

## Attorney General - Department of Law

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	570.9	574.7	574.7
Personal Services	30,004,600	30,967,700	30,971,300
Employee Related Expenditures	11,340,000	11,885,700	11,887,100
Professional and Outside Services	765,200	542,400	542,400
Travel - In State	95,300	103,400	103,400
Travel - Out of State	58,800	54,500	54,500
Other Operating Expenditures	6,916,600	6,625,700	6,625,700
Equipment	618,900	22,500	22,500
<b>OPERATING SUBTOTAL</b>	<b>49,799,400</b>	<b>50,201,900</b>	<b>50,206,900</b>
<b>SPECIAL LINE ITEMS</b>			
Capital Postconviction Prosecution	726,200	799,400	799,400
Child Safety and Family Services	1,000,000	0	0
Internet Crimes Against Children Enforcement	0	0	1,250,000
Federalism Unit	0	1,000,000	1,000,000
Military Airport Planning	86,100	90,000	85,000
National Mortgage Settlement Distribution	17,418,700	0	0
Risk Management ISA	8,685,200	9,426,900	9,426,900
Southern Arizona Law Enforcement	0	1,200,000	1,200,000
State Grand Jury	178,200	180,600	180,600
Tobacco Enforcement	0	819,500	819,500
Victims' Rights	3,752,600	3,759,400	3,759,400
<b>AGENCY TOTAL</b>	<b>81,646,400</b>	<b>67,477,700</b>	<b>68,727,700</b>
<b>FUND SOURCES</b>			
General Fund	23,242,500	23,623,700	23,973,700
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	148,200	244,800	244,800
Attorney General Legal Services Cost Allocation Fund	1,949,900	2,086,800	2,086,800
Collection Enforcement Revolving Fund	6,455,400	6,869,700	6,869,700
Consumer Protection - Consumer Fraud Revolving Fund	5,195,100	5,094,000	5,094,000
Court-Ordered Trust Fund	17,418,700	0	0
Interagency Service Agreements Fund	14,072,600	15,573,000	15,573,000
Internet Crimes Against Children Enforcement Fund	0	0	900,000
Risk Management Revolving Fund	8,685,200	9,426,900	9,426,900
State Aid to Indigent Defense Fund	726,200	799,400	799,400
Victims' Rights Fund	3,752,600	3,759,400	3,759,400
SUBTOTAL - Other Appropriated Funds	58,403,900	43,854,000	44,754,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>81,646,400</b>	<b>67,477,700</b>	<b>68,727,700</b>
Other Non-Appropriated Funds	28,472,400	46,042,400	46,222,900
Federal Funds	4,748,700	5,485,900	5,506,800
<b>TOTAL - ALL SOURCES</b>	<b>114,867,500</b>	<b>119,006,000</b>	<b>120,457,400</b>

**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 \$50,206,900 and 440.5 FTE Positions in FY 2017 for the operating budget. These amounts consist of:

	<b>FY 2017</b>
General Fund	\$22,073,200
Antitrust Enforcement Revolving Fund	244,800
Attorney General Legal Services Cost Allocation Fund	2,086,800
Collection Enforcement Revolving Fund (CERF)	6,869,700
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	3,359,400
Interagency Service Agreements (ISA) Fund	15,573,000

FY 2017 adjustments would be as follows:

<b>Shift FTE Positions</b>	<b>GF</b>	<b>0</b>
	<b>OF</b>	<b>0</b>

The Baseline includes a decrease of (6.6) FTE Positions in FY 2017 to move FTE authority to the Tobacco Enforcement line item. These amounts include a (0.6) FTE Position from the General Fund and (6) FTE Positions from the CPCF Revolving Fund. A corresponding increase of 6.6 FTE Positions can be found in the Tobacco Enforcement line item.

<b>Shift Operating Funds</b>	<b>GF</b>	<b>5,000</b>
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The Baseline includes an increase of \$5,000 from the General Fund in FY 2017. The Baseline moves those monies from the Military Airport Planning line item to the operating budget in order to make the line item equal to the statutory appropriation of \$85,000 pursuant to A.R.S. § 26-263. A corresponding decrease of \$(5,000) can be found in the Military Airport Planning line item.

*(In addition, please see the Other Issues section for more information on the ISA Fund.)*

**Capital Postconviction Prosecution**

The Baseline includes \$799,400 and 6 FTE Positions from the State Aid to Indigent Defense Fund in FY 2017 for Capital Postconviction Prosecution. These amounts are unchanged from FY 2016.

This line item funds costs associated with prosecuting capital cases after the initial conviction. *(Please see the Other Issues section for more information.)*

**Internet Crimes Against Children Enforcement**

The Baseline includes \$1,250,000 in FY 2017 for a new Internet Crimes Against Children (ICAC) Enforcement line item. This amount consists of:

General Fund	350,000
ICAC Enforcement Fund	900,000

FY 2017 adjustments would be as follows:

<b>ICAC Enforcement</b>	<b>OF</b>	<b>900,000</b>
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The Baseline includes an increase of \$900,000 from the ICAC Enforcement Fund in FY 2017 for the creation of a new ICAC Enforcement line item.

Laws 2015, Chapter 245 established the ICAC Enforcement Fund that is subject to legislative appropriation and administered by the Attorney General. The intent behind Chapter 245 was to provide \$900,000 in FY 2015 and every year thereafter from the proceeds of lottery games sold from a vending machine in age-restricted areas. Chapter 245 became effective immediately because there was an emergency clause included in the enacted legislation. As a result, deposits to the ICAC Enforcement Fund began in FY 2015. Due to an error, however, none of these monies were appropriated in FY 2015 or FY 2016. The ICAC Enforcement Fund is expected to have a balance of \$1,800,000 by the end of FY 2016. The Baseline includes a FY 2016 supplemental of \$1,800,000 that addresses this technical error for FY 2016. *(Please see the FY 2016 Supplemental section and the ICAC section in the Department of Child Safety (DCS) narrative for more information.)*

In addition to fixing the technical error in FY 2016, the Baseline includes the intended appropriation of \$900,000 from the ICAC Enforcement Fund in FY 2017.

Chapter 245 also allocates \$100,000 to the Victims' Rights Enforcement Fund from the same proceeds. This fund is continuously appropriated and administered by the Department of Public Safety.

If the lottery games do not produce sufficient funds for the \$900,000 and \$100,000 allocations, as was the case in FY 2015, then unclaimed lottery prize monies will be used to backfill the difference.

<b>Attorney General Realignment</b>	<b>GF</b>	<b>350,000</b>
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The Baseline includes an increase of \$350,000 from the General Fund in FY 2017 to shift funding from DCS's ICAC line item to the Attorney General's ICAC Enforcement line

item, consolidating all ICAC resources into a single line item. A corresponding decrease of \$(350,000) can be found in the ICAC line item in DCS.

Chapter 245 requires the Attorney General to enter into 1 or more intergovernmental agreements to continue operation of the Arizona Internet Crimes Against Children Task Force (AZICAC), led by the Phoenix Police Department. AZICAC is a joint federal/local law enforcement task force that investigates child pornography. *(Please see the Other Issues section and ICAC in the DCS section for more information.)*

The Baseline includes 2 new General Appropriation Act footnotes:

- The first requires the Attorney General to submit for JLBC review an expenditure plan for monies in this line item by June 1, 2016. The intent of this provision is to ensure that recipients of ICAC monies will be ready to spend their allotments at the beginning of FY 2017.
- The second makes the appropriation in this line item non-lapsing until the end of FY 2018. The intent of this provision is to provide flexibility for recipients of ICAC monies to spend their allotments.

*(Please see the Footnotes section for more information.)*

#### **Federalism Unit**

The Baseline includes \$1,000,000 and 7 FTE Positions from the CPCF Revolving Fund in FY 2017 for the Federalism Unit. These amounts are unchanged from FY 2016.

This line item provides funding for the Attorney General to defend the state in cases related to federal issues. Some of these legal expenses had previously been borne by the Governor's Office.

#### **Military Airport Planning**

The Baseline includes \$85,000 and 1 FTE Position from the General Fund in FY 2017 for Military Airport Planning. FY 2017 adjustments would be as follows:

<b>Shift Operating Funds</b>	<b>GF</b>	<b>(5,000)</b>
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The Baseline includes a decrease of \$(5,000) from the General Fund in FY 2017. The Baseline moves those monies from the Military Airport Planning line item to the operating budget in order to make the line item equal to the statutory appropriation of \$85,000 pursuant to A.R.S. § 26-263. A corresponding increase of \$5,000 can be found in the operating budget.

