

**Joint Legislative Budget Committee
Staff Memorandum**

*1716 West Adams
Phoenix, Arizona 85007*

*Telephone: (602) 542-5491
Facsimile: (602) 542-1616*

DATE: May 24, 2002
TO: Members of the Arizona Legislature
FROM: Richard Stavneak, Director
SUBJECT: FY 2003 BUDGET

The enclosed document updates our standard package of briefing materials for the Legislature's final decisions on the budget.

Please let us know if you have any questions.

RS:lm
Attachment
xc: Legislative Staff

JLBC

**Final Engrossed
FY 2003 Revenue/Expenditure Projections**

	<u>3rd Special FY 2002</u>	<u>Statutory Deficit FY 2003</u>	<u>Final Engross FY 2003</u>
REVENUES			
Balance Forward	\$13,334,000	\$1,000,000	1,000,000
Base Revenues	5,777,029,400	6,024,573,300	6,027,273,300
<i>Ladewig/Other Set-aside</i>	0	(75,000,000)	(75,000,000)
<i>One-time Fund Transfers/Revenues</i>	547,242,000	0	196,964,700
Revised Base Revenues	<u>6,324,271,400</u>	<u>5,949,573,300</u>	<u>6,149,238,000</u>
Total Revenues (without Prop 301)	\$6,337,605,400	\$5,950,573,300	\$6,150,238,000
Total Revenues (with Prop 301)	\$6,776,353,400		\$6,605,658,500
EXPENDITURES			
Revised Operating Budget	6,359,642,200	6,907,479,000	6,172,503,100
Capital Outlay	9,449,100	2,342,900	2,342,900
Administrative Adjustments	23,000,000	23,000,000	23,000,000
Revertments	<u>(55,485,900)</u>	<u>(51,169,300)</u>	<u>(51,169,300)</u>
Total Spending (without Prop 301)	\$6,336,605,400	\$6,881,652,600	\$6,146,676,700
Total Spending (with Prop 301)	\$6,775,353,400		\$6,602,097,200
ENDING BALANCE	\$1,000,000	(\$931,079,300)	\$3,561,300

Comparisons to FY 03 Statutory Level of Spending

-- Under current statutory spending requirements and annualization of the state employee pay raise, there would be a \$(931) M deficit in FY 03

-- The final Legislative Plan eliminates that deficit through the use of \$197 M in one time fund transfers and other revenues and a \$(735) M reduction in the FY 03 statutory spending level. The two largest reductions are \$(240) M in lease rather than cash financing of new schools and a \$(191) M deferral (the "rollover") of K-12 expenses to FY 2004.

Comparisons to FY 02 Spending Level

-- Relative to the FY 02 budget, revenues will decline by \$(187) M. Baseline revenue growth of \$270 M and new fund transfers of \$197 M in FY 03 will be offset by \$(547) M in the loss of one-time revenues used to balance the FY 02 budget and a \$(75) M set-aside for the Ladewig lawsuit.

-- Relative to the FY 02 budget, FY 03 General Fund spending will decline by \$(190) M, or 3.0%. This net decrease consists of \$545 M in new statutory spending requirements offset by \$(735) M in spending reductions.

**FY 2003 Changes to FY 2002 3rd Special Session Budget
\$ in Millions**

REVENUE CHANGES

\$ (547.2)	Less One-time FY 2002 Revenues (Budget Stabilization Fund and Other Transfers, Withholding and Amnesty)
(75.0)	Less Ladewig Set Aside
(20.0)	IRS Conformity Except Bonus Depreciation (Full \$27M cost covered by HB
(11.9)	Urban Revenue Sharing Increase/Other
269.8	FY 2003 4.2% Base Revenue Growth
196.9	New FY 2003 Balance Transfers/Dispro Revenue
	-- Uses \$50 M from \$110 M Budget Stabilization Fund; \$40 M one time fed Dispro Share Revenue
<hr/>	
\$ (187.4)	FY 2003 NET REVENUE LOSS FROM 02 to 03

SPENDING CHANGES

0.7	<i>Department of Education</i>
128.6	\$201 M formula growth; \$(191) M Rollover savings; \$(7) M savings for Deseg, AHCCCS
	\$61 M caseload growth; \$49 M Prop 204; \$38 M Backfill One time Revenues; \$(8)M non-rural ALTCS freeze
(22.4)	<i>Department of Economic Security</i>
	\$(30) M fund shift savings; \$7 M Title 19 growth
10.0	<i>Department of Health Services</i>
	\$7 M Title 19 growth; \$17 M Backfill One time Revenues; \$(10) M Cap Rate
18.9	<i>Universities</i>
	\$23 M Pay Annualization; \$15 M Enrollment/Debt Service; \$(17) M Savings from 2.25% Cut
26.6	<i>Department of Corrections</i>
	\$16 M Pay Annualization; \$9 M (plus Corrections Fund) to open 1645 beds; Privatize 3200 beds in 04-05; Defer Tucson 2 construction decision
(343.7)	<i>School Facilities Board</i>
	\$(240) M GF reduction from Lease to Own rather than Cash for construction; \$(90) M Bldg Renewal Savings while Deficiency Corrections in process
(23.3)	3.125% Lump Sum Reduction in Other Agencies
12.0	State Employee Health Insurance - Self Insure by April 2003
2.7	All Other
<hr/>	
\$ (189.9)	NET SPENDING CHANGES

General Fund
FY 2003 Changes Above/(Below) FY 2002

	Revised FY 2002	Statutory and Technical	Legislative Changes	Comments	Final Engrossed FY 2003
SPENDING CHANGES					
DOA - Arizona Department of Administration					
	25,978,100				
		614,800	(84,800)		
Gov			(478,900)		
			(811,800)	3.125%	
			Yes		
					25,217,400
OAH - Office of Administrative Hearings					
	1,193,500				
		32,000	(4,000)		
Gov			(37,300)	3.125%	
					1,184,200
AGR - Department of Agriculture					
	12,023,700				
		412,400	(42,500)		
Gov			(100,000)		
Gov			(116,800)		
			(246,200)		
			(375,700)	3.125%	
					11,554,900
AXS - AHCCCS					
	537,392,100				
		(1,408,000)	(49,500)		
		7,777,600			
		(6,941,200)			
		65,740,000	(4,400,000)	Use Gov Estimate	
		10,000,000			
		37,339,800			
		48,762,900			
		378,500			
		377,000			
Gov			(10,000,000)	ORB	
			Yes	ORB	
Gov			(8,523,300)	ORB - Excl. Rural	
Gov			(6,500,000)	ORB	
Gov			(300,000)	Oct 1	
Gov			(2,625,000)	3.125%; Title XIX exempt; Footnote	
			(600,000)	ORB	
				0 Footnote	
			Yes	ORB	
			(466,700)	ORB	
			Yes		
					665,954,200
ART - Arizona Commission on the Arts					
	2,372,300				
		4,000	0		
			(74,100)	3.125%	
					2,302,200

	Revised FY 2002	Statutory and Technical	Legislative Changes	Comments	Engrossed FY 2003
	ATT - Attorney General				
	25,971,800				
		505,500	(62,100)		
Gov			(811,600)	3.125%	
			Yes		
					25,603,600
	BAN - State Banking Department				
	2,737,000				
		48,200	0		
Gov			(85,500)	3.125%	
					2,699,700
	BOX - Arizona State Boxing Commission				
	78,000				
		2,600	(300)		
		0	(80,300)	ORB	
					0
	BFS - Department of Building & Fire Safety				
	3,501,600				
		117,300	(1,600)		
Gov			(109,400)	3.125%	
					3,507,900
	CAP - Capital Outlay				
		(9,448,700)			(9,448,700)
		2,342,900			2,342,900
Gov			Yes		
Gov			Yes		
			Yes		
			Yes		
			Yes		
Gov			Yes		
Gov			Yes		
Gov			Yes		
			Yes		
			Yes	ORB	
	CHA - State Board for Charter Schools				
	651,100				
		13,700	(1,000)		
Gov			(65,000)	Footnote Change	
Gov			(25,000)		
Gov			(20,300)	3.125%	
					553,500
	COM - Department of Commerce				
	5,717,700				
		104,300	(2,400)		
		0	(13,600)		
		0	(542,500)	High Tech Clusters	
		0	(306,400)		
Gov			(120,500)	3.125% exclude major changes	
		0	(500,000)		
					4,336,600
	CCO - Board of Directors for Community Colleges				
	133,733,500				
		15,700	0		
		4,282,100			
		1,417,900			
		1,322,500	(1,418,500)		
		0	Yes	ORB	
Gov			(4,331,000)		

	Revised FY 2002	Statutory and Technical	Legislative Changes	Comments	Engrossed FY 2003
			(522,400)	ORB	
			Yes	ORB	
					134,499,800
	5,420,100				
		1,100	(13,400)		
			(169,400)	3.125%	
					5,238,400
	549,624,800				
		16,846,300	(664,700)		
		0	(92,500)		
		0	(25,000)		
		0	(100,000)		
Gov		0	(300,000)		
		0	(1,189,900)		
		0	(500,000)		
		0	(200,000)		
Gov			0	\$6.8M Corr. Fund	
Gov				Implement in FY 02	
Gov				\$2,316,100 Corr. Fund	
Gov				\$940,100 Corr. Fund (150 beds Feb 03 thru May 03)	
Gov				\$7,749,100 Corr Fund	
Gov				\$307,400 Corr Fund June 16, 2003	
Gov			0	\$10M Corr Fund	
Gov				\$0. Allow RFP for 3,200 private beds for 04-05, decide Tucson 2 schedule next year. Footnote	
			Yes	ORB	
			3,644,600		
			5,600,000		
			Yes		
			3,598,000		
					576,241,600
	2,767,300				
		0	0		
Gov		0	(466,100)		
Gov		0	(490,600)		
Gov			(86,500)	3.125%	
					1,724,100
	17,332,600				
		(715,600)	(12,100)		
		0	(53,500)		
Gov		0	(582,000)		
Gov			(247,700)		
Gov			(13,000)		
Gov			52,600		
Gov			265,000		
			Yes	ORB	

	Revised FY 2002	Statutory and Technical	Legislative Changes	Comments	Engrossed FY 2003
DES - Department of Economic Security					
	458,808,100				
		4,123,300	(22,200)		
		9,376,900	(2,648,500)		
		0	(2,130,400)	ORB	
Gov		0	(11,637,000)		
Gov			(4,594,800)		
Gov			(108,000)		
Gov			1,000,000		
Gov			1,000,000		
Gov			(1,050,000)		
Gov			(572,900)		
Gov			(500,000)		
Gov			0		
Gov			49,000		
Gov			1,000,000	Footnote	
			(3,000,000)		
			(1,038,900)	Footnote	
			(300,300)		
			(10,886,100)		
				Yes	
			(500,000)	Footnote	
				Yes	
					436,368,200
ADE - Arizona Department of Education					
	2,610,982,300				
		333,000	(25,800)		
		128,423,300			
		(94,760,600)			
		69,468,700			
		25,317,800			
		4,635,300			
		23,922,900			
		2,385,600			
		41,275,200			
		0	(1,000,000)	ORB	
		0	Report		
		0	(1,077,000)	ORB	
Gov		0	(4,797,400)	HB 2550	
			(358,900)	Board Admin - 3.125%	
Gov			(2,088,400)	Stanford 9	
			Yes		
					2,802,636,000
EMA - Department of Emergency & Military Affairs					
	11,748,800				
		217,600	(11,900)		
			(367,200)	3.125%	
					11,587,300
DEQ - Department of Environmental Quality					
	20,878,900				
		349,200	(10,200)		
		(5,000,000)			
Gov			10,000,000		
Gov			(100,000)		
			(326,300)	1.563%	
			Yes		

	Revised FY 2002	Statutory and Technical	Legislative Changes	Comments	Engrossed FY 2003
	DEQ - Maintain Permit Processing Timeframes		Yes	Footnote	25,791,600
	OEO - Governor's Office of Equal Opportunity	238,300			
	OEO - Standard/Technical		6,900	(800)	
Gov	OEO - 2.25% FY 02 Lump Sum Reduction (Vacancy savings)			(7,400) 3.125%	
					237,000
	EQU - State Board of Equalization	611,400			
	EQU - Standard/Technical		12,900	(400)	
Gov	EQU - 2.25% Lump Sum Reduction (Delay IT project)			(19,100) 3.125%	
					604,800
	EXE - Board of Executive Clemency	1,283,100			
	EXE - Standard/Technical		21,100	(5,200)	
	EXE - Reduce Staff			(391,000) 6 FTEs	
					908,000
	GEO - Arizona Geological Survey	881,300			
	GEO - Standard/Technical		21,400	(7,000)	
Gov	GEO - 2.25% Lump Sum Reduction (0.5 FTE Vacant)			(27,500) 3.125%	
					868,200
	GOV - Office of the Governor	6,056,800			
	GOV - Standard/Technical		113,100	(12,800)	
Gov	GOV - 2.25% Lump Sum Reduction			(189,300) 3.125%	
					5,967,800
	OEG - Gov's Office for Excellence in Government	1,520,500			
	OEG - Standard/Technical		32,400	(3,100)	
Gov	OEG - 2.25% Lump Sum Reduction			(47,500) 3.125%	
					1,502,300
	OSP - Gov's Office of Strategic Planning & Budgeting	1,863,700			
	OSP - Standard/Technical		40,400	(3,300)	
Gov	OSP - 2.25% Lump Sum Reduction (1 FTE vacant)			(58,200) 3.125%	
					1,842,600
	DHS - Department of Health Services	284,271,400			
	DHS - Standard/Technical		2,533,400	(105,300)	
	DHS - Title XIX Behavioral Health Caseload		19,584,200	(15,503,400) Use Gov Estimate	
	DHS - Title XIX DD Beh Health Cap Rate Increase		1,663,900		
	DHS - CRS Title XIX Increase		664,400		
	DHS - Restore GF Title XIX from MSF Fund Shift		8,000,000		
	DHS - Restore 3rd SS Tobacco Settlement Shift		9,500,000		
	DHS - County Grants Funding - Urban Only		0	(298,600)	
	DHS - ASH Title XIX Reimbursement		0	(35,100)	
	DHS - Public and Community Health Contracts		0	(130,600)	
Gov	DHS - SMI Services Fund Offset (\$2 M)		0	(2,000,000)	
Gov	DHS - 2.25% Lump Sum Reduction			(4,093,900) 2.25%; Title XIX exempt	
Gov	DHS - Increased Staff for new ASH facility (16 FTE)			2,000,000	
Gov	DHS - Increase GF Offset from ASH Land Earnings Fund			(250,000)	
Gov	DHS - GF Offset from Substance Abuse Services Fund			(1,500,000)	
	DHS - Newborn Screening Fund - 8th Test (\$874.2K)			Yes	
	DHS - Cap Rate Savings			(10,000,000)	
					294,300,400
	AZH - Arizona Historical Society	4,497,900			
	AZH - Standard/Technical		109,500	(5,300)	
Gov	AZH - 2.25% Lump Sum Reduction			(100,400) 3.125%; Exempt lease-purchase payment	
					4,501,700
	PAZ - Prescott Historical Society	732,300			
	PAZ - Standard/Technical		29,300	(800)	

	Revised FY 2002	Statutory and Technical	Legislative Changes	Comments	Engrossed FY 2003
Gov	PAZ - 2.25% Lump Sum Reduction (Reduce 1 FTE)		(22,900)	3.125%	737,900
	CIA - Arizona Commission of Indian Affairs	224,500			
	CIA - Standard/Technical		7,100	(900)	
Gov	CIA - 2.25% Lump Sum Reduction (reduce discretionary spending)			(7,000)	3.125%
					223,700
	INS - Department of Insurance	6,113,400			
	INS - Standard/Technical		132,600	0	
Gov	INS - 2.25% Lump Sum Reduction (Reduce 7 FTE)			(191,000)	3.125%
					6,055,000
	SPA - Judiciary - Supreme Court	18,033,100			
	SPA - Standard/Technical		295,300	0	
	SPA - Eliminate State Aid to Courts GF Appropriation - Urban Only		0	(1,302,600)	
Gov	SPA - Lump Sum Reduction (exempt FCRB, Model Court, State Aid to Courts)			(435,500)	3.125%
					16,590,300
	COA - Judiciary - Court of Appeals	10,672,200			
	COA - Standard/Technical - Division I		191,800	0	
	COA - Standard/Technical - Division II		32,600		
Gov	COA - 2.25% Lump Sum Reduction			(333,500)	3.125%
					10,563,100
	SUP - Judiciary - Superior Court	117,225,400			
	SUP - Standard/Technical		1,973,200	(46,100)	
	SUP - Juvenile Probation - Urban Only		305,200	(225,900)	From VLT
	SUP - Adult Probation - Urban Only		746,400	(552,500)	From VLT
	SUP - Superior Court Judgeships (3)		193,200		
	SUP - Probation Program Cost Sharing (3%) - Urban Only		0	(3,701,200)	
	SUP - 2.25% Lump Sum Reduction			(68,900)	3.125%; Probation, judge salary exempt
					115,848,800
	DJC - Department of Juvenile Corrections	64,341,800			
	DJC - Standard/Technical		1,982,200	(104,600)	
Gov	DJC - Annualize Reduction of Funded Bed Surplus by 50		0	(933,100)	
Gov	DJC - Decreased Population Savings		0	(618,200)	
Gov	DJC - Replacement Equipment			100,000	
Gov	DJC - National School Breakfast & Lunch Program			250,000	
	DJC - Lump Sum Reduction		0	(1,447,700)	2.25%
					63,570,400
	LAN - State Land Department	17,232,700			
	LAN - Standard/Technical		356,100	(49,300)	
Gov	LAN - Shift NRCD Funding to Environ. Special Plate Fund; add \$100K from ESPF for School Grants		0	(490,000)	Eliminate Advertising requirement
Gov	LAN - Eliminate Eastern Counties Grants		0	No	
	LAN - Annualize Dept Mgmt Savings		0	(61,100)	
Gov	LAN - CAP Water Fees (Replaces One-Time FY 02 Savings)			394,200	
	LAN - 2.25% Lump Sum Reduction			(219,200)	
	LAN - Fire Management			1,000,000	
					18,163,400
	LEM - Law Enforcement Merit System Council	56,600			
	LEM - Standard/Technical		1,600	0	
	LEM - 2.25% Lump Sum Reduction			(1,800)	3.125%
					56,400

	Revised FY 2002	Statutory and Technical	Legislative Changes	Comments	Engrossed FY 2003
Legislature					
AUD - Auditor General					
AUD - Revertment			(2,241,000)	Change from currently enacted FY03 budget	12,383,100
HOU - House of Representatives					
HOU - Revertment			(667,700)	Change from currently enacted FY03 budget	12,323,800
JLBC - Joint Legislative Budget Committee					
JLBC - Revertment			(122,200)	Change from currently enacted FY03 budget	2,330,400
LEG - Legislative Council					
LEG - Revertment			(319,200)	Change from currently enacted FY03 budget	5,107,100
LIBR - AZ State Library, Archives & Public Records					
LIBR - Revertment			(634,000)	Change from currently enacted FY03 budget	7,548,100
SEN - Senate					
SEN - Revertment			(288,200)	Change from currently enacted FY03 budget	6,748,800
LIQ - Department of Liquor Licenses & Control	2,468,700				
LIQ - Standard/Technical		73,800	(2,200)		
Gov LIQ - 2.25% Lump Sum Reduction (2 FTE Vacant)			(77,100)	3.125%	
					2,463,200
MSL - Board of Medical Student Loans	283,400				
MSL - Medical Student Loans		0	0		
					283,400
MIN - State Mine Inspector	1,189,900				
MIN - Standard/Technical		8,400	(1,900)		
Gov MIN - 2.25% Lump Sum Reduction (1.5 FTE Vacant)			(37,200)	3.125%	
					1,159,200
MMR - Department of Mines & Mineral Resources	735,400				
MMR - Standard/Technical		17,900	(12,700)		
Gov MMR - 2.25% Lump Sum Reduction (1 FTE Vacant)			(23,000)	3.125%	
					717,600
NAV - AZ Navigable Steam Adjudication Commission	178,700				
NAV - Standard/Technical		3,100	0		
Gov NAV - 2.25% Lump Sum Reduction			(5,600)	3.125%	
					176,200
NUR - State Board of Nursing	133,500				
NUR - Standard/Technical		1,600	0		
Gov NUR - 2.25% Lump Sum Reduction			(4,200)	3.125%	
					130,900
OSH - Occupational Safety & Health Review Board	7,000				
OSH - Standard/Technical		0	0		
Gov OSH - Lump Sum Reduction due to Lower Costs in FY 02			(2,000)		
Gov OSH - 2.25% Lump Sum Reduction			(200)	3.125%	
					4,800

	Revised FY 2002	Statutory and Technical	Legislative Changes	Comments	Engrossed FY 2003
SPB - Arizona State Parks Board					
	27,495,100				
		257,500	(13,400)		
Gov		0	(103,300)		
			Yes		
Gov			(90,000)		
Gov			(99,300)		
			(618,600)		
					26,828,000
PER - Personnel Board					
	381,600				
		1,600	(900)		
Gov			(11,900)	3.125%	
					370,400
PIO - