

Arizona Department of Administration

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	504.1	532.1	532.1
Personal Services	28,487,200	29,667,600	29,667,600
Employee Related Expenditures	10,986,600	11,719,000	11,719,000
Professional and Outside Services	8,964,500	8,635,300	8,635,300
Travel - In State	205,500	225,600	225,600
Travel - Out of State	14,600	29,000	29,000
Other Operating Expenditures	30,606,500	36,755,500	36,755,500
Equipment	2,404,100	3,704,400	3,704,400
OPERATING SUBTOTAL	81,669,000	90,736,400	90,736,400
SPECIAL LINE ITEMS			
Facilities Management			
Utilities	7,026,500	8,275,600	8,275,600
Financial Services			
Arizona Financial Information System	0	7,567,800	7,567,800
County Attorney Immigration Enforcement	231,400	0	0
Named Claimants	184,600	0	0
Information Technology Services			
Statewide Information Security and Privacy Office	735,600	872,200	872,200
Risk Management			
Federal Transfer Payment	10,462,100	0	0
Risk Management Administrative Expenses	3,757,500	8,747,200	8,747,200
Risk Management Losses and Premiums	31,368,800	44,362,200	44,362,200
Workers' Compensation Losses and Premiums	25,604,300	31,159,200	31,159,200
Support Services			
Government Transformation Office	0	1,000,000	1,000,000
State Surplus Property Sales Proceeds	1,761,700	1,260,000	1,810,000
Other			
Southwest Defense Contracts	25,000	25,000	25,000
AGENCY TOTAL	162,826,500	194,005,600	194,555,600
FUND SOURCES			
General Fund	11,307,200	10,377,300	10,377,300
<u>Other Appropriated Funds</u>			
Air Quality Fund	578,600	927,300	927,300
Arizona Financial Information System Collections Fund	0	7,567,800	7,567,800
Automation Operations Fund	21,251,400	23,964,100	23,964,100
Capital Outlay Stabilization Fund	15,902,900	18,082,800	18,082,800
Corrections Fund	352,600	571,200	571,200
Federal Surplus Materials Revolving Fund	51,200	464,600	464,600
Information Technology Fund	2,791,600	2,942,100	2,942,100
Motor Vehicle Pool Revolving Fund	7,123,100	10,148,800	10,148,800
Personnel Division Fund	12,878,300	12,885,100	12,885,100
Risk Management Revolving Fund	78,016,900	92,022,900	92,022,900
Special Employee Health Insurance Trust Fund	4,094,800	5,262,300	5,262,300
State Surplus Materials Revolving Fund	2,770,500	2,397,900	2,947,900
State Web Portal Fund	3,940,800	4,543,000	4,543,000
Telecommunications Fund	1,766,600	1,848,400	1,848,400
SUBTOTAL - Other Appropriated Funds	151,519,300	183,628,300	184,178,300
SUBTOTAL - Appropriated Funds	162,826,500	194,005,600	194,555,600

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 BASELINE
Other Non-Appropriated Funds	990,263,500	984,697,800	1,012,936,900
Federal Funds	3,710,900	8,766,100	7,666,600
TOTAL - ALL SOURCES	1,156,800,900	1,187,469,500	1,215,159,100

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 \$90,736,400 and 501.1 FTE Positions in FY 2017 for the operating budget. These amounts consist of:

	FY 2017
General Fund	\$8,726,600
Air Quality Fund	927,300
Automation Operations Fund	23,964,100
Capital Outlay Stabilization Fund (COSF)	10,432,900
Corrections Fund	571,200
Federal Surplus Materials Revolving Fund	464,600
Information Technology Fund	2,069,900
Motor Vehicle Pool Revolving Fund	10,148,800
Personnel Division Fund	12,885,100
Risk Management Revolving Fund	7,754,300
Special Employee Health Insurance Trust Fund	5,262,300
State Surplus Materials Revolving Fund	1,137,900
State Web Portal Fund	4,543,000
Telecommunications Fund	1,848,400

These amounts are unchanged from FY 2016.