A.R.S. § 26-263 appropriates \$85,000 annually from the General Fund to the Attorney General's Office. Therefore, funding for this line item 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 Baseline includes no funding in FY 2017 for National Mortgage Settlement Distribution. This amount is unchanged from FY 2016.

This line item provides assistance to homeowners affected by fraudulent mortgage servicing and foreclosure practices and for other purposes consistent with the National Mortgage Settlement.

Laws 2013, Chapter 118 appropriated approximately \$47.0 million of the National Mortgage Settlement Proceeds to the Attorney General in FY 2013 as a non-lapsing appropriation. To avoid double counting, the FY 2016 and FY 2017 amounts are not displayed in the agency table above. *(Please see National Mortgage Settlement Fund Distribution in the Other Issues section for more information.)*

#### **Risk Management ISA**

The Baseline includes \$9,426,900 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2017 for the Risk Management ISA. These amounts are unchanged from FY 2016.

This line item provides funding for the Attorney General's contract with the Risk Management Division of the Arizona Department of Administration. Attorneys from the Attorney General's Office defend the state in most risk management cases regarding agency liability.

#### **Southern Arizona Drug Enforcement Unit**

The Baseline includes \$1,200,000 and 13 FTE Positions from the General Fund in FY 2017 for the Southern Arizona Drug Enforcement Unit. These amounts are unchanged from FY 2016.

This line item provides funding for the Criminal Division's investigations and prosecutions of fraud, corruption,

criminal enterprise, drug trafficking, and money laundering cases in Southern Arizona.

Prior to the creation of this line item in the FY 2016 budget, the Unit was funded in the Attorney General’s operating budget. The Unit received General Fund support through FY 2009; federal monies paid for the program between FY 2010 and FY 2012. The FY 2013 budget provided \$1,200,000 from the General Fund to backfill expired federal monies. The original FY 2014 budget did not fund the Unit; however, the FY 2015 budget included a \$600,000 FY 2014 supplemental appropriation for the Unit and a \$1,200,000 appropriation from the CPCF Revolving Fund for FY 2015.

**State Grand Jury**

The Baseline includes \$180,600 and 1.6 FTE Positions from the General Fund in FY 2017 for the State Grand Jury. These amounts are unchanged from FY 2016.

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.

**Tobacco Enforcement**

The Baseline includes \$819,500 and 6.6 FTE Positions in FY 2017 for Tobacco Enforcement. These amounts consist of:

General Fund	84,900
CPCF Revolving Fund	734,600

FY 2017 adjustments would be as follows:

<b>Shift FTE Positions</b>	<b>GF</b>	<b>0</b>
	<b>OF</b>	<b>0</b>

The Baseline includes an increase of 6.6 FTE Positions in FY 2017 to move FTE authority to the Tobacco Enforcement line item. These amounts include a 0.6 FTE Position from the General Fund and 6 FTE Positions from the CPCF Revolving Fund. A corresponding decrease of (6.6) FTE Positions can be found in the operating budget.

This line item funds the Attorney General’s enforcement of the Master Settlement Agreement (MSA). The MSA is a settlement reached by major tobacco companies and 46 states in 1998 that requires these companies to compensate states annually for Medicaid costs associated with tobacco use. In exchange for annual payments from the tobacco companies, states agree to diligently enforce tobacco tax laws.

In addition to the monies provided in this line item, the Baseline requires AHCCCS to transfer \$1,200,000 to the Attorney General for MSA enforcement. As a result, the Baseline includes a total of \$2,019,500 for the Attorney General to enforce the MSA in FY 2017.

**Victims’ Rights**

The Baseline includes \$3,759,400 and 6 FTE Positions from the Victims’ Rights Fund in FY 2017 for Victims’ Rights. These amounts are unchanged from FY 2016.

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*

In addition to the \$15,573,000 appropriated from the Interagency Service Agreements Fund in FY 2017, an additional \$800,000 and 11 FTE Positions are appropriated from the Interagency Service Agreements Fund in FY 2017 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.

*New Footnotes*

On or before June 1, 2016, the department shall submit an expenditure plan for the FY 2017 Internet Crimes Against Children line item to the Joint Legislative Budget Committee for its review.

The \$900,000 appropriation from the Internet Crimes Against Children Enforcement Fund and the \$350,000 appropriation from the General Fund for the Internet Crimes Against Children Enforcement line item are continuing appropriations and are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, through June 30, 2018.

