



HOUSE OF REPRESENTATIVES

SB 1469/HB 2671

general appropriations; 2015-2016.

Sponsors: Senator Biggs/Representative Gowan

DP Committee on Appropriations
DPA Caucus and COW
X As Transmitted to the Governor

OVERVIEW

HB 2671 makes state General Fund (GF) and other fund (OF) appropriations and transfers for Fiscal Year (FY) 2016 for the operation of state government and makes various budget revisions and supplemental appropriations for FY 2015.

PROVISIONS

1. The tables below indicate GF and OF changes for each appropriated state agency for FY 2016 along with major footnote changes.

Summary of Changes	Fund Source	Comments	FY 2016 Changes
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Arizona Department of Administration (ADOA)			
General Accounting Office Cost Shift	GF		(600,000)
Automation – Arizona Financial Information System (AFIS) Cost Shift	GF		(6,900,000)
Automation – Department of Economic Security Information Technology Security	OF		900,000
Automation – Department of Revenue Projects	GF		(1,700,000)
Government Transformation Office	GF		1,000,000
Immigration Enforcement	GF		(1,200,000)

Arizona Health Care Cost Containment System (AHCCCS)			
Formula Adjustments	GF		(31,500,000)
5% Provider Rate Reduction	GF	Exceptions	(25,700,000)
Shift Disproportionate Share Pool 1 Match	GF		(2,700,000)
Ambulance Rate Reduction	GF		(6,000,000)
Inspector General Fraud Prevention	GF		(1,300,000)

Attorney General (AG)			
Federalism Unit	OF	Consumer Fraud Fund	1,000,000
Southern Arizona Drug Enforcement Unit	GF		1,200,000

- Adds seven full time employees (FTEs).

State Board for Charter Schools			
Remove One-Time Equipment	GF		(100,000)
Charter Renewal Funding	GF		200,000

Department of Child Services (DCS)			
Permanency Caseload Growth	GF		8,000,000
Increase Foster Care Rates	GF		(2,000,000)

Arizona Commerce Authority (ACA)			
Retain Mexico City Trade Office	GF		300,000
Reduce Competes Fund Deposit	GF		(5,000,000)

Arizona Community Colleges			
State Aid Reduction to Maricopa, Pinal and Pima	GF		(15,600,000)

Arizona Department of Corrections (ADC)			
Health Care Litigation	GF		6,600,000
Health Care Changes	GF		5,000,000
Population Growth	GF		5,300,000
Expand Transition Program	GF		(300,000)
Retirement Adjustment	GF		13,500,000
Leap Year	GF		900,000

- Requires ADC to submit its expenditure plan for review by the Joint Legislative Budget Committee (JLBC) before implementing any changes in per diem rates for inmate health care contracted services.

Counties			
Eliminate Funding to Pinal, Yavapai and Mohave	GF		(1,700,000)
Graham Restore Monies	GF		500,000

Department of Economic Services (DES)			
Eliminate Rural Autism Parenting	GF		(300,000)
Eliminate Long Term Care (LTC) Assisted Living	GF		(300,000)
Shift Child Care to Child Care and Development Fund	GF		(4,000,000)

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Adult Protective Services Staff	GF	11 Full Time Employees (FTEs)	1,200,000
Lump Sum	GF		(2,000,000)

- Requires DES to submit a report to JLBC before transferring any money in or out of the Case Management – Medicaid, Case Management – State-Only, and DDD Operating lump sum line items.