Facilities Management

Utilities

The Baseline includes \$8,275,600 in FY 2017 for Utilities. This amount consists of:

General Fund	625,700
COSF	7,649,900

These amounts are unchanged from FY 2016.

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

Financial Services

Arizona Financial Information System

The Baseline includes \$7,567,800 and 28 FTE Positions in FY 2017 from the Arizona Financial Information System Collections Fund for the Arizona Financial Information System (AFIS). These amounts are unchanged from FY 2016.

This line item funds the operation of AFIS including staffing and support, software licensing and maintenance, hosted production and disaster recovery.

Information Technology Services

Statewide Information Security and Privacy Office

The Baseline includes \$872,200 and 3 FTE Positions from the Information Technology Fund in FY 2017 for the Statewide Information Security and Privacy Office (SISPO). These amounts are unchanged from FY 2016.

As part of the Arizona Strategic Enterprise Technology (ASET) Office, the office performs strategic planning, policy development, and risk assessment to protect the state's information resources. *(Please see the ADOA Automation Projects Fund section for additional discussion on ASET administrative resources.)*

Risk Management

Federal Transfer Payment

The Baseline includes no funding from the Risk Management Revolving Fund in FY 2017 for one-time payments to the federal government. This amount is unchanged from FY 2016.

Laws 2015, Chapter 8, Section 112 included an FY 2015 supplemental appropriation of \$10,462,100 from the Risk Management Revolving Fund. This amount consisted of:

- \$4,336,000 related to FY 2014 fund transfers from 9 different funds.
- \$207,400 for disallowed costs related to statewide IT charges in FY 2014.
- \$5,918,700 for excess retained earnings in 4 different funds in FY 2014.

In addition, Laws 2015, Chapter 8 included an FY 2015 supplemental appropriation of \$8,302,800 from the Special Employee Health Insurance Trust Fund (HITF) to repay the federal government for their proportional share of HITF transfers to the General Fund in FY 2014.

Laws 2015, Chapter 8 also 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 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 more information.)*

Risk Management Administrative Expenses

The Baseline includes \$8,747,200 from the Risk Management Revolving Fund in FY 2017 for Risk Management Administrative Expenses. This amount is unchanged from FY 2016.

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 2017 for Risk Management Losses and Premiums. This amount is unchanged from FY 2016.

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 2017 for Workers' Compensation Losses and Premiums. This amount is unchanged from FY 2016.

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

Government Transformation Office

The Baseline includes \$1,000,000 from the General Fund in FY 2017 for the Government Transformation Office (GTO). This amount is unchanged from FY 2016.

This line item funds the GTO, which assists state agencies in designing and implementing process improvements. The office publishes an annual report on its accomplishments. Prior to the FY 2016 budget, ADOA had a 17-person staff in the GTO funded by an Interagency Service Agreement with the Governor's Office.

State Surplus Property Sales Proceeds

The Baseline includes \$1,810,000 from the State Surplus Materials Revolving Fund in FY 2017 for State Surplus Property Sales Proceeds. FY 2017 adjustments would be as follows:

Expenditure Alignment OF 550,000

The Baseline includes an increase of \$550,000 from the State Surplus Materials Revolving Fund in FY 2017 to align the appropriation with actual spending.

Before the expenditure of State Surplus Materials Revolving Fund monies in excess the appropriation, General Appropriation Act footnotes have required the department to report the intended use of monies to the JLBC. In recent years, ADOA has reported that additional expenditures of approximately \$550,000 are required to reimburse agencies for the sale of surplus materials.

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 2017 for Southwest Defense Contracts. This amount is unchanged from FY 2016.

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

On or before October 1, 2016, 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 monies received by the Department of Administration in excess of the \$2,947,900 in FY 2017 are appropriated to the department. Before the expenditure of State Surplus Materials Revolving Fund monies in excess of \$2,947,900 in FY 2017, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee.

The amount appropriated for Southwest Defense Contracts shall be distributed 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 Public Transportation Service Subsidy shall be used for up to a 50% subsidy of charges payable for public 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 from the Automation Operations Fund established by A.R.S. § 41-711 is an estimate representing all monies, including balance forward, revenues and transfers during FY 2017. 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 monies credited to the Automation Operations Fund for automation operation center projects. Before the expenditure of any Automation Operations Fund monies in excess of \$23,964,100 in FY 2017, 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 they have an average of 120,000 miles or more.

New Footnotes

The Department of Administration shall report by October 1, 2016 on the structure, allocation and fund sources of all Information Technology and Automation Project oversight FTE Positions within the department. *(Since Information Technology FTE Positions are distributed in the operating budget and the SISPO, AFIS, and APF line items, the report would assist in efforts to coordinate and consolidate ADOA IT operations for the FY 2018 budget cycle.)*

STATUTORY CHANGES

The Baseline would, as permanent law, add a requirement that ADOA report to the JLBC Staff by November 1 of each year any exemptions granted under A.R.S § 35-191A for orders for goods and/or services made in one fiscal year and received beyond August 30 of the following fiscal year.

Other Issues

This section includes information on the following topics:

- Automation Projects
- Health Insurance Trust Fund
- Risk Management Revolving Fund
- Federal Financial Participation Repayment
- Arizona Financial Information System
- Public Safety Communications
- Auditor General Recommendation
- October 2015 Special Session and Proposition 123

Automation Projects

The Baseline includes \$1,500,000 transferred from the Automation Operations Fund to the Automation Projects Fund in FY 2017 for automation and information technology projects at ADOA. This amount consists of:

AFIS Replacement

The Baseline includes no funding from the Automation Projects Fund in FY 2017 for the replacement of AFIS. FY 2016 was the final year of a 4-year project to replace the state's financial and accounting system, which went live on July, 3, 2015.

ASET Initiatives

The Baseline includes \$1,500,000 from the Automation Projects Fund in FY 2017 to continue to fund personnel and information technology projects 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 2015, HITF had a balance of \$339,800,800. Recent budgets have included a number of measures to reduce the HITF balance. Information on HITF receipts, expenses and fund balances are displayed in *Table 1*.

The FY 2016 General Appropriation Act (Laws 2015, Chapter 8, Section 136) requires a \$100,000,000 transfer from the HITF balance to the General Fund in FY 2017.

In addition to one-time fund transfers, an ongoing method to reduce the HITF balance is to adjust the

Table 1

Health Insurance Trust Fund Balance Sheet (\$ in millions)

	Estimated FY 2016	Estimated FY 2017
Beginning Balance	\$339.8	\$377.0
Receipts	\$834.6	\$798.3
Expenses	\$787.2	\$807.0
FFP Repayment ^{1/}	6.1	11.3
Transfer	<u>4.1</u>	<u>100.0</u>
Net Expenses	\$797.4	\$918.3
HITF Ending Balance	\$377.0	\$257.0

^{1/} FY 2016 and FY 2017 amounts represent estimated payments not yet authorized by the Legislature for the transfer of monies made in FY 2015 and 2017.

employer/employee contribution strategy. Because of the recent trend of HITF receipts exceeding annual costs, the FY 2016 budget included \$(16,200,000) of General Fund savings related to reducing state agency health insurance contribution rates.

The revised contribution rates became effective January 1, 2016. As such, the FY 2016 budget only included partial-year savings related to HITF changes. When effective for an entire year, the FY 2016 budget assumed the HITF rate reduction would generate \$(32,400,000) of General Fund savings in FY 2017.

However, some adjustments to the Universities' reductions are necessary to align the reductions with actual enrollment and fund sourcing. The FY 2017 Baseline would restore General Fund monies to the Universities by \$4,076,000 as an FY 2016 supplemental appropriation. To make the issue budget neutral from a General Fund perspective, the Baseline would transfer \$4,076,000 from HITF to the General Fund. The changes to the University reduction would also affect the budgeted savings in FY 2017 when the HITF rate changes become effective for a full year. The HITF rate reduction will generate only \$(24,000,000) of General Fund savings in FY 2017.

(Please see the HITF section in the Arizona Board of Regents narrative for more information.)