## STATUTORY CHANGES

The Baseline would:

- As permanent law, eliminate Joint Legislative Budget Committee (JLBC) review of funding sources that agencies have selected to pay their Attorney General legal services charges.
- As session law, in the General Appropriation Act, continue the same level of Attorney General legal services charges set by the FY 2016 General Appropriation Act.
- As session law, continue to permit the Attorney General to use \$799,400 from the State Aid to Indigent Defense Fund for Capital Postconviction Prosecution in FY 2017.

*(Please see the Other Issues section for more information.)*

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### Other Issues

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This section includes information on the following topics:

- FY 2016 Supplemental
- Capital Postconviction Prosecution
- Attorney General Legal Services Cost Allocation Fund
- Interagency Service Agreements Fund
- Consumer Restitution and Remediation Revolving Fund
- National Mortgage Settlement Fund Distribution
- Standard & Poor's Settlement Fund Distribution

### FY 2016 Supplemental

The Baseline includes a \$1.8 million supplemental from the Internet Crimes Against Children (ICAC) Enforcement Fund in FY 2016 for the Attorney General to enter into 1 or more intergovernmental agreements to continue operation of the Arizona Internet Crimes Against Children Task Force (AZICAC), led by the Phoenix Police Department. AZICAC is a joint federal/local law enforcement task force that investigates child pornography.

Laws 2015, Chapter 245 established the ICAC Enforcement Fund with the intent to appropriate \$900,000 in FY 2015 and FY 2016. Due to an error, however, no monies were appropriated from this fund. The \$1.8 million FY 2016 supplemental is a combination of FY 2015 and FY 2016 monies. *(Please see the Internet Crimes Against Children Enforcement line item for more information.)*

### Capital Postconviction Prosecution

The State Aid to Indigent Defense Fund has been used since FY 2014 to fund the Attorney General's budget for capital postconviction prosecutions for the state. Since FY 2015, this fund has also been used to support the Department of Public Safety's (DPS) operational costs associated with the Arizona Counter Terrorism Information Center (ACTIC).

The State Aid to Indigent Defense Fund receives funding from a 14.66% allocation of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations and a portion of the monies collected by the Supreme Court and Court of Appeals. Prior to FY 2012, the Arizona Criminal Justice Commission was required to distribute the Indigent Defense monies to each county based on a formula. Since that time, the fund has been used for other purposes.

FY 2015 revenues to the State Aid Indigent Defense Fund totaled \$876,800, representing a (5.0)% decrease year over year, which, when matched against FY 2015 expenditures of \$1.5 million, resulted in a structural deficit of \$(623,200). Carry-forward monies from prior years covered this deficit. Revenues to the fund are projected to decrease by (3.6)% in FY 2016, which will create another structural shortfall of \$(654,600). If available surplus monies are utilized to cover the shortfall, the fund will have no remaining balance at the end of FY 2016. As a result, the fund will not have sufficient monies to cover current operations in FY 2017. If the Legislature decides to continue funding these programs at the same levels, an alternative funding source for at least 1 program will be necessary.

### Attorney General Legal Services Cost Allocation Fund

A.R.S. § 41-191.09 requires agencies to pay annually a flat fee to the Attorney General for general legal counsel. The FY 2016 General Appropriation Act set the level of charges at \$1.8 million and specified the charge per agency as required by A.R.S. § 41-191.09. By September 1 of each year, statute requires agencies to report to the JLBC on the fund sources they have selected to pay their legal services charges. These reports are then reviewed by the Committee. The Baseline would eliminate the review component and also require the JLBC Staff to determine the amount of charges to be allocated by the Department of Administration to agencies not exempt from paying Attorney General legal services charges. See *Table 1* for a list of agencies and their corresponding Attorney General legal services charge. *(Please see the FY 2015 Appropriations Report for a more detailed history on legal services charges.)*

**Table 1****FY 2017 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	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	4,200
<b>Total Legal Services Charges</b>	<b>\$1,809,500</b>

**Interagency Service Agreements Fund**

The Attorney General uses the Interagency Service Agreements (ISA) Fund to receive monies from state agencies for legal services. In FY 2015, the Attorney General spent \$14.1 million, or 95%, of the \$14.8 million appropriation for the ISA Fund.