Arizona Department of Education (ADE)			
Formula Adjustments	GF		(5,000,000)
Additional Inflation	GF		74,400,000
District Non-Classroom Reduction	GF		(113,500,000)
Charter Additional Assistance Reduction	GF		(3,000,000)
Elimination of Small School Weight for Multi-Site Charters	GF		(6,500,000)
Eliminate District Sponsored Charter Funding	GF		(1,200,000)
Repeal Student Success Funding	GF		(22,400,000)
1% Property Tax Cap Limitations	GF		(20,200,000)
Alternative Teacher Development Program (Teach for America)	GF		500,000
Test Savings	GF		(1,800,000)
Reduce Information Technology Certification Funding	GF		(1,000,000)
Joint Technical Education District (JTED) Soft Capital	GF		1,000,000
Shift Funding to Separate State Board of Education (SBE) Budget Unit	GF		(1,300,000)

- Makes the SBE a separate state agency.
- Requires ADE to increase the budget limits of a school district that is not eligible to receive basic state aid funding for FY 2016 by the amount that the district’s budget limits would be increased if the district was eligible to receive that funding.
- Requires ADE to distribute the appropriated amount to JTEDs with fewer than 2,000 average daily membership (ADM) pupils for soft capital and equipment expenses. Allocates the appropriation on a pro rata basis based on the ADM of eligible JTEDs.
- Requires ADE to allocate the \$74,394,000 additional inflation to school districts and charter schools in FY 2016 in the same manner that it would allocate the monies if they were for an additional increase of \$53.31 in the base level for FY 2016. Specifies that the additional inflation amount is not an increase in the base level.

State Board of Education (SBE)			
Separate Budget Unit	GF		1,300,000

Department of Emergency and Military Affairs (DEMA)			
Emergency Management Federal Match	GF		1,500,000
Navajo Camp Fund Shift	GF		(1,000,000)

State Forester			
Environmental County Grants	GF		100,000

Department of Health Services (DHS)			
Formula Adjustments	GF		(8,400,000)
5% Provider Rate Reduction	GF	Exceptions	(11,400,000)
Arizona State Hospital (ASH) Increase	GF		1,200,000
Eliminate School-Based Prevention Education	GF		(300,000)
Eliminate Mental Health First Aid	GF		(300,000)

Department of Insurance (DOI)			
Fraud Investigations	GF		500,000

Judiciary			
Eliminate GF Automation Funding	GF		(3,600,000)
Fund Transfers	GF		(6,000,000)

- Requires all centralized service payments made by the Administrative Office of the Courts on behalf of counties to be funded only from the centralized service payments line item.

Department of Juvenile Corrections (DJC)			
Local Cost Sharing	GF		(12,000,000)
One-Time Shift from State Charitable Fund	GF		(900,000)
Admission Changes	GF		(4,000,000)

Arizona Pioneers' Home			
Fund Shift to Land Trust	GF		(1,600,000)

Department of Public Safety (DPS)			
Continue Arizona Counter Terrorism Information Center (ACTIC) Funding	GF		800,000
Retirement Adjustment	GF		4,200,000

Arizona Department of Racing (ADR)			
Eliminate Breeders' Award	GF		(300,000)

Department of Revenue (DOR)			
Fraudulent Returns	GF		3,200,000
Local Cost Sharing	GF		(20,800,000)

- Stipulates that the FY 2016 appropriation for DOR includes a \$3,150,000 GF lump sum increase for contracting for private fraud prevention investigation services. Requires DOR to make a request for proposals and review all submissions.
- Requires DOR to report to the JLBC and the Governor’s Office of Strategic Planning and Budgeting on the amount of claimed FY 2015 tax credits by October 1.

School Facilities Board (SFB)			
New School Construction	GF		1,500,000
Access Our Best Public Schools (AOBPS)	GF		23,900,000

- Deposits the AOBPS line item funding in the AOBPS Fund. Prohibits monies from being expended until the executive branch submits an expenditure plan to JLBC for review. Monies in the AOBPS Fund are appropriated for the purpose of developing mechanisms that an Arizona public school achievement district could use to assist in the expansion of member schools or the construction of new facilities for member schools. Requires the executive branch to recommend proposed legislation to codify the developed mechanisms.

State Treasurer			
Lump Sum	OF	Empowerment Scholarship Account Fund	40,000

Universities – Arizona State University – Tempe and Downtown Phoenix			
Funding Reduction	GF		(45,200,000)

- Deletes obsolete footnote pertaining to parity funding.