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. Laws 2015, Chapter 8 included a FY 2015 supplemental appropriation of \$8,302,800 from the Special Employee Health Insurance

Trust Fund to repay the federal government for debts incurred due to HITF transfers to the General Fund in FY 2014. While not yet authorized by the Legislature, the FY 2016 FFP repayment for the FY 2015 HITF transfers of \$53,900,000 is estimated to be \$6,173,500. This repayment may alternatively be financed from the Risk Management Revolving Fund.

Due to the FY 2016 and previous balance reduction measures, HITF is expected to have a fund balance of \$257.0 million at the end of FY 2017. ADOA's reserve strategy consists of maintaining a balance of 30% of annual expenses, or approximately \$240 million. *(Please see the Health Insurance section in the General Provisions section for information on current state employee health insurance rates.)*

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 2015 as well as the estimated amounts for FY 2016 and FY 2017. 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 2016 and FY 2017, which are closer to historical spending levels. Under these adjusted estimates, the balance would be \$87.6 million in FY 2015 and \$97.3 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

Table 2

Risk Management Revolving Fund (\$ in thousands)

	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
Beginning Balance	71,415.7	87,605.6	82,349.5
Revenues	<u>105,189.4</u>	<u>101,145.5</u>	<u>101,145.5</u>
<i>Total Funds Available</i>	176,605.1	188,751.1	183,495.0
Expenditures			
ADOA	67,554.8	92,022.9	92,022.9
Federal Repayment ^{1/}	<u>10,462.1</u>	<u>3,723.7</u>	-
<i>ADOA Subtotal</i>	78,016.9	95,746.6	92,022.9
Other Agencies	10,045.2	10,655.0	10,655.0
Admin Adjustment	<u>937.4</u>	-	-
<i>Total Expenditures</i>	88,999.5	106,401.6	102,677.9
Ending Balance	87,605.6	82,349.5	80,817.1
Spending Adjustment ^{2/}	-	(15,000.0)	(15,000.0)
Adjusted Expenditures		91,401.6	87,677.9
Revised Balance	87,605.6	97,349.5	110,817.1

^{1/} FY 2016 Federal Repayment not yet authorized by the Legislature.

^{2/} Would reduce projected expenditures closer to historical spending levels which would increase the revised ending balance.

planning, DPS-Capitol Police salaries, and Arizona Navigable Streams Adjudication Commission litigation costs. The latter no longer receives a Risk Management appropriation.

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 and FY 2015. *(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 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 2015

The FY 2016 General Appropriation Act included a FY 2015 supplemental appropriation of \$10,462,100 from the Risk Management Revolving Fund to repay the federal government for restricted uses. This amount consists of:

- \$4,336,000 related to FY 2014 fund transfers from 9 different funds.
- \$207,400 for disallowed costs related to statewide IT charges in FY 2014.
- \$5,918,700 for excess retained earnings in 4 different funds in FY 2014.

In addition, Laws 2015, Chapter 8 included an FY 2015 supplemental appropriation of \$8,302,800 from HITF to repay the federal government for their proportional share of HITF transfers to the General Fund in FY 2014.

FY 2016

Based on prior experiences of federal repayment and estimates provided by ADOA, the federal government is likely to charge the state approximately \$3,723,700 for restricted use of Federal Funds, as follows:

- \$3,451,300 related to FY 2015 fund transfers from the Risk Management Fund and Automation Operations Fund.
- \$219,400 for disallowed costs related to statewide IT charges in FY 2015.
- \$53,000 for excess retained earnings in the IT Fund in FY 2015.

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

Arizona Financial Information System

The General Accounting Office (GAO) is responsible for managing the statewide accounting system, AFIS, which includes functional and technical support, software licensing and maintenance, hosted production, and disaster recovery.

ADOA’s FY 2015 AFIS operating budget totaled \$3.8 million including \$2.0 million from the General Fund and \$1.7 million from the non-appropriated AFIS II Fund (see Table 3). In FY 2015, the budget funded 25 FTE Positions responsible for managing AFIS including 22 FTE Positions responsible for functional support such as help desk support, training, and software application management, and statewide reporting. The remaining 3 FTE Positions were ASET staff responsible for application management.

	AFIS Resources		
	FY 2015	FY 2016	FY 2017
<i>Fund Source</i>			
General Fund	\$2,039,700	\$1,463,700	\$1,463,700
AFIS II	1,725,100	NA	NA
AFIS Collections Fund	NA	7,567,800	8,457,800
Total Revenues	\$3,764,800	\$9,031,500	\$9,921,500
<i>FTE Positions</i>			
<i>Operating Budget</i>			
AFIS Functional Support (GAO)	22	22	22
AFIS Technical Support (ASET)	3	3	3
Total Operating Budget FTE Positions	25	25	25
<i>AFIS Line Item</i>			
AFIS II	0	NA	NA
AFIS Functional Support (GAO)	NA	15	15
AFIS Technical Support (ASET)	NA	13	13
Total AFIS Line Item FTE Positions	0	28	28
Total FTE Positions	25	53	53
NA = Not Applicable			

The FY 2016 budget included \$1.5 million from the General Fund and \$7.6 million for a new AFIS line item funded from the new AFIS Collections Fund. The AFIS II Fund is no longer active. Along with the 25 existing FTE Positions in the operating budget, this line item funds operating costs of AFIS, including an additional 28 new FTE Positions. Of the new FTE Positions, 15 FTE Positions are for GAO functional support and 13 FTE Positions are for ASET technical support. Additional duties include support for increased usage of the system, overseeing the contracted IT services, and further in-house development of AFIS. In addition to funding staff, the AFIS line item includes \$990,000 for Professional and Outside Services, \$1,200,000 for software licensing, and \$544,000 for third-party hosted mainframe charges in FY 2016.

ADOA reports that the AFIS FY 2017 operating costs will increase by \$890,000 for increased vendor support. In FY 2016, the vendor support was funded through the FY 2016 APF BREAZ development appropriation. The Baseline does not include additional funding for this issue.

Public Safety Communications

In August 2013, Public Safety Communication Advisory Commission, under ADOA, received a \$2,900,000 federal grant. 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. In FY 2015, the commission was sunset and ADOA ASET Office took responsibility to administer the grant.

A FY 2016 General Appropriation Act footnote requires ADOA to submit a report by October 1, 2015 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 2015, ADOA reported spending \$1,065,300 of the \$2,900,000 grant.

Auditor General Recommendation

The Auditor General completed an audit of the State Procurement Office Cooperative Purchasing program in 2014. The program allows members, including political subdivisions and nonprofits, to purchase goods and services from statewide contracts. To cover ADOA’s cost of administering the program, statewide contract vendors are required to remit to the department a 1% fee on the dollar value of sales to cooperative members.

In the audit, the Auditor General found that the revenue collected by ADOA exceeded the program’s operating costs. Excess funds were used for other purposes such as salaries for State Procurement Office employees not associated with the Cooperative Purchasing program. The Auditor General recommended the department evaluate its program costs and fees.

October 2015 Special Session and Proposition 123

As a beneficiary of the Arizona State Land Trust, ADOA receives monies generated from lease revenues and the proceeds from land sales that are invested into a “permanent fund,” pursuant to Article X, Section 7 of the Arizona Constitution.

In FY 2015, ADOA received \$185,200 in monies distributed from its permanent fund.

Conditional upon voter approval in May 2016, Proposition 123 would increase the annual distribution rate from the State Land Trust Permanent Fund from 2.5% to 6.9% from FY 2016 through FY 2025.

As a result, ADOA would receive \$361,500 in additional funding beyond what it otherwise would in FY 2016 if the ballot proposition is approved. *(Please see the Department of Education – Endowment Earnings section for more information.)*

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 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	2,138,500	1,554,300
Year-End Fund Balance	1,554,300	0

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
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	578,600	927,300
Year-End Fund Balance	0	0
Arizona Financial Information System Collections Fund (ADA1234/A.R.S. § 41-740.01)		Appropriated
Source of Revenue: Revenues are collected from state agencies to recover pro rata costs of operating AFIS. Pro rata charges are determined by ADOA and allocated to each agency based on AFIS usage.		
Purpose of Fund: Supplements the cost of operating AFIS.		
Funds Expended	0	7,567,800
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 \$9,057,000 in FY 2015 and \$5,700,000 in FY 2016. (See the Automation Projects Fund page for more details.)		
Funds Expended	21,251,400	23,964,100
Transfer to Automation Operations Fund	9,057,300	5,700,000
Year-End Fund Balance	11,402,600	10,484,500
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	15,902,900	18,082,800
Year-End Fund Balance	17,363,600	13,251,000
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	111,653,400	115,223,100
Year-End Fund Balance	1,233,700	6,821,100
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	8,926,300	3,447,400
Year-End Fund Balance	5,961,300	5,513,900

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 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	4,484,900	3,196,100
Year-End Fund Balance	2,594,100	2,598,000
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	352,600	571,200
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	18,926,400	20,490,000
Year-End Fund Balance	2,969,600	979,600
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	35,793,000	32,573,000
Year-End Fund Balance	3,698,700	3,722,800
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	2,778,800	7,666,600
Year-End Fund Balance	310,200	300
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	932,100	1,099,500
Year-End Fund Balance	1,099,500	0

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
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	51,200	464,600
Year-End Fund Balance*	102,700	(296,100)
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	8,423,100	8,170,700
Year-End Fund Balance	5,771,100	3,774,400
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).		
Funds Expended	2,791,600	2,942,100
Year-End Fund Balance	1,633,200	2,159,600
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	2,452,900	2,452,900
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	219,500	219,500
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	7,123,100	10,148,800
Year-End Fund Balance	2,406,200	1,781,400

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
Oil Overcharge Fund (GVA3171/A.R.S. § 41-1509)		Non-Appropriated
Source of Revenue: Federal court settlements by oil companies who overcharged consumers during the petroleum price controls of the 1970's, and interest earnings. In FY 2016, \$731,600 was transferred from the Governor's Office to ADOA.		
Purpose of Fund: To provide restitution to the citizens of Arizona. Restitution is to be made through energy programs administered by the state.		
Funds Expended	0	104,200
Year-End Fund Balance	0	627,200
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	158,800	143,100
Year-End Fund Balance	5,449,200	5,449,200
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, 1 st Special Session, Chapter 6).		
Purpose of Fund: To operate the ADOA Human Resources Division.		
Funds Expended	12,878,300	12,885,100
Year-End Fund Balance	471,500	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	9,915,600	1,738,300
Year-End Fund Balance	1,738,300	0
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	12,266,500	13,753,400
Year-End Fund Balance	4,204,800	3,451,400
Risk Management Revolving Fund (ADA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to state agencies, boards, and commissions 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	78,016,900	92,022,900
Year-End Fund Balance	93,373,500	92,034,100

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 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	4,094,800	5,262,300
Non-Appropriated Funds Expended	775,847,200	781,986,500
Year-End Fund Balance	339,800,800	381,085,500
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	24,600	24,400
Year-End Fund Balance	29,200	19,800
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	891,500	881,100
Year-End Fund Balance	67,100	41,000
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	481,200	535,000
Year-End Fund Balance	572,100	572,100
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	2,770,500	2,397,900
Year-End Fund Balance	545,000	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 A.R.S. § 41-3506.		
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 3,775,000 in FY 2016. (See the Automation Projects Fund page for more details.)		
Appropriated Funds Expended	3,940,800	4,543,000
Non-Appropriated Funds Expended	0	0
Transfer to Automation Projects Fund	0	3,775,000
Year-End Fund Balance	4,660,600	4,521,700

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 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	301,700	20,000
Year-End Fund Balance	587,000	567,000
Statewide Donations Fund (ADA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Employee donations and other miscellaneous deposits. In FY 2016, \$779,300 was collected from local utility companies to support a weatherization project in the ADOA Grants and Federal Resources Office.		
Purpose of Fund: Employee donations are used to recognize outstanding employees.		
Funds Expended	30,800	857,200
Year-End Fund Balance	159,300	86,400
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	1,766,600	1,848,400
Year-End Fund Balance	671,400	583,200

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