The FY 2016 budget included \$14.8 million and 125.4 FTE Positions from the ISA Fund with the option to use an additional reserve appropriation of \$800,000 and 11 FTE Positions. In October 2015, the Attorney General notified the JLBC that it expected to use its full FY 2016 ISA Fund appropriation as well as 8.8 FTE Positions of the total 11 FTE Positions and the entire \$800,000 of the reserve appropriation.

The Baseline would increase the FY 2017 ISA Fund appropriation to \$15.6 million and 8.8 FTE Positions with a new reserve of \$800,000 and 11 FTE Positions. The later would become available upon a report to JLBC.

The Attorney General reports its reserve usage is driven by ISA expansions with the Department of Child Safety, the Game and Fish Department, and the Arizona Health Care Cost Containment System. The Attorney General anticipates legal services needs that require a total ISA Fund appropriation of \$16,373,000 and 10 FTE Positions in FY 2017. When including the FY 2017 reserve appropriation of \$800,000 and 11 FTE Positions, the Baseline includes adequate funding and FTE authority for the ISA Fund to meet these requests.

The Legislature may need to evaluate the existing capacity of the Attorney General's ISA Fund, as it relates to individual agreements with agencies, prior to increasing the ISA appropriation.

**Consumer Restitution and Remediation Revolving Fund**

The Attorney General deposits proceeds from consumer protection-related legal settlements into the following funds: 1) the CPCF Revolving Fund; 2) the Consumer Restitution and Remediation Revolving Fund, or 3) the Antitrust Enforcement (AE) Revolving Fund.

The CPCF derives its revenue from any investigative or court costs, attorney fees or civil penalties recovered by the Attorney General as a result of enforcement of either state or federal statutes pertaining to consumer fraud. The AE Revolving Fund consists of monies recovered by the state as a result of antitrust, restraint of trade, or price-fixing activity enforcement.

In 2013, the Legislature created a new Consumer Restitution and Remediation Revolving Fund (Laws 2013, Chapter 143) that the Attorney General would use for monies collected from lawsuits that are reserved for remediation or restitution. Chapter 143 requires JLBC review of any plans to spend monies from this fund on remediation. In addition, A.R.S. § 41-192 directs any monies resulting from compromises or settlements by or

against the state, excluding restitution, reimbursement, or CPCF monies, into the General Fund.

The Attorney General is required by several statutes (A.R.S. § 41-192, A.R.S. § 44-1531.01, and A.R.S. § 44-1531.02) to submit quarterly reports to JLBC on the allocation of legal settlement proceeds. These reporting requirements provide legislative oversight on how settlement monies are collected and distributed.

*(Please see the Summary of Funds section following the Attorney General's narrative and the FY 2016 Appropriations Report for a more detailed history on consumer protection funds.)*

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. This subaccount is not subject to legislative appropriation.

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 \$3.5 million are continuously appropriated. Any money collected over that amount is subject to legislative appropriation. The Attorney General must submit an expenditure plan to the JLBC for its review before expending any monies in this subaccount.

### **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 servicers did not act legally in signing foreclosure documents, thus acting fraudulently in servicing and foreclosure business practices. The total settlement was \$25 billion, of which Arizona's share was an estimated \$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 \$97.0 million in a direct payment from the National Mortgage Settlement. The FY 2013 General Appropriation Act required the Attorney General to direct \$50.0 million of these monies to the General Fund. After a legal challenge, the Arizona Supreme Court upheld the transfer, and those monies were deposited in FY 2014. *(Please see the FY 2015 Appropriations Report for more information on the transfer.)*

Laws 2013, Chapter 118 appropriated the remainder, approximately \$48.9 million (including earned interest), of the settlement to the Attorney General for distribution pursuant to applicable court orders. In FY 2013 and FY 2014, the Attorney General expended \$0.6 million and \$7.6 million, respectively, to provide assistance to homeowners affected by fraudulent mortgage servicing and foreclosure practices and for other purposes consistent with the settlement. The Attorney General spent \$17.4 million of the non-lapsing appropriation for similar purposes in FY 2015. The FY 2016 General Appropriation Act required the Attorney General to transfer \$15.0 million of the legal settlement to the General Fund by the end of FY 2015. The Attorney General plans to spend the remaining \$8.2 million in in FY 2016.

The Attorney General's original spending plan allocated \$48.9 million. Below is the Attorney General's revised spending plan of \$33.9 million to reflect the \$15.0 million transfer. The plan includes \$33.9 million from the legal settlement, plus \$10.0 million from a separate settlement with Bank of America not subject to this appropriation.