Universities – Arizona State University – East			
Funding Reduction	GF		(3,600,000)

- Deletes obsolete footnote pertaining to parity funding.

Universities – Arizona State University – West			
Funding Reduction	GF		(4,400,000)

Universities – Northern Arizona University			
Funding Reduction	GF		(17,300,000)

- Deletes obsolete footnote pertaining to parity funding.

Universities – University of Arizona – Main			
Funding Reduction	GF		(27,900,000)

Universities – University of Arizona – Health Sciences Center			
Funding Reduction	GF		(500,000)

Department of Veterans' Services (DVS)			
Operating Costs	GF		400,000

Department of Water Resources (DWR)			
Water Banking Shift	GF		(500,000)

FY 2015 SUPPLEMENTAL APPROPRIATIONS AND ADJUSTMENTS

2015 GF and OF Changes to Baseline		
ADOA – Federal Government Disallowed Costs – Risk Management	OF	10,462,100
ADOA – Reimburse Federal Transfers – Special Employee Health Insurance Trust Fund	OF	8,302,800
AHCCCS – Administration	GF	(48,520,500)
Commission for the Deaf and Hard of Hearing – Arizona Relay Service – Telecommunication Fund for the Deaf	OF	255,500
DES – Rural Long-Term Care Assisted Living	GF	(300,000)
DES – Autism Parenting Skills – Rural Areas	GF	(300,000)
DES – Child Care Subsidy	GF	(4,000,000)
DES – Child Care Subsidy – Child Care and Development Federal Block Grant	OF	4,000,000
DES – Division of Developmental Disabilities	GF	7,852,000
DES – Division of Developmental Disabilities – Long-Term Care Fund Expenditure Authority	OF	21,082,900
ADE – Basic and Additional State Aid	GF	26,861,100
DHS	GF	6,127,100
State Land Department – Central Arizona Project User Fee Rate Adjustment	GF	64,200
Arizona Navigable Stream Adjudication Commission – Outside Legal Counsel and Related Hearing Expenses – Arizona Water Banking Fund	OF	359,300
SFB – New School Facilities Debt Service	GF	(9,415,900)

2. Increases the sum of \$268,809,500 from the AHCCCS appropriation from the expenditure authority in FY 2015.
3. Allows AHCCCS to transfer up to \$10,000,000 from GF appropriations received in FY 2015 to DHS for expenditures associated with Title XIX behavioral health services. Requires AHCCCS to submit the proposed transfer for review by JLBC before making the transfer.
4. Exempts the \$750,000 Securities Regulatory and Enforcement Fund appropriation to the Arizona Corporation Commission for a securities division database upgrade from the lapsing of appropriations until June 30, 2016.
5. Exempts the \$220,000 Telecommunication Fund for the Deaf appropriation to the Commission for the Deaf and the Hard of Hearing for agency business upgrades from the lapsing of appropriations until June 30, 2016.
6. Exempts the Independent Redistricting Commission’s FY 2015 appropriation from lapsing until June 30, 2016.

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7. Transfers \$1,000,000 of the amount appropriated in the SFB building renewal grants line item for FY 2015 to the Emergency Deficiencies Correction Fund. Requires school districts receiving monies to submit a plan to improve the school's preventative maintenance building systems to the SFB.
8. Reduces the GF appropriation to ADOA in FY 2015 from \$25,000,000 to \$19,500,000 for costs associated with the establishment of DCS and the relocation of the data center operated by DES. Exempts the appropriation from lapsing until June 30, 2016.
9. Repeals the FY 2015 GF appropriation of \$1,000,000 to the Water Supply Development Revolving Fund.

ADDITIONAL FY 2016 APPROPRIATIONS

ADOA

10. Appropriates \$5,500,500 from the GF in FY 2016 to ADOA for distribution to counties for maintenance of essential county services. Requires ADOA to allocate the monies equally among all counties with a population of less than 200,000 persons.
11. Appropriates \$500,000 from the GF in FY 2016 to ADOA for distribution to a county with a population between 30,000 and 40,000 persons (Graham) for maintenance of essential county services.

