STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

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1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

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STEPHEN TULLY

JOINT LEGISLATIVE BUDGET COMMITTEE
Thursday, September 21, 2006
9:30 a.m.
Senate Appropriations Room 109

MEETING NOTICE

- Call to Order

- Approval of Minutes of August 24, 2006.

- DIRECTOR'S REPORT (if necessary).

- EXECUTIVE SESSION - Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.

1. ARIZONA DEPARTMENT OF TRANSPORTATION- Review of Motor Vehicle Division Counter Clerk Funding Shift Report.

2. ARIZONA BOARD OF REGENTS - Review of FY 2007 Tuition Revenue.

3. DEPARTMENT OF EDUCATION - Review of Kinder Morgan Settlement.

4. ADMINISTRATIVE OFFICE OF THE COURTS - Review of Reimbursement of Appropriated Funds.

5. GOVERNMENT INFORMATION TECHNOLOGY AGENCY - Arizona Web Portal.

The Chairman reserves the right to set the order of the agenda.
09/13/06

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 926-5491.

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DATE: September 13, 2006

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: Arizona Department of Transportation – Review of Motor Vehicle Division Counter Clerk Funding Shift Report

Request

The Arizona Department of Transportation (ADOT) requests review of its funding shift for Motor Vehicle Division (MVD) counter clerks in customer service offices. ADOT is required to report by July 31, 2006 on where funding for MVD counter clerks has been shifted.

MVD counter clerks decreased (19.4)%, or (168) FTE Positions, over a 3-year period, as ADOT shifted $2 million of funding primarily to purchase license plates and tabs.

Recommendation

The Committee has at least 2 options:

1) A favorable review, since as required, the report provides information on what happened to the funds.

2) An unfavorable review, since the report does not give reasons for the funding shift. In addition, ADOT's reported $2 million funding shift appears to account for only about one-third of the 3-year clerk decrease from FY 2003 to FY 2006. An unfavorable review would also be a means of expressing the Committee's disagreement with ADOT's funding reallocations.

Under either option, the JLBC Staff recommends that ADOT provide:

1) Further rationale to the Committee as to the need to shift funding to license plates and tabs.

2) Clarification as to whether the MVD clerk positions were intentionally left vacant or could not be filled for other reasons.

3) Clarification of the total funding shift from FY 2003 to FY 2006, and the rationale for any additional funding shift above the $2 million already identified.

(Continued)

4) Estimated funding shift in FY 2007, if any, and the reasons for it.

To increase accountability in MVD customer service, the FY 2007 General Appropriation Act also requires:

- JLBC review before allowing ADOT to transfer any funds into or out of MVD.
- ADOT to submit quarterly progress reports to the JLBC on their progress in improving MVD wait times and vehicle registration renewal by mail turnaround times.

Analysis

MVD customer wait time increased from 14.2 minutes in FY 2003 to 27.8 minutes in FY 2006, a 96% increase. At the same time, the number of in-person customers decreased (10.6)%, from 4.7 million customers in FY 2003 to 4.2 million in FY 2006. The 4.2 million customers in FY 2006 was the lowest number of customers in the past 6 fiscal years for which we have data. ADOT's reporting also understates the problem. MVD's reported wait times do not include time spent before customers get a numbered ticket from an MVD employee which starts the current wait time clock ticking.

ADOT reports that the average number of clerks who staff MVD office service counter windows decreased each of the last 3 fiscal years, from 866 in FY 2003 to 698 in FY 2006, a (19.4)% decrease. The decrease in the number of clerks may account for the increase in customer wait times. MVD had no budget reductions in either FY 2004, FY 2005, or FY 2006 to account for the staffing decrease. On the other hand, no inflation adjustment was given for operating costs.

ADOT reports that MVD spent $2 million from Personal Services vacancy savings in the MVD Customer Services Program for other MVD items in each of FY 2004, FY 2005 and FY 2006. It is unclear whether MVD could not fill the positions, or intentionally kept the positions open.

MVD spent the largest amounts for license plates and tabs in each of the 3 fiscal years, including $1 million in FY 2004, $1.6 million in FY 2005, and $2 million in FY 2006. In FY 2004, MVD also spent $300,000 for Other Operating Expenditures, $400,000 for equipment and $300,000 for scale repair at 3 ports of entry. In FY 2005, MVD spent $400,000 for building renewal projects. The following table shows this data. The report does not give reasons for the funding shift. The JLBC Staff has asked ADOT why these funding shifts were necessary, and is awaiting ADOT's response.

MVD Expenditures from Customer Services Program Vacancy Savings

	FY 2004	FY 2005	FY 2006
License Plates & Tabs	$1,000,000	$1,600,000	$2,000,000
Other Operating Expenditures[1/]	300,000	0	0
Equipment[2/]	400,000	0	0
Port of Entry Scale Repair[3/]	300,000	0	0
Building Renewal[4/]	0	400,000	0
Total	**$2,000,000**	**$2,000,000**	**$2,000,000**

1/ Includes external data processing, repair and maintenance of buildings/other equipment, and office/data processing/housekeeping supplies.
2/ Includes electronic data processing, telecommunications equipment, furniture, PC/local area network software equipment, and other equipment.
3/ Includes repair of outbound scales at Ehrenberg, Topock and Sanders Ports of Entry.
4/ Includes bathroom ADA compliance, sidewalk repair, chiller overhaul, grading for drainage, carpet replacement, painting, office remodeling, and electrical work.

(Continued)

It is not clear that ADOT's reported $2 million funding shift accounts for the entire decrease in MVD counter clerks. ADOT had previously reported an average salary of $25,000, with 37% Employee Related Expenditures, for MVD counter clerks as of July 2005. Using this data, the 168 decrease in MVD counter clerks between FY 2003 and FY 2006, would indicate MVD funding shifts of up to $5.75 million in FY 2006. Since ADOT has provided the rationale for $2 million in shifts, this would leave $3.75 million of funding shifts still unaccounted for. The JLBC Staff has asked ADOT why they appear to have accounted for only about one-third of the funding shift attributable to the 3-year clerk decrease, and where the remaining funds were shifted. The JLBC Staff is awaiting ADOT's response.

To reduce customer wait time, the General Appropriation Act for FY 2006 (Laws 2005, Chapter 286) included an increase of $1,099,500 and 25 FTE Positions from the State Highway Fund in FY 2007 for MVD customer service staff. ADOT was required to report by July 31, 2006 on where funding for MVD counter clerks has been shifted. To increase accountability in MVD customer service the General Appropriation Act also requires:

- JLBC review before allowing ADOT to transfer any funds into or out of MVD.

- ADOT to submit quarterly progress reports to the JLBC on their progress in improving MVD wait times and vehicle registration renewal by mail turnaround times. The reports shall document total time customers spent at the office and the reasons for changes in these times, including the wait time to get a numbered ticket from a Motor Vehicle Division employee, the time between receiving the numbered ticket and arriving at the counter and the transaction time at the counter. The reports shall document the number of customers who arrived at MVD offices but who did not complete their transaction. The reports are due within 30 days after the end of each calendar quarter.

RS/BH:ym

BH, LM

Arizona Department of Transportation

Office of the Director

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Janet Napolitano
Governor

Victor M. Mendez
Director

David P. Jankofsky
Deputy Director

August 8, 2006

RECEIVED
AUG 08 2006
JOINT BUDGET COMMITTEE

The Honorable Robert Burns
Chairman
Joint Legislative Budget Committee
1716 W. Adams
Phoenix, AZ 85007

Dear Senator Burns:

Laws of 2005, Chapter 286, Section 32 requires the Department of Transportation report to the Joint Legislative Budget Committee on where funding for Motor Vehicle Division counter clerks in the Customer Service Program has been shifted.

FY2004

In Fiscal Year 2004, the total Customer Services Program Personnel Services allocation was approximately $2.0 million less than the same allocation for Fiscal Year 2003. The $2.0 million was used as follows (numbers rounded):

- $1.0 million - License Plates & Tabs
- $300,000 - Customer Service Program Other Operating
- $400,000 - Customer Service Program Equipment
- $300,000 - Division Scale Repair

FY2005

The $2.0 million was used as follows (numbers rounded):

- $1.6 million -License Plates & Tabs
- $400,000- Facilities Remodel/Improvement

If you have any questions, please contact Terry Trost at 602-712-8981.