- \$10.4 million for the Arizona Mortgage Relief Fund, a flexible mortgage loan program designed to provide loans to allow borrowers to remain in their homes;
- \$10.0 million for consumer restitution for eligible consumers who previously filed complaints with the Attorney General's Office against certain foreclosure rescue companies or against Bank of America in connection with their mortgage servicing practices;
- \$7.9 million for enforcement and monitoring;
- \$4.0 million for housing counseling;
- \$2.9 million for legal services;
- \$2.6 million for veterans' housing opportunities;
- \$1.9 million for outreach, marketing, and education;
- \$1.3 million for homeowner advocacy programs at Arizona State University and the University of Arizona;
- \$1.3 million for supportive services;
- \$1.2 million for relocation assistance; and
- \$400,000 for job training.

Arizona's remaining share of the National Mortgage Settlement has already been used to provide approximately \$1.9 billion in consumer relief to Arizona

borrowers, including principal reduction, a refinancing program, and payments to foreclosed borrowers. The monitor of the National Mortgage Settlement verified in a March 2014 report that banks satisfied their consumer relief obligations under the settlement.

In addition, approximately 65,000 Arizonans, who were foreclosed on by 1 of the 5 servicers, received payments totaling \$96.5 million.

**Standard & Poor's Settlement Fund Distribution**

In 2013, Arizona, along with 18 other states, the District of Columbia, and the federal government, sued Standard and Poor's Financial Services, LLC (S&P) for misrepresenting to investors its financial ratings of

structured finance securities, such as subprime mortgage-backed bonds. After 2 years of litigation, Arizona received a \$21.5 million settlement. The FY 2016 General Appropriation Act required the Attorney General to direct \$16.0 million of the legal settlement to the General Fund by the end of FY 2016. Of the approximately \$5.5 million remaining, the Attorney General has developed the following spending plan:

- \$3.0 million for programs for the homeless;
- \$2.0 million for attorneys' fees; and
- \$500,000 for consumer fraud education.

The \$3.5 million in allocations to homeless and consumer fraud education programs require JLBC review prior to expenditure. Those reviews have not yet occurred.

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
<b>Anti-Racketeering Revolving Fund (AGA2131/A.R.S. § 13-2314.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Forfeitures of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
<b>Purpose of Fund:</b> To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
<b>Funds Expended</b>	14,745,200	22,544,700
<b>Year-End Fund Balance</b>	39,281,400	30,421,200
<b>Antitrust Enforcement Revolving Fund (AGA2016/A.R.S. § 41-191.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies recovered for the state as a result of antitrust, restraint of trade or price-fixing activity enforcement.		
<b>Purpose of Fund:</b> For antitrust enforcement expenses, excluding attorney compensation.		
<b>Funds Expended</b>	148,200	244,800
<b>Year-End Fund Balance</b>	585,800	541,000
<b>Attorney General Expendable Trust Fund (AGA3102/A.R.S. § 35-149)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Restricted donations and gifts from individuals and corporations.		
<b>Purpose of Fund:</b> For purposes specified by donors or grantors.		
<b>Funds Expended</b>	1,064,900	1,486,100
<b>Year-End Fund Balance</b>	572,200	286,100
<b>Attorney General Legal Services Cost Allocation Fund (AGA4240/A.R.S. § 41-191.09)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Flat dollar amount from agencies as annually specified by the General Appropriation Act.		
<b>Purpose of Fund:</b> To fund non-contracted Attorney General Legal Services.		
<b>Funds Expended</b>	1,949,900	2,086,800
<b>Year-End Fund Balance</b>	910,000	632,700

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
<b>CJEF Distribution to County Attorneys Fund (AGA2068/A.R.S. § 41-2401)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To enhance prosecutorial efforts of county attorneys.		
<b>Funds Expended</b>	2,553,200	4,061,200
<b>Year-End Fund Balance</b>	722,400	361,200
<b>Collection Enforcement Revolving Fund (AGA2132/A.R.S. § 41-191.03)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund receives 35% of monies recovered by the Attorney General from debts owed to the state.		
<b>Purpose of Fund:</b> 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. Monies in the Collection Enforcement Revolving Fund up to \$500,000 are non-lapsing.		
<b>Funds Expended</b>	6,455,400	6,869,700
<b>Year-End Fund Balance</b>	2,811,000	500,000
<b>Colorado River Land Claims Revolving Fund (AGA2430/A.R.S. § 41-191.05)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receives 25% of monies recovered by the state from the settlement of the State of Arizona's sovereign land claims.		
<b>Purpose of Fund:</b> To pay ownership claims near the Colorado River.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	12,300	12,300
<b>Consumer Protection - Consumer Fraud Revolving Fund (AGA2014/A.R.S. § 44-1531.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Any monies recovered for the state from investigative or court costs, attorney fees or civil penalties pertaining to consumer protection or consumer fraud.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,195,100	5,094,000
<b>Year-End Fund Balance</b>	11,748,200	12,154,200
<b>Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
<b>Purpose of Fund:</b> Laws 2013, Chapter 143 established the Consumer Restitution and Remediation Revolving Fund, which is separated into 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Restitution Subaccount 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.		
<b>Funds Expended</b>	560,700	1,550,000
<b>Year-End Fund Balance</b>	1,746,800	896,800

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
<b>Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
<b>Purpose of Fund:</b> Laws 2013, Chapter 143 established the Consumer Restitution and Remediation Revolving Fund, which is separated into 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Restitution Subaccount 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 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 person. Monies in the Consumer Remediation Subaccount up to \$3,500,000 are continuously appropriated. Any amount of money collected over that amount is subject to legislative appropriation. The FY 2016 budget directed the transfer of \$5,400,000 of these monies to the General Fund by the end of FY 2016.		
<b>Appropriated Funds Expended</b>	0	0
<b>Non-Appropriated Funds Expended</b>	0	3,500,000
<b>Year-End Fund Balance</b>	5,816,800	3,216,800
<b>Court-Ordered Trust Fund (AGA3180/A.R.S. § 35-142)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Court-ordered deposits held in trust for parties to lawsuits. Includes funds from a 2012 nationwide settlement between numerous states and mortgage loan services. Arizona residents received a total of \$1.6 billion from the settlement, of which \$32 million was allocated to the Attorney General.		
<b>Purpose of Fund:</b> To assure funds are available to pay judgments. Future payments are dependent on case settlements. Laws 2013, Chapter 118 appropriated an estimated \$48,900,000 of the National Mortgage Settlement proceeds to the Attorney General in FY 2013 as a non-lapsing appropriation. The FY 2016 budget, however, directed the transfer of \$15,000,000 of these monies to the General Fund by the end of FY 2015, leaving the Attorney General with an estimated \$33,900,000 from the National Mortgage Settlement proceeds. Prior to the fund transfer, the Attorney General expended \$612,500 in FY 2013 and \$7,610,600 in FY 2014 to provide assistance to homeowners affected by fraudulent mortgage servicing and foreclosure practices. The AG spent \$17,418,700 in FY 2015 for similar purposes. In FY 2016, the Attorney General plans to expend \$8,234,800 of the non-lapsing appropriation. To avoid double counting, the FY 2016 expenditure is not displayed below. The non-appropriated expenditures in FY 2015 and FY 2016 reflect court-ordered settlements other than the National Mortgage Settlement.		
<b>Appropriated Funds Expended</b>	17,418,700	0
<b>Non-Appropriated Funds Expended</b>	2,239,400	1,380,000
<b>Year-End Fund Balance</b>	40,819,900	9,955,100
<b>Criminal Case Processing Fund (AGA2461/A.R.S. § 41-2421)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A portion of redirected court collections and 0.35% of the surcharge on criminal, motor vehicle, and game and fish statute violations.		
<b>Purpose of Fund:</b> For the processing of criminal cases.		
<b>Funds Expended</b>	5,000	81,800
<b>Year-End Fund Balance</b>	288,300	115,500
<b>Federal Grants (AGA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants awarded by various federal agencies and state agencies which pass through federal monies.		
<b>Purpose of Fund:</b> To be used in accordance with the terms of the individual grants.		
<b>Funds Expended</b>	4,748,700	5,485,900
<b>Year-End Fund Balance</b>	1,287,200	1,469,400

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
<b>Indirect Cost Recovery Fund (AGA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grant monies and other appropriated and non-appropriated funds.		
<b>Purpose of Fund:</b> To pay administrative costs not directly attributable to any single agency program.		
<b>Funds Expended</b>	2,244,100	3,799,300
<b>Year-End Fund Balance</b>	1,891,100	1,391,800
<b>Interagency Service Agreements Fund (AGA2657/A.R.S. § 41-192)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Any monies received by the Attorney General from charges to state agencies for legal services related to interagency service agreements.		
<b>Purpose of Fund:</b> To provide contracted legal services to state agencies and political subdivisions. The FY 2016 budget included a reserve of appropriation from the ISA Fund of \$800,000 and 11 FTE Positions. In October 2015, the Attorney General notified the JLBC that it planned to use the entire \$800,000 and 8.75 FTE Positions in FY 2016. The FY 2016 expenditure amount below reflects usage of the ISA Fund reserve appropriation.		
<b>Funds Expended</b>	14,072,600	15,573,000
<b>Year-End Fund Balance</b>	1,135,900	0
<b>Intergovernmental Agreements Fund (AGA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Any monies received from state agencies for specialized projects.		
<b>Purpose of Fund:</b> For costs associated with approved projects.		
<b>Funds Expended</b>	3,932,000	6,326,000
<b>Year-End Fund Balance</b>	4,448,100	2,226,000
<b>Internet Crimes Against Children Enforcement Fund (No Fund Number/A.R.S. § 41-199)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Pursuant to A.R.S. § 5-554, the fund receives \$900,000 from the proceeds of lottery games that are sold from a vending machine in age-restricted areas. If the lottery games do not produce sufficient funds for the \$900,000 allocation, then unclaimed lottery prize monies will be used to backfill the difference. A.R.S. § 5-554 also directs \$100,000 from the same lottery game revenue to the Victims' Rights Enforcement Fund administered by the Department of Public Safety. <i>(Please see the Department of Public Safety for more detail on the Victims' Rights Enforcement Fund.)</i>		
<b>Purpose of Fund:</b> For the Attorney General to enter into 1 or more intergovernmental agreements to continue the operation of the federally recognized Internet Crimes Against Children Task Force program that coordinates a national network of coordinated task forces that assist federal, state, local, and tribal law enforcement agencies in investigations, forensic examinations, and prosecutions related to technology-facilitated sexual exploitation of children and internet crimes against children.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	900,000	1,800,000
<b>Motor Carrier Safety Revolving Fund (AGA2380/A.R.S. § 28-5203)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,400	0
<b>Year-End Fund Balance</b>	29,600	33,100

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
<b>Prosecuting Attorneys' Advisory Council Training Fund (AGA2057/A.R.S. § 41-1830.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 3.03% of 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.		
<b>Purpose of Fund:</b> For costs of training, technical assistance for prosecuting attorneys of the state and any political subdivision, and expenses for the operation of the council.		
<b>Funds Expended</b>	1,068,000	1,256,000
<b>Year-End Fund Balance</b>	6,800	0
<b>Risk Management Revolving Fund (AGA4216/A.R.S. § 41-622)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
<b>Purpose of Fund:</b> To pay for the legal services ISA contract between the Attorney General and ADOA.		
<b>Funds Expended</b>	8,685,200	9,426,900
<b>Year-End Fund Balance</b>	761,000	13,600
<b>State Aid to Indigent Defense Fund (AGA2445/A.R.S. § 11-588)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, a 14.66% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 20.53% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
<b>Purpose of Fund:</b> See <i>Arizona Criminal Justice Commission</i> . The FY 2014 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2013, 1 <sup>st</sup> Special Session, Chapter 5) permitted the Attorney General to use State Aid to Indigent Defense Fund monies in FY 2014 for capital postconviction prosecution. The FY 2015 (Laws 2014, Chapter 12) and FY 2016 (Laws 2015, Chapter 17) Criminal Justice BRBs continued this practice.		
<b>Funds Expended</b>	726,200	799,400
<b>Year-End Fund Balance</b>	85,800	0
<b>Victim Witness Assistance Fund (AGA2228/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants from the Victim Compensation and Assistance Fund and the Victims of Crime Act Fund.		
<b>Purpose of Fund:</b> To assist crime victims and surviving family members who are involved in felony cases and appellate matters.		
<b>Funds Expended</b>	58,500	57,300
<b>Year-End Fund Balance</b>	0	0
<b>Victims' Rights Fund (AGA3215/A.R.S. § 41-191.08)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For states and local entities that provide victims' rights services and assistance.		
<b>Funds Expended</b>	3,752,600	3,759,400
<b>Year-End Fund Balance</b>	2,996,700	2,597,300