Automation Projects

12. Appropriates the following amounts, including 75 FTEs, to ADOA in FY 2016 from the Automation Projects Fund (APF) for the following automation and information technology (IT) projects:
 - a. \$3,125,000 for enhancing statewide data security.
 - b. \$500,000 for enhancing enterprise architecture.
 - c. \$2,150,000 for project management of statewide automation and information technology projects.
 - d. \$1,075,000 for projects related to e-government.
 - e. \$2,625,000 for improving and maintaining the ADOA data center.
13. Makes the following appropriations to ADOA from the APF in FY 2016 for the following automation and IT projects:
 - a. \$936,400 for implementing IT projects that comply with state and federal security IT standards by DES.
 - b. \$5,000,000 for implementing e-licensing projects by the Department of Environmental Quality (DEQ).
 - c. \$7,000,000 for implementing, upgrading and maintaining the Student Longitudinal Data System (SLDS) and the Education Learning and Accountability System (ELAS).
14. Appropriates any remaining balance from fees collected from universities and community colleges from the Education Learning and Accountability Fund (ELAF) that are transferred to the APF for the purposes of implementing, upgrading and maintaining SLDS and ELAS.
15. Stipulates that the appropriation to the SLDS and ELAS be used first and foremost to complete a significant portion of the replacement of the Student Accountability Information System. Requires ADE to provide quantifiable deliverables of the Legislature's intended progress to the Information Technology Authorization Committee and JLBC before seeking review of the \$7,000,000 FY 2016 expenditure from the APF.

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16. Prohibits monies appropriated for projects at each state agency from the APF from being used for projects at any other state agency without prior review by JLBC.
17. Requires ADOA to submit quarterly reports to JLBC on or before the last day of each calendar quarter on implementation of projects, including deliverables, timeline for completion and current status.
18. Appropriates any remaining FY 2015 balance in the APF to ADOA in FY 2016 for the same purposes as specified. Requires ADOA to report any FY 2016 expenditure of remaining balances from FY 2015 in the APF in ADOA's quarterly report to JLBC.
19. Stipulates that the FY 2016 funding for ADE's SLDS and ELAS is contingent upon contracting with a third party consultant throughout the life of the project and requiring ADOA and ADE to report on plans for consultant use when seeking JLBC review of FY 2016 expenditures for the system. Also requires review to continue through the life of the projects.
20. Stipulates that the FY 2016 funding for ADC's inmate management system is contingent upon contracting with a third party consultant throughout the life of the project and requiring ADOA and ADC to report on plans for consultant use when seeking JLBC review of FY 2016 expenditures for the system. Also requires review to continue through the life of the projects.
21. Reduces the GF appropriation to the APF in FY 2016 from \$9,202,000 to \$2,383,000 for the purpose of implementing, upgrading or maintaining automation and information technology projects for any state agency.
22. Reduces the APF appropriation to ADOA in FY 2016 from \$9,202,000 to \$2,383,000 for the replacement of the AFIS.
23. Stipulates that \$212,000 for rent and \$817,000 for private third-party consultant oversight monies for costs related to the replacement of AFIS are not subject to review by JLBC.

ACA

24. Allocates \$26,500,000 of GF withholding tax revenue in FY 2016 to the ACA, of which \$10,000,000 is credited to the ACA Fund and \$16,500,000 to the Arizona Competes Fund.
25. Appropriates \$300,000 from the GF in FY 2016 to the ACA to operate a trade office in Mexico City.

DEBT SERVICE PAYMENTS

26. Appropriates \$60,104,300 from the GF in FY 2016 to ADOA for the debt service payments on the sale and lease-back of state buildings authorized by Laws 2009, Third Special Session, Chapter 6.
27. Appropriates \$24,010,300 from the GF in FY 2016 to ADOA for the debt service payment on the sale and lease back of state buildings authorized by Laws 2010, Sixth Special Session, Chapter 4.
28. Allocates \$20,449,000 of GF revenue in FY 2015 to the Arizona Convention Center Development Fund.

ESTIMATED DISTRIBUTIONS

29. Stipulates that the Rio Nuevo Multipurpose Facility District is estimated to receive \$10,000,000 from a portion of state transaction privilege tax revenues in FY 2016 and specifies that the actual amount of distribution will be made as outlined in statute.

FUND TRANSFERS

30. Requires the staff directors of JLBC and the Governor’s Office of Strategic Planning and Budgeting to jointly notify the Governor, the President of the Senate, the Speaker of the House of Representatives and the State Treasurer if the preliminary FY 2015 GF ending balance is less than \$0 and, if so, the total ending balance amount. Requires, if notification is issued, the State Treasurer to transfer an amount equal to the negative ending balance plus \$12,000,000 from the Budget Stabilization Fund to the GF.
31. Transfers, by June 30, 2016, the following amounts from the following sources to the GF for the purposes of providing adequate support and maintenance for state agencies:
- a. \$7,252,800 from the Healthcare Group Fund (AHCCCS).
 - b. \$5,400,000 from the Consumer Remediation Subaccount (AG).
 - c. \$75,000,000 from the Arizona Competes Fund (ACA).
 - d. \$25,000,000 from the Job Training Fund (ACA).
 - e. \$2,000,000 from the Utility Regulation Revolving Fund (Corporation Commission).
 - f. \$2,000,000 from the Special Services Fund (ADC).
 - g. \$2,500,000 from the Inmate Store Proceeds Fund (ADC).
 - h. \$1,072,000 from the ADC Revolving Fund (ADC).
 - i. \$500,000 from the Arizona Correctional Industries Revolving Fund (ADC).
 - j. \$1,250,000 from the Corrections Fund (ADC).
 - k. \$250,000 from the Alcohol Abuse Treatment Fund (ADC).
 - l. \$1,500,000 from the ADC Building Renewal Fund (ADC).
 - m. \$4,000,000 from the Special Administration Fund (DES).
 - n. \$4,000,000 from the State Facilities Special Education Fund (ADE).
 - o. \$2,400,000 from the Student Success Fund (ADE).
 - p. \$2,000,000 from the Voluntary Vehicle Repair and Retrofit Program Fund (DEQ).
 - q. \$5,500,000 from the Air Quality Fund (DEQ).
 - r. \$2,493,700 from the Recycling Fund (DEQ).
 - s. \$5,000,000 from the Arizona Department of Housing Program Fund (Arizona Department of Housing).
 - t. \$4,000,000 from the Off-Highway Vehicle Recreation Fund (State Parks Board).
 - u. \$5,168,200 from the Arizona Highway Patrol Fund (DPS).
 - v. \$4,347,800 from the Fingerprint Clearance Card Fund (DPS).
 - w. \$4,560,000 from the Economic Strength Project Fund (ADOT).
 - x. \$20,000,000 from the Highway Expansion and Extension Loan Program Fund (ADOT).
 - y. \$15,000,000 from the State Aviation Fund (ADOT).
 - z. \$2,000,000 from the Motor Vehicle Liability Insurance Enforcement Fund (ADOT).
32. Transfers, by the end of FY 2016, the following amounts from the following sources to the GF for the purposes of providing adequate support and maintenance for state agencies:
- a. \$250,000 from the Alternative Dispute Resolution Fund (Judiciary – Supreme Court).
 - b. \$750,000 from the Arizona Lengthy Trial Fund (Judiciary – Supreme Court).
 - c. \$500,000 from the Court Appointed Special Advocate Fund (Judiciary – Supreme Court).

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- d. \$100,000 from the State Aid to the Courts Fund (Judiciary – Supreme Court).
 - e. \$650,000 from the Criminal Justice Enhancement Fund (Judiciary – Superior Court).
 - f. \$250,000 from the Drug Treatment and Education Fund (Judiciary – Superior Court).
 - g. \$500,000 from the Judicial Collection Enhancement Fund (Judiciary – Superior Court).
 - h. \$3,000,000 from the Juvenile Probation Services Fund (Judiciary – Superior Court).
33. Appropriates \$5,400,000 from the GF in FY 2016 to the APF.
34. Transfers the following amounts in FY 2016 to the APF from the following sources:
- a. \$1,600,000 from ELAF, and any remaining balances at the end of FY 2015 from fees collected from universities and community colleges in ELAF.
 - b. \$3,775,000 from the State Web Portal Fund, which includes \$2,150,000 for managing all projects funded from APF.
 - c. \$5,700,000 from the Automation Operations Fund.
 - d. \$5,000,000 from the Emissions Inspection Fund.
 - e. \$936,400 from the Special Administration Fund.
35. Transfers \$100,000,000 from the Special Employee Health Insurance Trust Fund to the GF in FY 2016 to provide adequate support and maintenance for state agencies.
36. Requires the AG to direct a total of \$15,000,000 received pursuant to the consent judgments in the National Mortgage Settlement to the GF by June 30, 2015, to compensate for costs resulting from the alleged unlawful conduct of the defendants.
37. Requires the AG to direct a total of \$16,000,000 received pursuant to the consent judgments in the Standard and Poor’s Financial Services LLC settlement to the GF by June 30, 2016, to compensate for costs resulting from the alleged unlawful conduct of the defendants.
38. Transfers \$710,000 from the Motor Vehicle Liability Insurance Enforcement Fund to the Safety Enforcement and Transportation Infrastructure Fund by June 30, 2015.

PAYMENT DEFERRALS

DCS

39. Defers \$11,000,000 in DCS payments for services provided in May and June of 2016 until after July 1, 2016 and appropriates the same amount in FY 2017 from the GF to DCS. Stipulates that payments to child care providers cannot be deferred.

DES

40. Defers \$21,000,000 in DES payments for services provided in May and June of 2016 until after July 1, 2016 and appropriates the same amount in FY 2017 from the GF to DES. Prohibits payments to child care providers and May payments to providers of developmentally disabled services from being deferred.

ADE

41. Defers \$930,727,700 in Basic State Aid (BSA) and Additional State Aid (ASIA) payments made to ADE in FY 2016 to until after July 1, 2016, but no later than July 12, 2016. Excludes charter schools and school districts with a student count of less than 600 pupils from the deferral.
42. Requires ADE to disburse the FY 2016 appropriation of \$930,727,700 to the counties for the school districts by July 1, 2016, and no later than July 12, 2016, in amounts equal to the reductions in apportionment of BSA and ASIA.

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43. Mandates that school districts include in the revenue estimates that they use for computing their FY 2016 tax rates the deferred monies that they will receive between July 1, 2016 and July 12, 2016.

ABOR

44. Defers \$200,000,000 of payments by ABOR allocated to the state universities in the individual campus appropriations until after July 1, 2016 and appropriates the same amount to ABOR in FY 2017 and requires ADOA to distribute these monies to ABOR no later than October 1, 2016.

STATEWIDE OPERATING ADJUSTMENTS

Area of Adjustment	GF	OF	Total
AFIS Collections	1,900,000	5,667,800	7,567,800
Employer Health Insurance Contribution Rate	(16,200,000)	(8,561,500)	(24,761,500)

45. Provides statewide adjustment procedures and instructions.

46. Outlines FY 2016 individual agency charges totaling \$1,809,500 for general agency counsel provided by the AG.

MISCELLANEOUS

47. States legislative intent that all departments, agencies or budget units receiving appropriations under this act are to continue to report actual, estimated, and requested expenditures in a specified format.

48. Provides footnote instructions.

49. Contains other reporting requirements.

50. Contains definitions sections.