURCES	1,125,244,500	1,186,493,200	1,223,367,200

AGENCY DESCRIPTION — The Arizona Department of Administration (ADOA) 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 Baseline includes \$89,419,300 and 501.1 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	FY 2016
General Fund	\$9,329,100
Air Quality Fund	927,100
Automation Operations Fund	22,020,700
Capital Outlay Stabilization Fund (COSF)	10,430,500
Corrections Fund	574,100
Federal Surplus Materials Revolving Fund	464,100
Information Technology Fund	2,364,600
Motor Vehicle Pool Revolving Fund	10,156,100
Personnel Division Fund	12,914,000
Risk Management Revolving Fund	7,726,800
Special Employee Health Insurance Trust Fund	5,267,400
State Surplus Materials Revolving Fund	1,139,800
State Web Portal Fund	4,250,000
Telecommunications Fund	1,855,000

These amounts are unchanged from FY 2015.

Facilities Management

Utilities

The Baseline includes \$8,275,600 in FY 2016 for Utilities. This amount consists of:

General Fund	625,700
COSF	7,649,900

These amounts are unchanged from FY 2015.

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

Financial Services

County Attorney Immigration Enforcement

The Baseline includes \$1,213,200 from the General Fund in FY 2016 for County Attorney Immigration Enforcement. This amount is unchanged from FY 2015.

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.

A General Appropriation Act footnote specifies that, of the \$1,213,200 appropriated to this line item:

- \$200,000 shall be distributed to the county attorney of a county with a population of 2,000,000 or more persons.
- \$500,000 shall be distributed to the county sheriff of a county with a population of 2,000,000 or more persons.
- Subject to prior approval by the Joint Legislative Budget Committee (JLBC), the remaining monies may be distributed to county attorneys and county sheriffs of counties with populations of less than 2,000,000 persons.
- In addition, the footnote requires that each county shall submit an annual report to ADOA by October 1, 2015 on the actual use of the monies in the previous year and the projected use of the monies in the current year. ADOA is required to report to JLBC and OSPB on the use of these monies by November 1, 2015.

At its April 2014 meeting, the JLBC approved a proposal by ADOA to distribute FY 2014 funds to non-Maricopa counties proportionally based on population. ADOA additionally proposed that, if a county officer had previously returned their FY 2013 funding, had reported no use for their FY 2014 funding, or had failed to report any intended use of their FY 2014 funding, ADOA would not distribute their proportionate share of funds. The Committee approved ADOA's proposal resulting in a planned distribution of \$300,500 of the \$513,200 designated for all non-Maricopa counties for a total distribution of \$1.0 million. Some county officers ultimately returned their distribution resulting in the FY 2014 actual expenditure of \$973,700.

At its December 2014 meeting, the JLBC approved a proposal by ADOA to distribute \$231,400 of the \$513,200 designated for all non-Maricopa counties for FY 2015. ADOA proposed to distribute funds to 9 county officers who requested funds regardless of whether FY 2014 funding was returned or unused. The JLBC additionally requested more information on the Pima County Sheriff's request for \$97,700 for further review.

Laws 2012, Chapter 346 states that monies distributed to the Apache County Attorney's Office shall indefinitely 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.

Information Technology Services

Public Safety Communications

The Baseline includes no funding from the General Fund in FY 2016 for Public Safety Communications. This amount is unchanged from FY 2015.

The Public Safety Communications Program worked to design and implement a standard-based system that provides interoperable communications between statewide public safety agencies, and was administered by the Public Safety Communication Advisory Commission (PSCC). PSCC was established in 2004, with a sunset date of July 2014.

In August 2013, ADOA received a \$2,900,000 federal grant which was to be administered by PSCC. The State and Local Implementation Grant Program (SLIGP) was distributed as part of the National Public Safety Broadband Network (NPSBN) initiative, a national effort to construct a nationwide, standards-based, high-speed data network by reserving a part of the electromagnetic spectrum for public safety. ADOA will continue to administer SLIGP funds through other programs.

With the elimination of the commission, a FY 2015 General Appropriation Act footnote required ADOA to submit a report by October 1, 2014 to JLBC for review of the expenditures to date and progress of implementation for any SLIGP funds. Additionally, the footnote allows JLBC to require ADOA to submit more frequent reports as necessary for further review. Through September 2014, ADOA reported spending \$379,600 of the \$2.9 million grant.

Statewide Information Security and Privacy Office

The Baseline includes \$873,500 and 3 FTE Positions from the Information Technology Fund in FY 2016 for the Statewide Information Security and Privacy Office. These amounts are unchanged from FY 2015.

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

Risk Management

Federal Transfer Payment

The Baseline includes no funding from the Risk Management Revolving Fund in FY 2016 for payment to the federal government. This amount is unchanged from

FY 2015. Laws 2014, Chapter 18, Section 105 included an FY 2014 supplemental appropriation of \$10,742,000 from the Risk Management Revolving Fund to repay the federal government for restricted uses. This amount consisted of:

- \$6,387,000 for FY 2013 fund transfers from 3 separate funds.
- \$3,923,000 for FY 2013 excess retained earnings in 5 different funds.
- \$285,000 for FY 2013 disallowed costs relating to the Government Information Technology Agency (GITA).
- \$50,000 for FY 2013 disallowed costs relating to Attorney General legal services.
- \$97,000 for interest on FY 2013 fund transfers.

In addition, Laws 2014, Chapter 18 specifies that it is the intent of the Legislature that ADOA shall not enter into any agreements to pay for any federal reimbursements related to excess retained earnings in the Special Employee Health Insurance Trust Fund (HITF), or interest payments made for the Human Resource Information Solution (HRIS) Certificate of Participation (COP), unless the proposed agreements are reviewed by the JLBC.

In order to receive Federal Funds, the state enters into a contractual obligation with the federal government which restricts the use of these Federal Funds. If the state then uses these funds in restricted ways, the federal government requires that the state pay back a proportional share of these funds. *(Please see the Federal Financial Participation section in Other Issues for Legislative Consideration for more information.)*

Risk Management Administrative Expenses

The Baseline includes \$8,747,200 from the Risk Management Revolving Fund in FY 2016 for Risk Management Administrative Expenses. This amount is unchanged from FY 2015.

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 Baseline includes \$44,362,200 from the Risk Management Revolving Fund in FY 2016 for Risk Management Losses and Premiums. This amount is unchanged from FY 2015.

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 Baseline includes \$31,159,200 from the Risk Management Revolving Fund in FY 2016 for Workers' Compensation Losses and Premiums. This amount is unchanged from FY 2015.

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 Baseline includes \$1,260,000 from the State Surplus Materials Revolving Fund in FY 2016 for State Surplus Property Sales Proceeds. This amount is unchanged from FY 2015.

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

Southwest Defense Contracts

The Baseline includes \$25,000 from the General Fund in FY 2016 for Southwest Defense Contracts. This amount is unchanged from FY 2015.

This line item is for the distribution to a nonprofit organization that advocates for the preservation and enhancement of critical defense missions and assets in the southwestern United States.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

Of the \$1,213,200 appropriated to the County Attorney Immigration Enforcement line item, \$200,000 must 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 must 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. Each county shall submit an annual report to the Department of Administration on or before October 1, 2015 on the actual use of the monies in the previous fiscal year and the projected use of the monies in the current fiscal year. The Department of Administration shall report to the Directors of the Governor's Office of Strategic Planning and Budgeting and the Joint Legislative Budget Committee on or before November 1, 2015 on the use of these monies. *(The stricken language would require future unused monies to lapse. In FY 2014, \$239,500 were either not disbursed or returned. Please see the County Attorney Immigration Enforcement Section for more information.)*

On or before October 1, 2015, the department shall submit a report for review by the Joint Legislative Budget Committee of the expenditures to date and progress of implementation for any monies received from the State and Local Implementation Grant Program associated with the National Public Safety Broadband Network Initiative. The Joint Legislative Budget Committee may require the department to submit more frequent reports as necessary for further review.

It is the intent of the Legislature that the Department of Administration not enter into any agreements to pay for any federal reimbursements related to excess balances in the Special Employee Health Insurance Trust Fund established by A.R.S. § 38-654, or interest payments made for the Human Resource Information Solution Certificate of Participation, unless the proposed agreements are reviewed by the Joint Legislative Budget Committee.

All State Surplus Materials Revolving Fund revenues received by the Department of Administration in excess of the \$2,399,800 in FY 2016 are appropriated to the department. Before the expenditure of State Surplus Materials Revolving Fund receipts in excess of \$2,399,800

in FY 2016, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee.

The amount appropriated for Southwest Defense Contracts must be used for distribution to a nonprofit organization that advocates for the preservation and enhancement of critical defense missions and assets in the southwest United States.

The amounts appropriated for the State Employee Transportation Service Subsidy must be used for up to a 50% subsidy of charges payable for transportation service expenses as provided in A.R.S. § 41-710.01, 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.

The appropriation for the Automation Operations Fund established by A.R.S. § 41-711 is an estimate representing all monies, including balance forward, revenue and transfers during FY 2016. These monies are appropriated to the Department of Administration for the purposes established in A.R.S. § 41-711. The appropriation is 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 \$22,020,700 in FY 2016, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee.