Sincerely,

Victor M. Mendez

cc: Representative Russell Pearce, Vice-Chairman, JLBC
Richard Stavneak, Director, JLBC
Gary Yaquinto, Director, OSPB
Bob Hull, Principal Research/Fiscal Analyst, JLBC
Marcel Benberou, Principal Budget Analyst, OSPB

Arizona Governor's Award for Quality
2001 Award Recipient

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
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STEPHEN TULLY

DATE: September 14, 2006

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Leah Ruggieri, Fiscal Analyst

SUBJECT: Arizona Board of Regents – Review of FY 2007 Tuition Revenues

Request

The Arizona Board of Regents (ABOR) requests Committee review of its expenditure plan for tuition revenue amounts greater than the amounts appropriated by the Legislature and all retained tuition and fee revenue expenditures for the current fiscal year.

Recommendation

JLBC Staff recommends that the Committee give a favorable review to the ABOR expenditure plan.

In total, appropriated tuition collections are estimated to be $430.2 million, or $28.1 million above the original FY 2007 budget. The universities plan on using the additional $28.1 million in the operating budgets to cover inflationary increases, the hiring of faculty to improve student/faculty ratios, and academic and support planning priorities.

Non-appropriated, locally retained tuition and fees for FY 2007 is estimated at $242 million, or $32.8 million higher than FY 2006. Most of the increase in locally retained tuition and fees is dedicated to financial aid.

The Committee had previously expressed concern over the use of tuition collections to fund Alumni Associations during its review of the FY 2006 expenditure plan for tuition revenue. As required by the Higher Education Budget Reconciliation Bill (Laws 2006, Chapter 352), support for Alumni Associations are not included in the FY 2007 expenditure plan for tuition collections.

(Continued)

Analysis

Appropriated Tuition

Table 1 shows ABOR changes to resident and non-resident undergraduate tuition from FY 2006 to FY 2007. ABOR policy is to set undergraduate resident tuition at the bottom one-third of all senior public universities.

Table 1

Arizona University System
FY 2006 to FY 2007 Undergraduate Tuition Changes

	Resident				Non-Resident			
	FY 2006	FY 2007	$ Change	% Change	FY 2006	FY 2007	$ Change	% Change
ASU-Main	$4,404	$4,773	$369	8.38%	$15,093	$15,846	$753	4.99%
ASU-East/West	4,343	4,494	151	3.48%	15,092	15,844	752	4.98%
NAU	4,393	4,546	153	3.48%	13,023	13,487	464	3.56%
UofA	4,487	4,754	267	5.95%	13,671	14,960	1,289	9.43%

Table 2 displays FY 2006 and FY 2007 appropriations by fund for the Arizona University System. Appropriated tuition collections increased from $386.2 million in FY 2006 to $430.2 million in FY 2007. Of that amount, $402 million had already been reflected in the FY 2007 budget due to enrollment growth. The budget, however, does not reflect tuition increases. The higher tuition generated $28.1 million more than budgeted.

Table 2

Arizona University System
FY 2006 and FY 2007 Appropriations (in millions)

	FY 2006	FY 2007 Before Tuition Increase	FY 2007 After Tuition Increase
General Fund	$ 843.1	$ 949.0	$ 949.0
Collections Fund	386.2	402.1	430.2
Total	**$1,229.3**	**$1,351.1**	**$1,379.2**

Table 3 presents FY 2007 appropriations, estimates of the ABOR FY 2007 All Funds Operating Budget Report and resulting additional tuition revenues by campus. Of the $28.1 million in additional tuition, $13.1 million is attributable to ASU- Main and $10.1 million is attributable to U of A – Main.

Table 3

Arizona University System
FY 2007 Appropriations and Additional Tuition Revenues by Campus

Campus	FY 2007 Appropriation	FY 2007 All Funds Operating Budget	Additional Tuition
ASU – Main	$204,742,800	$217,845,000	$13,102,200
ASU – East	14,620,400	16,576,000	1,955,600
ASU – West	19,337,600	20,845,400	1,507,800
NAU	39,544,000	42,606,800	3,062,800
UofA - Main	108,378,100	118,470,600	10,092,500
UofA – Health Sciences Center	15,513,600	13,890,200	(1,623,400)
Total	**$402,136,500**	**$430,234,000**	**$28,097,500**

Table 4 provides some information on the uses of additional tuition revenues by campus. Attached, ABOR has provided further detail, including an expenditure breakdown.

(Continued)

Table 4

Arizona University System
Uses of Additional Tuition Revenues by Campus

ASU–Main	$3.8 million to hire new faculty to improve student/faculty ratios; $2.5 million for information system improvements; $2.0 million for enhancements to the Honors College Program and the University College Downtown; $1.5 million for start-up funds to attract new faculty; $6.3 million for student retention services, the University Public School Initiative, academic support and student services, police security enhancements, and health insurance and utility rate increases.
ASU–East	$1.7 million to hire new faculty to improve student/faculty ratios; $250,000 set aside for Academic Student Services staffing.
ASU–West	$1.5 million to hire new faculty to improve student/faculty ratios.
NAU	$1.5 million for utility cost increase; $1.6 million for instructional and institutional support.
Uof A–All	$2.9 million to support colleges that charge differentiated tuition; $1.9 million for utility cost increases; $1.5 million for temporary teaching colleges for Science and the Social and Behavioral Sciences; $1.1 million for general education support; $0.6 million for Public Health programs; $0.5 for institutional support.

Locally Retained Tuition and Fees Report

Systemwide, locally retained tuition and fees total $203.5 million in FY 2007, which is an increase of $32.8 million above FY 2006 budgeted amounts. *Table 4* shows that $30.9 million of the increase is allocated to financial aid and a relatively small amount allocated to auxiliary expenditures. A reduction of $(0.4) million will occur for designated expenditures in FY 2007. Auxiliary funds consist of monies collected from sales and services from substantially self-supporting activities such as residence halls, whereas designated funds consist of tuition and fees retained by the universities, summer session fees, administrative costs of student aid, and unrestricted gifts. Financial aid expenditures are used to financially assist students attending the universities. Of the remaining monies, $1.2 million will be used to pay debt service, and $1 million will be used for the Plant Fund, which is used to service building facilities.

(Continued)

Table 5

Arizona University System
Non-Appropriated
Locally Retained Tuition and Fees

	FY 2006	FY 2007	FY 2007 Change
Designated			
ASU–Main	$11,747,000	$11,027,600	($719,400)
ASU–East	1,290,400	1,300,100	9,700
ASU–West	194,000	189,000	(5,000)
NAU	2,654,600	2,723,100	68,500
UofA	12,442,400	12,648,600	206,200
Designated Subtotal	$28,328,400	$27,888,400	($440,000)
Auxiliary			
ASU–Main	$2,460,800	$2,464,200	$3,400
ASU–East	0	0	0
ASU–West	0	0	0
NAU	2,009,900	2,009,900	0
UofA	6,432,800	6,531,700	98,900
Auxiliary Subtotal	$10,903,500	$11,005,800	$102,300
Financial Aid			
ASU–Main	$69,285,900	$88,375,400	$19,089,500
ASU–East	2,248,900	3,836,200	1,587,300
ASU–West	5,515,600	6,754,300	1,238,700
NAU	25,620,100	27,419,600	1,799,500
UofA	69,939,000	77,106,300	7,167,300
Financial Aid Subtotal	$172,609,500	$203,491,800	$30,882,300
Debt Service	$68,531,700	$69,769,400	$1,237,700
Plant Fund	$6,481,600	$7,481,600	$1,000,000
Total	**$286,854,700**	**$319,637,000**	**$32,782,300**

RS/LR:ar

Arizona Board of Regents
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Arizona State University *Northern Arizona University* *University of Arizona*

RECEIVED
AUG 23 2006
JOINT BUDGET COMMITTEE

August 21, 2006

The Honorable Robert L. Burns, Chairman
Joint Legislative Budget Committee
Arizona State Sentate
1700 West Washington
Phoenix, Arizona 85007

Dear Senator Burns:

A footnote included in the General Appropriations Act requires that the Arizona Board of Regents submit an expenditure plan to the Joint Legislative Budget Committee of any tuition revenue amounts which are different from the amounts appropriated by the legislature, and all tuition and fee revenues retained locally by the universities. Enclosed for your information is a summary report of tuition revenues that support the FY 2007 state operating budget as reported to the Board at its August 2006 meeting, and university tuition and fees expenditure plans.

If you have any questions, please do not hesitate to call me at 229-2505.

Sincerely,

Joel Sideman
Executive Director

xc: Representative Russell K. Pearce
Richard Stavneak, Director, JLBC
Gary Yaquinto, OSPB

Arizona State University *Northern Arizona University* *University of Arizona*

Board Members: **President Robert B. Bulla,** Scottsdale **Fred T. Boice,** Tucson **Ernest Calderón,** Phoenix
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Gary L. Stuart, Phoenix **Governor Janet Napolitano** **Superintendent of Public Instruction Tom Horne**
Student Regents: **Edward Hermes,** ASU **Mary Venezia,** NAU
Executive Director : **Joel Sideman**

ARIZONA UNIVERSITY SYSTEM
TUITION AND FEES IN SUPPORT OF THE
2006-07 STATE OPERATING BUDGET

	STATE COLLECTIONS		
	AS REPORTED IN THE 2006-07 INITIAL ALL FUNDS OPERATING BUDGET REPORT	2006-07 APPROPRIATIONS REPORT	CHANGE
Arizona State University Tempe	217,845,000	204,742,800	13,102,200
Arizona State University Polytechnic	16,576,000	14,620,400	1,955,600
Arizona State University West	20,845,400	19,337,600	1,507,800
Northern Arizona University	42,606,800	39,544,000	3,062,800
University of Arizona	118,470,600	108,378,100	10,092,500
University of Arizona Health Sciences Center	13,890,200	15,513,600	(1,623,400)
TOTAL	430,234,000	402,136,500	28,097,500

ARIZONA STATE UNIVERSITY at the TEMPE CAMPUS
FY07 PLANNED USES OF ESTIMATED STATE COLLECTIONS AND LOCALLY RETAINED TUITION AND FEE REVENUES
INITIAL ALL FUNDS BUDGET vs. APPROPRIATIONS REPORT

	STATE COLLECTIONS	LOCAL COLLECTIONS
As Reported in the Initial All Funds Report	217,845,000	135,447,300
As Reported in the FY07 Appropriations Report	204,742,800	
Amount Reportable	13,102,200	135,447,300
ALLOCATIONS BY PROGRAM		
Instruction		
Faculty Hiring to Improve Student/Faculty Ratios	3,800,000	
Honors College Program Enhancement	542,500	
University College Downtown Enhancements	1,480,600	
New Faculty Start Up and Support	1,500,000	
Student Retention Services	563,000	
University Public School Initiative	200,000	
Open Additional Course Sections		
Local Account Operating Support		8,623,100
Organized Research		
n/a		
Public Service		
n/a		
Academic Support		
Library Acquisitions Inflation Funding	400,000	
Student Services		
Disability Resources Center Interpreters	260,200	
Local Account Operating Support		1,953,300
Institutional Support		
ASU Police Security Enhancements	510,800	
Health Insurance Premium Rate Increases	501,800	
Utilities Rate Increases	843,300	
Student Info System/HR PeopleSoft Project	2,500,000	
Local Account Operating Support		451,200
Scholarships/Fellowships/Financial Aid		
ABOR Financial Aid Set Aside		26,175,600
ABOR Top 15% High School Graduates		7,746,100
All Other Financial Aid		54,453,700
Auxiliary Enterprises		
Auxiliary Operating Support		2,464,200
Debt Service		
Debt Service Payments		28,222,400
Plant Funds		
Minor Capital Project Set Aside		5,357,700
	13,102,200	135,447,300

2006-07
LOCALLY RETAINED COLLECTIONS

ARIZONA STATE UNIVERSITY - TEMPE CAMPUS

		FINAL BUDGET 2005-06	INCREASE/ (DECREASE)	INITIAL BUDGET 2006-07
DESIGNATED	Alumni Association	1,431,800	(1,431,800)	0
	American English and Cultural Program - ITA	97,300	1,600	98,900
	Associated Students - ASASU	901,800	4,800	906,600
	Child & Family Services	69,900	1,100	71,000
	Constituent Advocacy	150,000		150,000
	Distance Learning Technology	372,500		372,500
	Federal Direct Loan Administration	164,200		164,200
	Fine Arts Activities	296,200	1,100	297,300
	Fine Arts Theatres	574,900	2,000	576,900
	Forensics	106,100		106,100
	Interpreters Theatre	35,700		35,700
	KASR Radio	22,000		22,000
	Mona Plummer Aquatic Center	141,900		141,900
	Special Events	175,000		175,000
	Student Affairs Initiatives	200,000	75,000	275,000
	Student Financial Assistance Administration	394,600		394,600
	Teaching Assistant Tuition Benefit	6,386,900	536,500	6,923,400
	University Minority Culture Program	126,200		126,200
	Employee Benefit Adjustments/Contingencies	100,000	90,300	190,300
	Subtotal Designated	11,747,000	(719,400)	11,027,600
AUXILIAR	ASU Public Events	0		0
	Intercollegiate Athletics	560,000		560,000
	Memorial Union	1,096,300		1,096,300
	Recreational Sports	804,500	3,400	807,900
	Student Media	0		0
	Subtotal Auxiliary	2,460,800	3,400	2,464,200
	Total Operating Funds	14,207,800	(716,000)	13,491,800
FIN AID	Regents Financial Aid Set-Aside	21,928,300	4,247,300	26,175,600
	College of Architecture FA Set-Aside	44,700	6,200	50,900
	College of Business FA Set-Aside	418,900	(11,400)	407,500
	School of Engineering FA Set-Aside	240,000	(21,200)	218,800
	College of Law FA Set-Aside	649,200	(1,200)	648,000
	College of Liberal Arts FA Set-Aside	44,000	7,200	51,200
	College of Nursing FA Set-Aside	28,100	(1,400)	26,700
	Other Financial Aid - CRESMET/CONACY/NEEP	371,400		371,400
	Other Financial Aid - Top 15% AZ HS Grad	7,448,900	297,200	7,746,100
	Other F.A.- Graduate Scholars Program	600,000		600,000
	Other F.A - School of Engineering Program	60,000		60,000
	Other F.A.- Institutional FA (waivers to scholarships)	37,152,400	14,566,800	51,719,200
	Graduate Fellowship Program	300,000		300,000
	Subtotal Financial Aid	69,285,900	19,089,500	88,375,400
	Plant Fund	4,357,700	1,000,000	5,357,700
	ASU Downtown Center COP Payment	916,600		916,600
	Debt Service	27,151,100	154,700	27,305,800
TOTAL LOCAL RETENTION		115,919,100	19,528,200	135,447,300

ARIZONA STATE UNIVERSITY at the Polytechnic Campus
FY07 PLANNED USES OF ESTIMATED STATE COLLECTIONS AND LOCALLY RETAINED TUITION AND FEE REVENUES
INITIAL ALL FUNDS BUDGET vs. APPROPRIATIONS REPORT

	STATE COLLECTIONS	LOCAL COLLECTIONS
As Reported in the Initial All Funds Report	16,576,000	5,136,300
As Reported in the FY07 Appropriations Report	14,620,400	
Amount Reportable	1,955,600	5,136,300
ALLOCATIONS		
Instructional		
Faculty Hiring to Improve Student/Faculty Ratios	1,705,600	
Special Program Fee Set Aside		35,500
Local Account Operating Support		125,400
Student Services		
Local Account Operating Support		282,500
Academic Student Services Staffing	250,000	
Scholarships/Fellowships/Financial Aid		
ABOR Financial Aid Set Aside		2,189,200
ABOR Topo 15% High School Graduates		186,900
All Other Financial Aid		1,424,600
Auxiliary Enterprises		
Auxiliary Operating Support		892,200
Debt Service		
Debt Service Payments		n/a
Plant Funds		
Minor Capital Project Set Aside		n/a
	1,955,600	5,136,300

2006-07
LOCALLY RETAINED COLLECTIONS

ARIZONA STATE UNIVERSITY - POLYTECHNIC CAMPUS

		ADJUSTED BUDGET 2005-06	INCREASE/ (DECREASE)	INITIAL BUDGET 2006-07
DESIGNATED	Aeronautical Management Technology Program	0		0
	Dining Services Management	20,000		20,000
	Intercampus Shuttle Services	106,000		106,000
	Learning Communities	6,500		6,500
	Student Counseling	5,000		5,000
	Student Health Services	225,000		225,000
	Student Organizations	41,000		41,000
	Student Orientation and Forums	5,000		5,000
	Student Recreation/Intramurals	167,500		167,500
	Student Recreation Pool	40,000		40,000
	Student Union/Activities	558,700		558,700
	Teaching Assistant Tuition Benefit	115,700	9,700	125,400
	Subtotal Designated	1,290,400	9,700	1,300,100
AUXILIARY	Subtotal Auxiliary	0	0	0
	Total Operating Funds	1,290,400	9,700	1,300,100
FIN AID	Regents Financial Aid Set-Aside	1,587,100	602,100	2,189,200
	Special Program Fee FA Set-Aside	30,200	5,300	35,500
	Other Financial Aid - Top 15% AZ HS Grad		186,900	186,900
	Other F.A.- Institutional FA (waivers to scholarships)	631,600	793,000	1,424,600
	Subtotal Financial Aid	2,248,900	1,587,300	3,836,200
	Plant Fund			
	Debt Service			
TOTAL LOCAL RETENTION		3,539,300	1,597,000	5,136,300

ARIZONA STATE UNIVERSITY at the WEST CAMPUS
FY07 PLANNED USES OF ESTIMATED STATE COLLECTIONS AND LOCALLY RETAINED TUITION AND FEE REVENUES
INITIAL ALL FUNDS BUDGET vs. APPROPRIATIONS REPORT

	STATE COLLECTIONS	LOCAL COLLECTIONS
As Reported in the Initial All Funds Report	20,845,400	11,927,700
As Reported in the FY07 Appropriations Report	19,337,600	
Amount Reportable	1,507,800	11,927,700
ALLOCATIONS BY PROGRAM		
Instruction		
Faculty Hiring to Improve Student/Faculty Ratios	1,507,800	
Special Program Fee Set Aside		38,200
Instructional Accounts Local Operating Support		124,000
Organized Research		
n/a		
Public Service		
n/a		
Academic Support		
n/a		
Student Services		
Student Services Accounts Local Operating Support		65,000
Institutional Support		
n/a		
Scholarships/Fellowships/Financial Aid		
ABOR Financial Aid Set Aside		4,053,700
ABOR Topo 15% High School Graduates		517,500
All Other Financial Aid		2,144,900
Auxiliary Enterprises		
Auxiliary Operating Support		n/a
Debt Service		
Debt Service Payments		4,884,400
Plant Funds		
Minor Capital Project Set Aside		100,000
	1,507,800	11,927,700

2006-07
LOCALLY RETAINED COLLECTIONS

ARIZONA STATE UNIVERSITY - WEST CAMPUS

		ADJUSTED BUDGET 2005-06	INCREASE/ (DECREASE)	INITIAL BUDGET 2006-07
DESIGNATED	Academic Affairs	5,200		5,200
	Alumni Association - Devil's West	5,000	(5,000)	0
	Arts & Sciences Support	0		0
	ASU West Commencement	15,000		15,000
	ASUW Film Series	0		0
	ASUW Fine Arts Program	60,000		60,000
	Campus Environment Team	4,800		4,800
	Child Development & Visual Perception Lab	16,000		16,000
	Honors College	3,000		3,000
	Life Science Instructional Support	0		0
	Special Events	20,000		20,000
	Student Government	65,000		65,000
	Subtotal Designated	194,000	(5,000)	189,000
AUXILIARY				
	Subtotal Auxiliary	0	0	0
	Total Operating Funds	194,000	(5,000)	189,000
	Regents Financial Aid Set-Aside	3,461,700	592,000	4,053,700
	Business Program Financial Aid Set-Aside	85,700	(47,500)	38,200
	Other Financial Aid-Top 15% AZ HS Grad	500,000	17,500	517,500
	Other F.A.- Institutional FA (waivers to scholarships)	1,468,200	676,700	2,144,900
		0		
	Subtotal Financial Aid	5,515,600	1,238,700	6,754,300
	Plant Fund	100,000		100,000
	Lease Purchase	4,884,400		4,884,400
TOTAL LOCAL RETENTION		10,694,000	1,233,700	11,927,700

NORTHERN ARIZONA UNIVERSITY
FY 2007 PLANNED USES OF ESTIMATED STATE COLLECTIONS AND LOCALLY RETAINED TUITION AND FEE REVENUES
INITIAL ALL FUNDS BUDGET vs. APPROPRIATIONS REPORT

	STATE COLLECTIONS	LOCAL COLLECTIONS
As Reported in the FY07 Initial All Funds Report	42,606,800	47,371,000
As Reported in the FY07 Appropriations Report	39,544,000	
Amount Reportable	3,062,800	47,371,000
ALLOCATION BY PROGRAM		
Instruction		
Faculty Promotions	132,000	
State Reduction (cover State decrease in appropriations)	186,000	
Instructional Program Investments (Assessment, NORTHE, International Studies)	550,000	
Local Account Operating Support Difference (See LRT for detail)		898,200
Organized Research		
n/a		
Public Service		
n/a		
Academic Support		
n/a		
Student Services		
Local Account Operating Support		930,800
Institutional Support		
Peoplesoft System Support	480,000	
Utilities Cost Increase Support	1,500,000	
Institutional Investments (Police, Auditor, Legal)	214,800	
Local Account Operating Support		894,100
Scholarships/Fellowships/Financial Aid		
ABOR Financial Aid Set Aside		7,820,000
Set-Aside for Acad Meritorious AZ Residents		40,000
All Other Financial Aid		19,559,600
Auxiliary Enterprises		
Student Auxiliary Operating Support		2,009,900
Debt Service		
Debt Service Payments		13,840,200
Plant Funds		
		1,378,200
	3,062,800	47,371,000

2006-07
LOCALLY RETAINED COLLECTIONS

NORTHERN ARIZONA UNIVERSITY

		ADJUSTED BUDGET 2005-06	INCREASE/ (DECREASE)	INITIAL BUDGET 2006-07
DESIGNATED	ADA Services	49,100	50,900	100,000
	Alumni Association	564,069	(564,069)	0
	Art Gallery	10,900		10,900
	Child Care	43,900		43,900
	Creative Arts	89,100	(30,200)	58,900
	Employee Benefit Adjustments/Contingencies	252,431	(152,431)	100,000
	Financial Aid Office Operations	337,300		337,300
	Graduate Assistant Tuition Remission		302,400	302,400
	Graduate Operations Support		8,000	8,000
	Honors Forum	11,200		11,200
	International Studies	60,000	200,000	260,000
	Mountain Campus ID	13,200		13,200
	NAU-Yuma	19,900		19,900
	Operations - Credit Card Fees	400,800	150,000	550,800
	Performing Arts Series	39,900		39,900
	Registrar Office	120,400	(8,000)	112,400
	School of Comm Student Radio, Cable & Forensics		30,200	30,200
	Special Events	28,300		28,300
	Student Activities	294,200		294,200
	SUN (Student Union Network)	65,800		65,800
	Tuition Differential - GIS	3,200	(3,200)	0
	Tuition Differential - MBA	80,800	131,700	212,500
	Tuition Differential - MSM	63,800	(46,800)	17,000
	Tuition Differential - Doctor of Physical Therapy (DPT)	106,300		106,300
	Subtotal Designated	2,654,600	68,500	2,723,100
AUXILIARY	Associated Students (ASNAU)	188,300		188,300
	Intercollegiate Athletics *	1,600,000		1,600,000
	Intramurals/Recreation	63,700		63,700
	Skydome	157,900		157,900
	* Change of fund source, not change in funding level			
	Subtotal Auxiliary	2,009,900	0	2,009,900
	Total Operating Funds	4,664,500	68,500	4,733,000
FIN AID	Regents Financial Aid Set-Aside	7,150,000	670,000	7,820,000
	Set-Aside for Academically Meritorious AZ Residents	350,000	(310,000)	40,000
	DPT- FA Set-Aside	18,700		18,700
	MBA - FA Set-Aside	14,200	23,300	37,500
	MSM - FA Set-Aside	11,200	(8,200)	3,000
	GIS - FA Set-Aside	600	(600)	0
	Student Financial Aid Match (SSIG, SEOG, etc.)	318,400		318,400
	Other Financial Aid - (formerly tuition waivers)	17,757,000	1,425,000	19,182,000
	Subtotal Financial Aid	25,620,100	1,799,500	27,419,600
	Plant Fund	1,378,200		1,378,200
	Debt Service	13,590,200	250,000	13,840,200
TOTAL LOCAL RETENTION		45,253,000	2,118,000	47,371,000

UNIVERSITY OF ARIZONA (ALL CAMPUSES)
FY 2007 PLANNED USES OF ESTIMATED STATE COLLECTIONS & LOCALLY RETAINED TUITION AND FEE REVENUES
INITIAL ALL FUNDS BUDGET vs. APPROPRIATIONS REPORT

	STATE COLLECTIONS	LOCAL COLLECTIONS
As Reported in the FY07 Initial All Funds Report	132,360,800	121,232,900
As Reported in the FY07 Appropriations Report	123,891,700	
Amount Reportable	8,469,100	121,232,900
ALLOCATION BY PROGRAM		
Instruction		
Temporary Teaching College of Social & Behavioral Sciences	950,000	
Temporary Teaching College of Science	550,000	
General Education Support	1,097,400	
Support to Colleges from Differential Tuition Revenue	2,910,300	
Local Account Operating Support		1,420,900
Organized Research		
n/a		
Public Service		
n/a		
Academic Support		
Public Health Programs	558,200	
CATS Academic Advising	200,000	
Local Account Operating Support		576,800
Student Services		
Local Account Operating Support		8,496,300
Institutional Support		
Utilities Rate Increase	1,903,700	
COSMOS Server Farm Refresh	150,000	
FY06 Unfunded Operations & Maintenance (New Facilities)	149,500	
Local Account Operating Support		3,602,300
Scholarships/Fellowships/Financial Aid		
ABOR Financial Aid Set Aside		14,083,400
Student Aid Awards (formerly waivers)		55,261,800
Graduate Assistant Tuition Remission		5,637,600
All Other Financial Aid		7,207,500
Auxiliary Enterprises		
Auxiliary Operating Support		
Debt Service		
Debt Service Payments		22,822,400
Plant Funds		
Minor Capital Project Set Aside		2,123,900
	8,469,100	121,232,900

2006-07
LOCALLY RETAINED COLLECTIONS

UNIVERSITY OF ARIZONA

		ADJUSTED BUDGET 2005-06	INCREASE/ (DECREASE)	INITIAL BUDGET 2006-07
DESIGNATED	Alumni Association	1,136,800	(1,136,800)	0
	College of Nursing - Accelerated BSN	427,300		427,300
	Multicultural Affairs and Student Success (M.A.S.S.)			
	Admissions Recruiting	120,400	(18,500)	101,900
	African American Student Affairs	21,000	100	21,100
	Asian Pacific American Student Affairs	16,500		16,500
	Early Outreach	19,700		19,700
	Hispanic Student Affairs	8,600		8,600
	Minority Student Recruitment	143,900	33,100	177,000
	Minority Summer Institute for Writing	12,900		12,900
	Multicultural Programs	136,700	100	136,800
	Native American Student Affairs	11,300		11,300
	Fall Transition/University Learning Center	15,500		15,500
	FM Student Recreation O&M	0	250,000	250,000
	Graduate and Professional Student Council	62,500	500	63,000
	Graduate Teaching Assistants -Tuition Remission	5,051,100	586,500	5,637,600
	Interpreting/Disabilities (ADA)	136,700	14,300	151,000
	Law College Special Fee	421,800	498,700	920,500
	Learning Disabilities Mandated Services	377,600	(15,900)	361,700
	Library Acquisitions	461,200		461,200
	Merchant Credit Card Banking Fees	1,433,200		1,433,200
	Special Education Fee Waiver	0	564,500	564,500
	Student Child Care Voucher Program	87,500		87,500
	Student Travel Support		60,100	60,100
	VP Student Affairs	4,500		4,500
	Utility Costs Reserve	2,335,700	(630,500)	1,705,200
	Subtotal Designated	12,442,400	206,200	12,648,600
AUXILIARY	Associated Students (ASUA)	239,700	90,500	330,200
	Campus Health Service	3,955,800	284,800	4,240,600
	Campus Recreation and Intramurals	544,700	35,400	580,100
	Student Faculty Relations	7,200	(500)	6,700
	Student-Related Activities	0	47,300	47,300
	Student Programs	450,600	(391,900)	58,700
	Student Union	1,234,800	33,300	1,268,100
	Subtotal Auxiliary	6,432,800	98,900	6,531,700
	Total Operating Funds	18,875,200	305,100	19,180,300
FIN AID	Regents Financial Aid Set-Aside	13,452,300	357,800	13,810,100
	UAS (SV) - Regents FA Set-Aside	234,700	38,600	273,300
	Supplemental Need-Based Set-Aside	1,893,700		1,893,700
	Other Financial Aid - (formerly tuition waivers)	49,379,200	5,882,600	55,261,800
	Architecture (Grad) FA Set-Aside	3,800	(400)	3,400
	Architecture (UG) FA Set-Aside		10,000	10,000
	Eller MBA FA Set-Aside	315,300	(15,400)	299,900
	Eller (UG) FA Set-Aside	120,100	22,500	142,600
	Engineering (UG) FA Set-Aside		110,000	110,000
	Graduate College	166,700	6,900	173,600
	Graduate Scholarships		380,000	380,000
	Law School FA Set-Aside	468,500	61,700	530,200
	COM FA Set-Aside		189,700	189,700
	Pharmacy FA Set-Aside	193,400	96,100	289,500
	Planning FA Set-Aside	1,800		1,800
	Public Health FA Set-Aside	7,200	(1,200)	6,000
	Undergraduate Scholars	3,619,300		3,619,300
	Nursing Special Fee FA	19,500	18,000	37,500
	SIRLS Special Fee FA	63,500	10,400	73,900
	Subtotal Financial Aid	69,939,000	7,167,300	77,106,300
	Plant Fund	0	0	0
	Utility Infrastructure	2,123,900		2,123,900
	Subtotal Plant Funds	2,123,900	0	2,123,900
	Debt Service	21,989,400	833,000	22,822,400
TOTAL LOCAL RETENTION		112,927,500	8,305,400	121,232,900

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: September 11, 2006

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Steve Schimpp, Assistant Director

SUBJECT: Department of Education – Review of Kinder Morgan Settlement

Request

Pursuant to A.R.S. § 15-915(B), the Arizona Department of Education (ADE) requests a favorable review of its plan to provide school districts in Cochise and Maricopa Counties with $1,578,600 in corrected Basic State Aid funding due to a recent settlement in the Arizona Tax Court regarding property taxes paid in prior years by the Kinder Morgan Corporation. A similar request that provided $1,039,700 for Yuma County school districts received a favorable review from the Committee during its June 2006 meeting. ADE had not received settlement information from Cochise and Maricopa Counties prior to the June meeting, so did not include them in its June request. Two additional counties (Pima and Pinal) also are affected by the settlement, but have not yet reported their settlement data to ADE. ADE will request state aid corrections for those 2 districts after required information from them is received.

Summary

The JLBC Staff recommends that the Committee give a favorable review of the request, as it conforms with statutory requirements regarding state aid corrections required as a result of Arizona Tax Court rulings.

Analysis

Subject to review by the JLBC, A.R.S. § 15-915(B) requires the Superintendent of Public Instruction to reimburse school districts for K-12 "local share" taxes that they must refund to a taxpayer due to an Arizona Tax Court ruling that reduces the taxpayer's assessed property value for prior fiscal years. In this regard, the Arizona Court of Appeals on December 9, 2005 upheld an earlier Arizona State Tax Court ruling requiring the Arizona Department of Revenue to lower the assessed value of property owned by Kinder Morgan Energy Partners LP ("Kinder Morgan") retroactively for FY 2001, FY 2002, FY 2003 and FY 2005. This has the effect of reducing the amount of K-12 Qualifying Tax Rate (QTR) and County Equalization Tax Rate (CETR) monies owed by Kinder Morgan for those years, with the state being required to make up the difference pursuant to A.R.S. § 15-915(B). Based on "before" and "after"

(Continued)

property value numbers for Kinder Morgan under the court rulings, ADE has determined that affected school districts in Cochise and Maricopa Counties, collectively, are entitled to $1,578,600 in additional Basic State Aid funding for the fiscal years in question *(see Attachment)*.

The computed $1,578,600 total does not include settlement-related interest costs or monies to reimburse school districts for taxes paid by Kinder Morgan for items other than the QTR and CETR, such as for small school district budget exemptions, desegregation, excess utilities, overrides and bond debt service, as those costs are not addressed in A.R.S. § 15-915(B). The state, however, will end up indirectly paying a portion of those costs if they are normally funded with primary property taxes (which is not the case for overrides and bonding) for districts that already have primary property tax rates that exceed the "1% cap" in the State Constitution, as the state pays 100% of "1% cap" costs. The 4 counties that have reported settlement data thus far include 2 school districts (Bowie Unified and San Simon Unified in Cochise County) that receive 1% cap funding. Data with which to estimate their settlement-related "1% cap" costs, however, are not available. Any "1% cap" funding that school districts receive for the settlement will be automatically paid through the Additional State Aid program rather than through a Basic State Aid correction mandated by A.R.S. § 15-915(B) and, therefore, will not receive Committee review.

ADE again expects to receive required settlement data from the remaining 2 counties affected by the settlement (Pima and Pinal) in the near future and will return to the Committee to request state aid corrections for them after that information is received.

RS/SSC:ym
Attachment

State of Arizona
Department of Education

RECEIVED
SEP 0 8 2006
JOINT BUDGET COMMITTEE

Tom Horne
Superintendent of
Public Instruction

August 16, 2006

Mr. Robert Burns, JLBC Chairman
Joint Legislative Budget Committee
1716 W. Adams
Phoenix, AZ 85007

Re: Correction to State Aid and County Equalization Amounts pursuant to ARS 15-915 (B) (Fiscal Years 2001, 2002, 2003 and 2005) due to the Kinder Morgan (SFPP) Property Tax Judgment for tax years 2000, 2001, 2002 and 2004

Dear Mr. Burns,

This memorandum is submitted to you pursuant to ARS 15-915 (B) which provides that corrections to state aid based on a change in assessed valuation – pursuant to ARS 42-16213 - are subject to review by the JLBC.

The Maricopa County and Cochise County Assessors' offices have corrected the assessed valuations by district for Kinder Morgan property. These corrections affect fiscal years 2001, 2002, 2003 and 2005. The calculated state aid corrections (including the county equalization amounts) are summarized by district in the attached documents. The original and revised assessments from Maricopa and Cochise Counties for each district are also included as separate attachments.

As a note, there are districts in Pima and Pinal County who are also impacted by this Kinder Morgan judgment. Once the assessed valuation changes for these counties by district are submitted to ADE, the additional district state aid corrections will be calculated and a letter submitted to you for review. You have already given a favorable review to the state aid corrections due to this issue calculated for Yuma County. If you have any other questions or concerns please contact me at 602-542-8250 or via email at Vicki.salazar@azed.gov

Sincerely,

Vicki G. Salazar

Vicki Salazar
Associate Superintendent – Finance

Cc: Richard Stavneak, Director, JLBC Staff, Phil Williams, Deputy Associate Superintendent – School Finance.

Maricopa County Correction to State Aid County Equalization
Due to Kinder Morgan Assessed Valuation Appeal
Tax Years 2000, 2001, 2002 and 2004
August 15, 2006

District Name	Correction to FY 2001			Correction to FY 2002			Correction to FY 2003			Correction to FY 2005			Grand Totals	
	Qualifying Levy Correction	County Equalization Correction	Total for Year	Qualifying Levy Correction	County Equalization Correction	Total for Year	Qualifying Levy Correction	County Equalization Correction	Total for Year	Qualifying Levy Correction	County Equalization Correction	Total for Year	Total Qualifying Levy Correction All Years	Total County Equalization Correction All Years
Agua Fria High School District	11,488	1,587	13,075	2,856	1,220	4,076	2,524	1,065	3,589	263	104	367	17,131	3,977
Arlington Elementary District	35,147	1,300	36,447	31,206	1,018	32,224	26,857	839	27,696	2,383	76	2,459	95,593	3,234
Avondale Elementary District	10,466	1,839	12,305	1,628	1,488	3,116	1,401	1,246	2,647	124	124	248	13,619	4,698
Buckeye Elementary	10,332	1,496	11,828	9,845	1,182	11,027	8,472	985	9,457	752	92	844	29,401	3,756
Buckeye Union High D	66,448	1,373	67,821	64,535	1,083	65,618	55,521	918	56,439	4,926	83	5,009	191,430	3,458
Cartwright Elementary D	133	4,651	4,784	419	3,703	4,122	384	3,095	3,479	48	284	332	984	11,734
Chandler Unified District	3,066	4,027	7,093	2,256	3,253	5,509	2,144	2,800	4,944	275	284	559	7,741	10,365
Dysart Unified District	1,221	1,887	3,108	578	1,616	2,194	417	1,485	1,902	47	178	225	2,263	5,167
Fowler Elementary District	5,913	1,549	7,462	5,786	1,258	7,044	5,028	1,091	6,119	469	109	578	17,196	4,008
Gilbert Unified District	1,448	5,431	6,879	1,080	4,489	5,569	1,026	3,816	4,842	131	377	508	3,685	14,114
Highley Unified District	2,929	1,737	4,666	3,393	1,461	4,854	1,849	1,268	3,117	236	130	366	8,407	4,597
Kyrene Elementary	3,038	3,792	6,830	2,260	2,877	5,137	2,148	2,315	4,463	275	201	476	7,721	9,186
Laveen Elementary D	6,063	1,571	7,634	1,907	1,227	3,134	2,586	1,011	3,597	252	96	348	10,808	3,906
Liberty Elementary	10,315	1,558	11,873	14,463	1,232	15,695	12,448	1,027	13,475	1,104	101	1,205	38,330	3,919
Litchfield Elementary D	480	1,862	2,342	1,141	1,536	2,677	1,046	1,353	2,399	131	143	274	2,798	4,895
Littleton Elementary D	5,878	1,506	7,384	5,241	1,178	6,419	4,510	1,005	5,515	400	106	506	16,029	3,796
Mesa Unified District	68	12,568	12,636	0	9,713	9,713	0	7,945	7,945	0	729	729	68	30,947
Mobile Elementary D	28	1,281	1,309	0	1,003	1,003	0	827	827	0	76	76	28	3,188
Palo Verde Elementary	10,653	1,339	11,992	9,021	1,050	10,071	7,744	865	8,609	687	80	767	28,105	3,335
Pendergast Elementary D	392	2,770	3,162	975	2,270	3,245	895	1,939	2,834	112	186	298	2,374	7,166
Phoenix Union High D	79,355	2,284	81,639	43,974	1,836	45,810	31,360	1,471	32,831	3,771	153	3,924	158,460	5,745
Queen Creek Unified District	43,812	1,487	45,299	18,123	1,187	19,310	20,049	1,005	21,054	10,865	95	10,960	92,849	3,775
Riverside Elementary	73,158	1,277	74,435	41,648	1,001	42,649	28,390	825	29,215	3,471	76	3,547	146,667	3,180
Ruth Fisher Elementary *	0	0	0	0		0	0		0	0	0	0	0	0
Sentinel Elementary	34,246	1,280	35,526	36,498	1,002	37,500	32,088	825	32,913	2,785	76	2,861	105,617	3,184
Tempe Union High D	2,888	1,464	4,352	2,146	1,111	3,257	2,037	920	2,957	260	78	338	7,331	3,574
Tolleson Union High D	15,501	1,907	17,408	14,884	1,500	16,384	12,909	1,255	14,164	1,199	124	1,323	44,493	4,787
Union Elementary District	3,337	1,291	4,628	2,931	1,013	3,944	2,523	851	3,374	224	81	305	9,015	3,237
COUNTY TOTALS	437,803	66,118	503,921	318,794	52,511	371,305	266,356	44,056	310,412	35,190	4,243	39,433	**1,058,143**	**166,928**

* Does not qualify for state reimbursement because it is a "non-state aid" school district

Cochise County Correction to State Aid County Equalization
Due to Kinder Morgan Assessed Valuation Appeal
Tax Years 2000, 2001, 2002 and 2004
August 15, 2006

District	Correction to FY 2001			Correction to FY 2002			Correction to FY 2003			Correction to FY 2005			Grand Totals	
	Qualifying Levy Correction	County Equalization Correction	Total for Year	Qualifying Levy Correction	County Equalization Correction	Total for Year	Qualifying Levy Correction	County Equalization Correction	Total for Year	Qualifying Levy Correction	County Equalization Correction	Total for Year	Total Qualifying Levy Correction All Years	Total County Equalization Correction All Years
Willcox Unified District	11,488	1,338	12,826	2,856	1,778	4,634	2,524	1,522	4,046	263	132	395	17,131	4,770
Bowie Unified District	35,147	841	35,988	31,206	1,128	32,334	26,857	1,011	27,868	2,383	89	2,472	95,593	3,070
San Simon Unified District	10,466	855	11,321	1,628	1,156	2,784	1,401	1,000	2,401	124	88	212	13,619	3,098
Cochise Elementary District*	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pearce Elementary District	66,448	866	67,314	64,535	1,165	65,700	55,521	1,022	56,543	4,926	89	5,015	191,430	3,143
Pomerene Elementary District	133	881	1,014	419	1,193	1,612	384	1,047	1,431	48	91	139	984	3,212
Valley Union High School District	3,066	885	3,951	2,256	1,197	3,453	2,144	1,056	3,200	275	92	367	7,741	3,230
Benson Unified School District	1,221	1,188	2,409	578	1,560	2,138	417	1,409	1,826	47	112	159	2,263	4,268
COUNTY TOTALS	127,969	6,853	134,822	103,478	9,177	112,655	89,248	8,067	97,315	8,066	694	8,760	**328,761**	**24,791**

* Does not qualify for state reimbursement because it is a "non-state aid" school district

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: September 13, 2006

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Kevin Bates, Fiscal Analyst

SUBJECT: Administrative Office of the Courts (AOC) – Review of Reimbursement of Appropriated Funds

Request

Pursuant to Laws 2006, Chapter 344 (General Appropriation Act), AOC requests review of the expenditure of $3.6 million in reimbursements.

The Auditor General issued a report in September 2005 stating that AOC had not been properly notifying the JLBC Staff of similar reimbursements in the past. As a result, Chapter 344 requires AOC to submit the intended use of these reimbursement monies for Committee review.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review to the agency request. These reimbursements total $3,616,900.

Analysis

A.R.S. § 35-142.01 states that if an agency receives a reimbursement from federal or other sources, that agency is permitted to retain and expend those monies as long as the agency director determines that they are necessary for the agency's operation. The agency director also must determine that the Legislature did not specifically consider and reject such reimbursement during the agency's original budget appropriation.

This statute also requires that the agency director shall notify in writing the JLBC, the Governor's Office of Strategic Planning and Budgeting (OSPB) and the state comptroller.
The reimbursements consist of monies received by AOC for services provided to local courts and their personnel. These monies replace appropriated monies that were spent in FY 2006 for the following services:

(Continued)

Arizona Court Automation Project Charge-backs
Courts throughout the state that participate in AOC's statewide automation projects are billed semi-annually for the costs of providing network services. Courts then reimburse AOC for these costs, which include software, hardware, network connections and program development and support. AOC estimates that local courts will reimburse an estimated $1,500,000 in FY 2007.

Parental Payments
Parents whose children receive juvenile treatment services are billed after probation departments or juvenile courts determine the parents' ability to pay. Parents usually make payments on a weekly or monthly basis to the local court, which transmits the monies to AOC. AOC estimates that parents will make approximately $337,500 in payments in FY 2007.

Westlaw
Superior Courts are billed for a portion of the cost of the contract with West Publishing, a firm that publishes legal reference materials used by judges and other court personnel. Maricopa and Pima County Superior Courts are billed twice a year, and Superior Courts in other counties are billed yearly. AOC estimates that Superior Courts will reimburse $34,381 in FY 2007.

Foster Care
AOC pays for administering and conducting reviews of foster care cases. Federal Title IV-E monies are then sought to assist in funding this program. AOC estimates that $700,000 will be received in FY 2007. Monies are received monthly.

Juvenile Treatment
AOC pays for costs of contracting with treatment providers to serve juveniles adjudicated as delinquent. Federal regulations allow AOC to seek federal Title IV-E reimbursement for costs related to treatment and administration. Reimbursement for treatment costs is received monthly, and administrative cost reimbursement is received quarterly. AOC estimates that $325,000 will be reimbursed by the federal government in FY 2007.

Maricopa County Probation – Vehicles
County probation departments use state-owned vehicles to conduct probation business, and the Arizona Department of Administration (DOA) bills AOC for the motor pool costs associated with each county. However, Laws 2006, Chapter 261 prevents AOC from using state funding for probation services within Maricopa County. Because of this requirement, AOC bills Maricopa County for the cost of its usage of the state vehicle fleet. AOC estimates it will receive $720,000 from Maricopa County in FY 2007.

Table 1 shows these reimbursements.

Table 1
AOC Reimbursements

Reimbursement	**Amount**
ACAP Charge-backs	$1,500,000
Parental Payments	337,500
Westlaw	34,381
Foster Care	700,000
Juvenile Treatment	325,000
Maricopa County Probation - Vehicles	720,000
Total	**$3,616,881**

RS/KB:ym

Supreme Court

STATE OF ARIZONA
ADMINISTRATIVE OFFICE OF THE COURTS

Ruth V. McGregor
Chief Justice

David K. Byers
Administrative Director
Of the Courts

August 4, 2006

RECEIVED
AUG 14 2006
JOINT BUDGET COMMITTEE

Richard Stavneak, Director
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

Gary Yaquinto, Director
Office of Strategic Planning and Budgeting
1700 West Washington, Suite 500
Phoenix, Arizona 85007

Clark Partridge, State Comptroller
General Accounting Office
100 North 15th Avenue, Suite 302
Phoenix, Arizona 85007

Re: Reimbursement of Appropriated Funds

I am sending this letter pursuant to A.R.S. 35-142.01 and GAO Technical Bulletin No. 00-8 to notify you of recurring reimbursements received by the Supreme Court each fiscal year. All reimbursements are necessary for operation of the budget units and were not specifically considered and rejected by the legislature. In addition to various de minimus reimbursements, such as employee-reimbursed personal telephone calls, the Supreme Court receives the following:

1. Arizona Court Automation Project (ACAP) Charge-backs

   A) *A description of the transaction or event.*

      ACAP Courts are billed semi-annually to participate in (but not fully reimburse) the costs of providing statewide network services.

   B) *The frequency with which the transaction occurs.*

      Billed in January and July, received throughout the year.

   C) *The total dollar amount of the reimbursement.*

      $1.5 million (FY 07 estimate)

D) *The fund or funds to which the reimbursement will be deposited.*

Judicial Collection Enhancement Fund

E) *The source of the reimbursement.*

Aztec/ACAP Courts

F) *The reason for the reimbursement.*

These courts participate in the cost of providing/using the statewide AJIN Network. Costs include software, hardware, network connections, development and support services, internet, intranet, and email.

2. Parental Payments

A) *A description of the transaction or event.*

Parents make payments for juvenile treatment services after being assessed by the probation departments/courts related to their ability to bear the cost for some or all of the treatment services.

B) *The frequency with which the transaction occurs.*

Parents generally make payments on a weekly or monthly basis and the funds are transmitted by the courts to the Supreme Court on a monthly basis.

C) *The total dollar amount of the reimbursement.*

$337,500 (FY 07 estimate)

D) *The fund or funds to which the reimbursement will be deposited.*

Juvenile Probation Services Fund

E) *The source of the reimbursement.*

Parents of juveniles under treatment.

F) *The reason for the reimbursement.*

See "A" above.

3. Westlaw Reimbursements

A) *A description of the transaction or event.*

The Supreme Court has a contract with West Publishing for Westlaw usage by Superior Court judges. Superior Courts are billed for a portion of this cost.

B) *The frequency with which the transaction occurs.*

The Superior Court in Maricopa and Pima counties are billed each June and December. The Superior Court in other counties are billed only in December.

C) *The total dollar amount of the reimbursement.*

$34,381 (FY 07 estimate)

D) *The fund or funds to which the reimbursement will be deposited.*

Case Processing Assistance Fund

E) *The source of the reimbursement.*

Superior Courts

F) *The reason for the reimbursement.*

See "A" above.

4. Federal Title IV-E Participation Funds – Foster Care

A) *A description of the transaction or event.*

Through an agreement with DES, the Supreme Court seeks Federal Title IV-E funding for costs associated with administering and conducting foster care administrative reviews.

B) *The frequency with which the transaction occurs.*

Monthly

C) *The total dollar amount of the reimbursement.*

$700,000 (FY 07 estimate)

D) *The fund or funds to which the reimbursement will be deposited.*

Grants and Special Revenues

E) *The source of the reimbursement.*

Federal Title IV-E Funds

F) *The reason for the reimbursement.*

See "A" above.

5. Federal Title IV-E Participation Funds – Juvenile Treatment

A) *A description of the transaction or event.*

Through an agreement with DES, the Supreme Court seeks Federal Title IV-E funding for qualifying juveniles adjudicated as delinquent. Pursuant to federal regulation, Title IV-E reimbursement may be sought for certain maintenance and administrative costs related to the out-of-home placement of these juveniles.

B) *The frequency with which the transaction occurs.*

Reimbursement for maintenance costs is received monthly. Reimbursement for administrative costs is received quarterly.

C) *The total dollar amount of the reimbursement.*

$325,000 (FY 07 estimate)

D) *The fund or funds to which the reimbursement will be deposited.*

Juvenile Probation Services Fund

E) *The source of the reimbursement.*

Federal Title IV-E Funds

F) *The reason for the reimbursement.*

See "A" above.

6. Vehicle Expenses for Maricopa County Probation Department

A) *A description of the transaction or event.*

Pursuant to A.R.S. 12-269(A) (HB 2819) the Administrative Office of the Courts shall not disburse any direct state aid for probation services monies, including motor pool costs, to a county with a population of two million or more persons (Maricopa County). DOA bills the AOC for all of the probation fleet, including vehicles assigned to Maricopa County, the AOC then bills Maricopa County for their share of the motor pool charges.

B) *The frequency with which the transaction occurs.*

Monthly

C) *The total dollar amount of the reimbursement.*

$720,000 (FY 07 estimate)

D) *The fund or funds to which the reimbursement will be deposited.*

General Fund

E) *The source of the reimbursement.*

Maricopa County

F) *The reason for the reimbursement.*

See "A" above.

Please contact Kevin Kluge at 364-1395 if you have any questions or need additional information.

Very truly yours,

Dave Byers
Administrative Director

STATE OF ARIZONA

Joint Legislative Budget Committee

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STEPHEN TULLY

DATE: September 13, 2006

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Tyler Palmer, Fiscal Analyst

SUBJECT: Government Information Technology Agency – Arizona Web Portal

Request

The State of Arizona's main web portal generates a profit by charging user fees. The net available profit of $3.2 million is held by the vendor. Laws 2006, Chapter 346 attempted to increase legislative oversight over the expenditure of this revenue by depositing these monies into a new Web Portal Fund, and requiring Committee review of FY 2007 planned expenditures. The major component of the FY 2007 expenditures is the $2.0 million purchase and installation of new web portal servers. The remaining $1.2 million will be used for other web portal projects.

Due to the fact that the servers will be purchased with existing web portal credits held by the vendor, and not money from the Web Portal Fund, the Government Information Technology Agency (GITA) does not believe JLBC review of the $3.2 million is necessary.

Given the dollar magnitude of this transaction, the Chairman has requested a briefing on this issue.

Recommendation

This item is for information only and no Committee action is required. JLBC Staff is working with GITA to determine if $2.0 million is an appropriate cost.

Additionally, JLBC Staff recommends that GITA report to the Committee once decisions have been made on the use of the remaining $1.2 million for unspecified projects.

(Continued)

Analysis

Initial Web Portal Contract
The State of Arizona's main web portal was created when GITA entered into a contract with a private vendor (IBM). The vendor was to develop, deliver, maintain and operate a web portal that would function as an interactive information and transaction system. In addition to managing the web portal contract, the vendor hosted the web portal servers.

The most significant revenue generating system on the web portal is the Arizona Department of Transportation Motor Vehicle Records Request System (MVRRS). This system automates the selling of motor vehicle records. As part of the purchase price for the records, consumer information companies pay a convenience fee. Convenience fees are held by the vendor in the form of credits. The contract dictates that if portal revenue exceeds the vendor's management and operational expenses, it may be used to develop additional e-Government applications and services on the portal.

Although the revenue stays with the vendor, additional e-Government applications are recommended by a Change Integration Board (CIB), which is headed by the Director of GITA. Prior to recommending new web portal applications, the CIB considers the costs and benefits the potential application would have for citizens, businesses, and government employees. If not used by the State within 12 months of its receipt, convenience fees are retained by the vendor and forfeited by the State.

Web Portal Fund & Transition Contract
As of March 2006, the web portal contract had generated excess revenue or credits of $3.2 million. To increase legislative oversight over the expenditure of the excess revenue, Laws 2006, Chapter 346 established a Web Portal Fund, subject to legislative appropriation. The Web Portal Fund consists of legislative appropriations, web portal usage fees less contractor maintenance and operation costs, and grants or donations. This fund is to be used for improving or expanding the state's information technology services and projects, including the web portal. In addition, Chapter 346 also made FY 2007 expenditures subject to JLBC review.

The vendor contract was set to expire on April 9, 2006. On April 5, 2006, prior to the enactment of Chapter 346, GITA extended its contract with the vendor for web portal services through October 2007 by signing a transition contract. The purpose of this transition contract was to prevent the lapsing of the contract, and to allow the state the use of the $3.2 million in excess revenue. The transition contract requires the portal revenue continue to be credited to the vendor for the State's use. However, the contract did not address the potential for the state's establishing of a Web Portal Fund. GITA believes that because portal revenues will not be deposited into the Web Portal Fund until the signing of a new contract for October 2007, no FY 2007 expenditures will be made from the Web Portal Fund requiring JLBC review.

Use of Web Portal Credits & the Next Web Portal Contract
During the 18-month transition contract GITA plans on using $2.0 million of the $3.2 million credit to purchase and relocate new web portal servers, and upgrade the server software platform. A.R.S. § 41-3504 requires that agencies submit to GITA for review information technology projects with a cost greater than $25,000. This review has become known as the

(Continued)

Project Investment Justification or PIJ. Currently GITA has not yet conducted a PIJ of its plan to purchase and relocate the servers, but JLBC Staff will be working with GITA to determine the appropriateness of the $2.0 million cost estimate. Projects costing more than $1.0 million are also reviewed by the Information Technology Authorization Committee.

The remaining $1.2 million will be used to pursue additional e-Government applications. In preparation for re-bidding the web portal management contract, GITA believes that the current vendor holds an advantage over other companies by its hosting of the web servers. To encourage additional bidders, GITA has chosen to relocate the new servers in the Arizona Department of Administration data center. The new servers will have a projected useful life of 5-7 years, and will replace the existing 6-year-old servers.

GITA is working on a web portal migration plan that will provide additional detail on the timeline for the purchase of the servers and the solicitation for bids on the next web portal contract.

RS/TP:ar