It is the intent of the Legislature that the department not replace vehicles until an average of 120,000 miles or more.

Deletion of Prior Year Footnotes

The Baseline would delete a footnote requiring ADOA to submit a plan to reduce the level of federal reimbursement regarding excess balances from funds other than the Special Employee Health Insurance Trust Fund.

STATUTORY CHANGES

The Baseline would, as permanent law, eliminate the annual electronic transaction reporting requirement pursuant to A.R.S. § 35-142. (See the *Electronic Transaction Reporting Section in the Other Issues for Legislative Consideration Section for more information.*)

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

This section includes information on the following topics:

- Automation Projects
- Health Insurance Trust Fund
- Risk Management Revolving Fund
- Federal Financial Participation Repayments
- Electronic Transaction Reporting

Automation Projects

The Baseline includes \$11,352,000 transferred from the General Fund and Other Funds to the Automation Projects Fund in FY 2016 for automation and information technology projects at ADOA. This amount consists of:

AFIS Replacement

The Baseline includes \$9,202,000 from the Automation Projects Fund in FY 2016 for the final year of a 4-year project to replace the state’s financial and accounting system.

The new AFIS system “goes live” in FY 2016. ADOA anticipates funding its operating costs by implementing a transaction and usage charge to each agency that uses the new AFIS system. The operating costs include staffing to support the new system, software licensing and maintenance, hosted production and disaster recovery.

ASET Initiatives

The Baseline includes \$2,150,000 from the Automation Projects Fund in FY 2016 to fund project management at the Arizona Strategic Enterprise Technology (ASET) office in ADOA. (Please see the *Department of Administration - Automation Projects Fund section for details regarding these information technology projects.*)

Health Insurance Trust Fund

The Health Insurance Trust Fund (HITF) is used to administer state employee health insurance benefit plans. Funding consists of employer and employee medical and dental insurance contributions. At the end of FY 2014, HITF had a balance of \$325,600,000. Recent budgets have included a number of measures to reduce the HITF balance.

Table 1		
Health Insurance Trust Fund		
Balance Sheet		
(\$ in millions)		
	Estimated FY 2015	Estimated FY 2016
Beginning Balance	\$325.6	\$321.5
Receipts	\$839.7	\$839.7
Expenses	\$781.5	\$823.6
FFP Repayment ^{1/}	8.4	0.0
Transfer	<u>53.9</u>	<u>0.0</u>
Net Expenses	\$843.8	\$823.6
HITF Ending Balance	\$321.5	\$337.6

^{1/} Represents an estimated payment not yet authorized by the Legislature for the transfer of monies made in FY 2014.

The FY 2015 General Appropriation Act (Laws 2014, Chapter 18, Section 139) required a \$53,900,000 transfer from the HITF balance to the General Fund. Some of the HITF revenues are generated from Federal Funds. As a

result, when HITF monies are transferred to the General Fund, the federal government requires that they receive a refund as well, known as a federal financial participation (FFP) repayment. Chapter 18 appropriated \$10,742,000 from the Risk Management Revolving Fund in FY 2014 for an FFP repayment, which included \$3,443,000 for FY 2013 transfers from HITF. While not yet authorized by the Legislature, the FY 2015 FFP repayment for FY 2014 HITF transfers is estimated to be \$8,433,700. This repayment may alternatively be financed from the Risk Management Revolving Fund.

Despite the FY 2015 and previous balance reduction measures, HITF is expected to have a fund balance of \$330.4 million at the end of FY 2016. Information on HITF receipts, expenses and fund balances are displayed in *Table 1*.

Risk Management Revolving Fund

ADOA's Risk Management Division annually levies a charge on all state agencies to provide funding to pay the state's property and liability losses and workers' compensation losses, and to purchase insurance coverage for losses not covered under our self-insured limits. The revenue generated from the charges to agencies is deposited in the Risk Management Revolving Fund. Property and liability losses, along with workers' compensation losses, comprise the majority of Risk Management Revolving Fund expenditures.

In recent years, Risk Management expenditures have been significantly lower than fund revenue. Even with transfers of Risk Management monies to other agencies and transfers to the General Fund to help balance the budget, the fund has consistently had an ending balance over \$50 million.

Table 2 depicts actual balance, revenue, and expenditure information for FY 2014 as well as the estimated amounts for FY 2015 and FY 2016. Due to the unpredictable nature of the Risk Management program, ADOA tends to estimate future expenditures above historical spending levels. *Table 2* also includes adjusted expenditure estimates for FY 2015 and FY 2016, which are closer to historical spending levels. Under these adjusted estimates, the balance would be \$91.7 million in FY 2015 and \$107.8 million in FY 2016.

As a result of the large balance in the Risk Management Revolving Fund, monies from the fund have been used to support other agencies in recent years. The use of the funding has typically been in circumstances where the lack of funding would result in potential liability to the state. Risk Management funds have been used to pay for Department of Public Safety (DPS) disaster recovery planning, DPS-Capitol Police salaries, and Arizona Navigable Streams Adjudication Commission litigation costs.

In addition to funding other agencies, the balance was used to refund a portion of certain fund balances to the federal government in FY 2014. (*Please see the Federal Transfer Payment Section above, and the Federal Financial Participation Repayment Section below for more information.*)

Federal Financial Participation Repayment

In order to receive Federal Funds, the state enters into a contractual obligation with the federal government which restricts some uses of these Federal Funds. If the state then uses these funds in restricted ways, the federal government requires that the state pay back a proportional share of these funds.

Fund Transfers

As part of its budget balancing, the state transferred monies from several ADOA funds to the General Fund in the past. The federal government contributed to several of those funds. For example, the state's Risk Management Revolving Fund is funded from charges to state agencies. These agencies may use Federal Funds to pay their charge. If part of the fund balance is transferred to the General Fund, the federal government bills the state to have a proportionate share of the transfer paid back to the federal government.

Disallowed Costs

The federal government does not allow the use of Federal Funds to pay state agency charges in certain circumstances. For example, the state's oversight of

	Actual FY 2014	Estimated FY 2015	Estimated FY 2016
Beginning Balance	65,378.5	75,691.8	76,725.9
Revenues	<u>106,910.2</u>	<u>103,706.2</u>	<u>103,760.2</u>
<i>Total Funds Available</i>	172,288.7	179,398.0	180,486.1
Expenditures			
ADOA	74,500.1	91,995.4	91,995.4
Federal Repayment	<u>10,742.0</u>	<u>-</u>	<u>-</u>
<i>ADOA Subtotal</i>	85,242.1	91,995.4	91,995.4
Other Agencies	9,770.0	10,676.7	10,676.7
Legislative Transfers	661.8	-	-
Admin Adjustment	<u>923.0</u>	<u>-</u>	<u>-</u>
<i>Total Expenditures</i>	96,596.9	102,672.1	102,672.1
Ending Balance	75,691.8	76,725.9	77,814.0
Spending Adjustment ^{1/}	-	(15,000.0)	(15,000.0)
Adjusted Expenditures		87,672.1	87,672.1
Revised Balance	75,691.8	91,725.9	107,814.0

^{1/} Would reduce projected expenditures closer to historical spending levels which would increase the revised ending balance.

Information Technology (IT) projects is funded by an assessment charged to each agency as a percentage of payroll expenses. The federal government disallows the use of Federal Funds to be spent on this type of oversight, because the costs to administer the program are charged proportionately to all agencies, and are not based on a fee-for-service model. As a result, the federal government bills the state a proportionate share if state agencies use Federal Funds to pay for these disallowed costs.

Excess Retained Earnings

Certain enterprise funds carry a balance beyond the annual needs of the fund in order to provide some stability of cash flow. The federal government, however, charges the state for their proportionate share of excess fund balances above any amount that would fund more than 1/6th of the fiscal years' expenditures, or 60 days of working capital. In the past, the state has successfully negotiated not to be charged for excess fund balances in HITF.

FY 2014

In FY 2014, the federal government charged the state \$10,742,000 for fund transfers and disallowed spending of federal monies in FY 2013. This amount consists of:

- \$6,387,000 for FY 2013 fund transfers from 3 separate funds.
- \$3,923,000 for FY 2013 excess retained earnings in 5 different funds.
- \$285,000 for FY 2013 disallowed costs relating to the Information Technology Fund.
- \$50,000 for FY 2013 disallowed costs relating to Attorney General legal services.
- \$97,000 for interest on FY 2013 fund transfers.

The FY 2015 General Appropriation Act (Laws 2014, Chapter 18) included an FY 2014 supplemental appropriation of \$10,742,000 from the Risk Management Revolving Fund to repay the federal government.

Laws 2014, Chapter 18 also required ADOA to submit a plan to reduce the level of federal reimbursement regarding excess retained earnings from funds other than the Special Employee Health Insurance Trust Fund for review by the JLBC.

ADOA's report did not directly respond to the reporting requirement. The Joint Legislative Budget Committee reviewed this issue at its December 17, 2014 meeting. Based on JLBC Staff analysis, the Committee was presented with 4 options to address the issue of excess balances:

- Maintain current balances and continue to reimburse the federal government.

- Return proportional shares of the excess balance to the General Fund and the federal government.
- Reduce internal service rates to eliminate excess balances.
- Take no action.

The Committee recommended that in order to reduce the level of federal reimbursements related to excess balances in funds, excess balances should be proportionally returned to the state and federal government. Unless ADOA voluntarily transfers the state's share to the General Fund, this action would require a statutory change. The transfer would generate approximately \$12.4 million in one-time General Fund revenue based on FY 2014 balances.

FY 2015

Based on prior experiences of federal repayment and estimates provided by ADOA, the federal government is likely to charge the state approximately \$9,272,200 for restricted use of Federal Funds, as follows:

- \$3,052,700 related to FY 2014 fund transfers from 9 different funds.
- \$292,800 for disallowed costs related to statewide IT charges in FY 2014.
- \$5,926,700 for excess retained earnings in 5 different funds in FY 2014

This amount does not include excess retained earnings or fund transfers from HITF. (*Please see the Federal Transfer Payment line item above for more information.*)

Electronic Transaction Reporting

The JLBC Staff recommends the elimination of an electronic transaction reporting requirement pursuant to A.R.S. § 35-142. Currently, agencies that accept credit cards as payment for services must report to the Governor, ADOA, and the JLBC annually by October 1, on the number of transactions, the number of electronic transactions, the total dollar amount of transactions processed, the total dollar amount on any discount fee, the total dollar amount of any processing fee, and the total dollar amount of any convenience fee charged, deducted or paid for the transaction. Further, if the percentage of electronic transactions comprises more than 30% of the total amount of transactions processed, then the agency must submit a cost-benefit report, including costs of convenience fees, the amount of revenue generated and any realized cost savings. Given that electronic transactions are now more generally cost-effective than non-electronic transactions, this reporting requirement has become outdated and would be deleted.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
Administration - AFIS II Collections Fund (ADA4203/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Financial transaction processing fees.		
Purpose of Fund: To operate the Arizona Financial Information System (AFIS) II.		
Funds Expended	1,924,500	3,692,900
Year-End Fund Balance	1,967,800	0
Air Quality Fund (ADA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
Purpose of Fund: To administer a travel reduction program, as defined by A.R.S. § 49-588, including bus ride subsidies for state employees.		
Funds Expended	732,400	927,100
Year-End Fund Balance	0	0
Anti-Racketeering Fund (ADA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Any prosecution and investigation costs recovered for the state as a result of enforcement of civil and criminal statutes pertaining to any racketeering offense. Includes \$2.2 million of federal anti-racketeering funds, originally awarded to the Department of Public Safety which have been subsequently transitioned to ADOA for the Public Safety Interoperability Communications Office.		
Purpose of Fund: Provides funding to ADOA's Public Safety Interoperability Communications Office for expanding standards-based P25 communications capability along the southern border.		
Funds Expended	49,400	0
Year-End Fund Balance	0	0
Automation Operations Fund (ADA4230/A.R.S. § 41-711)		Appropriated
Source of Revenue: Charges to agencies and other political entities for information technology products and services. The fund has continuously appropriated sub-accounts for agreements made with other states and the Arizona Health Care Cost Containment System.		
Purpose of Fund: To provide agencies and other political entities data processing and information technology consulting services and to maintain the integrity and security of state information. Balances reflect a transfer into the Automation Projects Fund of \$8,130,000 in FY 2014 and \$9,057,000 in FY 2015. (See the Automation Projects Fund page for more details.)		
Funds Expended	17,456,400	22,020,700
Transfer to Automations Project Fund	8,130,000	9,057,000
Year-End Fund Balance	13,862,500	13,366,900
Capital Outlay Stabilization Fund (ADA1600/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying ADOA owned buildings.		
Purpose of Fund: To pay maintenance, utilities, construction, and administrative costs for state-owned buildings.		
Funds Expended	16,372,200	18,080,400
Year-End Fund Balance	19,098,300	6,717,400
Certificate of Participation Fund (ADA5005/A.R.S. § 41-791.02)		Non-Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying buildings under Certificate of Participation (COP) lease-purchase agreements.		
Purpose of Fund: To make COP lease-purchase payments on buildings under such agreements.		
Funds Expended	120,112,100	110,186,800
Year-End Fund Balance	1,000,000	1,166,300
Construction Insurance Fund (ADA4219/A.R.S. § 41-622)		Non-Appropriated
Source of Revenue: Risk management charges to agencies for state construction projects. The construction and design insurance rate is set by ADOA and reviewed by the Joint Committee on Capital Review.		
Purpose of Fund: To self-insure state construction projects against tort losses from design and construction defects.		
Funds Expended	1,418,400	3,447,400
Year-End Fund Balance	10,576,500	10,129,100

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
Co-Op State Purchasing Agreement Fund (ADA4213/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Annual subscription fees paid by local governments for state purchasing records, fees paid by individuals for copies of public records, and fees paid by vendors participating in the State Contract Show.		
Purpose of Fund: To provide microfiche of state purchasing information to local governments, as well as to reproduce public records for local governments and the public.		
Funds Expended	2,438,900	4,061,000
Year-End Fund Balance	3,388,500	2,408,500
Corrections Fund (ADA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products.		
Purpose of Fund: To pay for construction, major maintenance, lease, purchase, renovation, or conversion of Arizona Department of Corrections (ADC) and Department of Juvenile Corrections (DJC) facilities. ADOA uses these monies to oversee construction projects benefiting ADC or DJC.		
Funds Expended	413,900	574,100
Year-End Fund Balance	0	0
Electronic Commerce Fund (ADA2482/A.R.S. § 41-2673)		Non-Appropriated
Source of Revenue: Legislative appropriations, agency repayments, and 10% of any savings generated through the implementation of electronic commerce initiatives using fund monies.		
Purpose of Fund: To partially finance agency electronic commerce initiatives where other funding mechanisms do not exist.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Emergency Telecommunication Services Revolving Fund (ADA2176/A.R.S. § 41-704)		Non-Appropriated
Source of Revenue: The telecommunication services excise tax, currently 20¢ per wire or wireless account, levied on monthly telephone bills and remitted by telephone companies, as authorized by A.R.S. § 42-5252. In addition, a tax equal to 0.8% of the gross income derived from the retail sale of prepaid wireless telecommunication services, as authorized by A.R.S. § 42-5402		
Purpose of Fund: To aid the political subdivisions of the state in implementing and operating emergency telecommunication services (911); to purchase necessary equipment and consulting services (up to 5% of revenue); to pay monthly recurring costs for capital, maintenance, and operations; and to reimburse wireless carriers for the costs of compliance.		
Funds Expended	15,015,100	21,677,800
Year-End Fund Balance	5,575,100	2,437,300
Employee Related Expenditures/Benefits Administration Fund (ITA3035/A.R.S. § 38-651.05)		Non-Appropriated
Source of Revenue: State employer and state employee premium contributions for vision, flexible spending, disability, life, and accident insurance.		
Purpose of Fund: To administer state employee benefit plans and pay non-health insurance premiums.		
Funds Expended	35,595,500	36,477,000
Year-End Fund Balance	3,524,000	3,493,000
Federal Grants (ADA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants, including pass through grants from the several agencies.		
Purpose of Fund: To pay for security related equipment and programs, as well as to administer monies as sub-grantee for federal projects.		
Funds Expended	2,139,500	3,119,900
Year-End Fund Balance	572,300	416,600

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
Federal Grants - American Recovery and Reinvestment Act (ARRA) (ADA2999/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 for the installation of solar panels in the Phoenix and Tucson complexes, the implementation of the statewide Health Information Exchange (HIE), and broadband development.		
Funds Expended	1,489,500	2,499,800
Year-End Fund Balance	1,212,300	0
Federal Surplus Materials Revolving Fund (ADA4215/A.R.S. § 41-2606)		Appropriated
Source of Revenue: Federal surplus property service and handling fees.		
Purpose of Fund: To collect, store, and administer the sale of federal surplus property. Federal regulations concerning the disposition of federal surplus property cap the year-end balance of this fund at \$50,000. When the fund exceeds this cap, the department must discount its service and handling charges for federal surplus materials transferred to agencies in the following fiscal year.		
Funds Expended	54,200	464,100
Year-End Fund Balance*	87,400	(319,000)
IGA and ISA Fund (ADA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: To execute various intergovernmental and interagency service agreements.		
Funds Expended	9,952,400	6,764,000
Year-End Fund Balance	2,812,400	1,833,500
Information Technology Fund (ADA2152/A.R.S. § 41-3505)		Appropriated
Source of Revenue: A pro rata share of 0.2% of total payroll, charged to all budget units subject to oversight of information technology projects by ADOA's Arizona Strategic Enterprise Technology (ASET) Office or by the Information Technology Authorization Committee (ITAC).		
Purpose of Fund: Provides personnel funding for statewide information technology planning, coordinating, oversight, and consulting. The Statewide Strategic Information Technology Plan is prepared annually by Information Technology (IT) Fund personnel with input from state agency Chief Information Officers. Additionally, monies from the IT Fund also support the operation of the Statewide Information Security and Privacy Office (SISPO). Balances reflect a transfer into the Automation Projects Fund of \$345,000 in FY 2014. (See the Automation Projects Fund page for more details.)		
Funds Expended	2,770,500	3,238,100
Transfer to Automations Project Fund	345,000	0
Year-End Fund Balance	772,600	590,900
Legislative, Executive, and Public Buildings Land Fund (ADA3127/A.R.S. § 37-525)		Appropriated
Source of Revenue: State trust land lease revenues.		
Purpose of Fund: To support state Legislative, Executive, and Judicial buildings. In FY 2005, to construct a new Library and Archives Building.		
Funds Expended	0	0
Year-End Fund Balance	6,499,400	6,499,400
Monument and Memorial Repair Fund (ADA2338/A.R.S. § 41-1365)		Appropriated
Source of Revenue: Monies derived from fundraising activities, monies that are collected by the proponents of a monument or memorial, grants, donations, and legislative appropriations.		
Purpose of Fund: For the maintenance, repair, reconditioning, or relocation of monuments or memorials and for supporting mechanical equipment in the Governmental Mall.		
Funds Expended	0	0
Year-End Fund Balance	104,200	104,200

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
Motor Vehicle Pool Revolving Fund (ADA4204/A.R.S. § 41-804)		Appropriated
Source of Revenue: Charges to agencies for the use of motor pool vehicles.		
Purpose of Fund: To operate the motor vehicle pool.		
Funds Expended	8,890,100	10,156,100
Year-End Fund Balance	850,400	389,300
Payroll Administration Fund (ADA9200/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collects and pays out all monies associated with the statewide payroll functions. Fund 9200 incorporates several payroll funds (ADA9220, ADA9230, NAU9202, UAA9203, and ASU9221). Fund 9230 collects a one-time \$50 charge for setting up a garnishment, which is granted by the court, a \$5 employee fee for each non-exempt statement that is generated per payday, and a \$1 administrative fee for child and spousal support orders.		
Purpose of Fund: Generally, revenues and expenditures are not used for normal payroll activities. The only balance that accumulates in this fund is for Unemployment Tax. For Fund 9230, monies are used for administrative costs related to garnishments and child support.		
Funds Expended	145,500	143,000
Year-End Fund Balance	6,097,200	6,094,200
Personnel Division Fund (ADA1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.83% (permanent law) charge on the total payroll of each agency within the ADOA personnel system. This charge was lowered from 1.07% in the FY 2014 Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 6).		
Purpose of Fund: To operate the ADOA Human Resources Division.		
Funds Expended	12,502,500	12,914,000
Year-End Fund Balance	1,601,400	500,000
Privatized Lease-To-Own Fund (ADA2495/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges to agencies occupying privatized lease-to-own (PLTO) buildings.		
Purpose of Fund: To operate, maintain, and make annual rent payments on PLTO buildings.		
Funds Expended	9,741,800	9,949,700
Year-End Fund Balance	1,659,400	1,659,400
Retiree Accumulated Sick Leave Fund (ADA3200/A.R.S. § 38-616)		Non-Appropriated
Source of Revenue: A 0.40% charge on the total benefit-eligible payroll of each agency within the ADOA personnel system. By statute, the rate may not exceed 0.55% and is set by ADOA with Joint Legislative Budget Committee review.		
Purpose of Fund: To compensate eligible retiring state employees for accumulated sick leave, to pay insurance premiums, and to administer the program. Payments are calculated as a percentage, tiered according to accrual level of hourly salary. Payments to 1 individual shall not exceed \$30,000.		
Funds Expended	12,243,300	12,353,100
Year-End Fund Balance	2,803,400	3,450,300
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 claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits.		
Funds Expended	85,242,100	91,995,400
Year-End Fund Balance	81,185,700	82,986,500

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654)		Partially-Appropriated
Source of Revenue: Employer and employee medical and dental insurance contributions.		
Purpose of Fund: To administer and pay premiums and claims for state employee health insurance plans, as well as to operate the Wellness and Communications program. Only administrative expenditures from this fund are subject to legislative appropriation.		
Appropriated Funds Expended	4,149,400	5,267,400
Non-Appropriated Funds Expended	745,729,700	785,319,900
Year-End Fund Balance	325,627,100	320,832,500
Special Events Fund (ADA2503/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Set-up fees for special events on state property.		
Purpose of Fund: To set up special events on state property.		
Funds Expended	4,700	15,000
Year-End Fund Balance	37,400	37,400
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193)		Non-Appropriated
Source of Revenue: Payments by agencies using various centralized printing, copying, and repair services offered by ADOA.		
Purpose of Fund: To provide supplies, printing, copying, repair, and other office services for state agencies.		
Funds Expended	765,100	855,700
Year-End Fund Balance	109,900	109,900
State Employee Travel Reduction Fund (ADA2261/A.R.S. § 41-101.03)		Non-Appropriated
Source of Revenue: Grants by the Maricopa Association of Governments, the State Travel Reduction Planning Office, and the Arizona Department of Environmental Quality.		
Purpose of Fund: To operate and administer a ride-sharing program for the transportation of state employees between home and work.		
Funds Expended	476,500	535,000
Year-End Fund Balance	516,000	516,000
State Surplus Materials Revolving Fund (ADA4214/A.R.S. § 41-2606)		Appropriated
Source of Revenue: State surplus property sales revenues.		
Purpose of Fund: To collect, store, and administer the sale of state surplus property. The majority of revenues are returned to donor agencies. The department retains a service and handling fee.		
Funds Expended	2,775,900	2,399,800
Year-End Fund Balance	491,800	100,000
State Web Portal Fund (ADA2531/A.R.S. § 41-3506)		Partially-Appropriated
Source of Revenue: Grants, donations, and web portal revenues, including any fees collected from the sale of certain types of motor vehicle records to commercial customers, less revenues deposited into the Highway User Revenue Fund, as stipulated in the FY 2014 Budget Procedures BRB (Laws 2013, 1st Special Section, Chapter 6).		
Purpose of Fund: To maintain and upgrade the state's common web portal, including enhancement of existing products and the development of new applications. Monies received from private grants or donations, as well as federal grants, are non-appropriated. Expenditures include a transfer into the Automation Projects Fund of \$4,000,000 in FY 2014. Balances reflect a transfer into the Highway User Revenue Fund of \$8,173,900 in FY 2014. <i>(See the Automation Projects Fund page for more details.)</i>		
Appropriated Funds Expended	1,725,700	4,250,000
Non-Appropriated Funds Expended	0	0
Transfer to Automations Projects Fund	4,000,000	0
Transfer to Highway User Revenue Fund	8,173,900	0
Year-End Fund Balance	1,433,100	4,611,600

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
Statewide ARRA Administration SWCAP Fund (GVA2950/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Indirect federal cost recoveries associated with the statewide cost allocation plan (SWCAP). These funds were transferred to ADOA from the Governor's Office in FY 2012.		
Purpose of Fund: To defray administrative expenses of implementing the federal American Recovery and Reinvestment Act.		
Funds Expended	0	0
Year-End Fund Balance	888,700	692,700
Statewide Donations Fund (ADA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Employee donations and other miscellaneous deposits. In FY 2005, a \$1,000,000 grant for wireless emergency telecommunications was deposited into this fund.		
Purpose of Fund: Employee donations are used to recognize outstanding employees. the \$1,000,000 grant received in FY 2005 is to be used for Geographic Information Systems and mapping support in the development of Wireless Phase II deployment in counties that have already deployed Wireless Phase I.		
Funds Expended	14,800	60,000
Year-End Fund Balance	0	0
Statewide E-Rate Program Fund (ADA2584/A.R.S. § 41-3508)		Non-Appropriated
Source of Revenue: The fund has 3 revenue sources: 1) monies received pursuant to the E-Rate Program under the Telecommunications Act of 1996 or other grants to assist this state in improving broadband internet and telecommunications access for public schools and libraries in this state, 2) monies received as a result of an intergovernmental agreements between ADOA's ASET Office and other political subdivisions of this state, and 3) monies received from private grants and donations if designated for the fund by the grantor or donor.		
Purpose of Fund: To assist public school districts, charter schools, and libraries in submitting applications for funding from the Universal Service Administrative Company (USAC). ADOA may enter into contracts with private organizations and intergovernmental agreements with other state agencies and political subdivisions of this state to administer the Statewide E-Rate Program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Telecommunications Fund (ADA4231/A.R.S. § 41-713)		Appropriated
Source of Revenue: Administrative surcharges on telecommunications services for agencies and other political entities.		
Purpose of Fund: To operate the Telecommunications Program Office, which manages and oversees statewide contracts for telecommunications products and services. The state's contractors operate and equip telecommunications voice, data, video, and graphics systems, allowing the collection, storage, interchange, retrieval, and transmission of information.		
Funds Expended	1,806,800	1,855,000
Year-End Fund Balance	688,300	533,200

*As reported by the agency. Actual ending balance will not be negative.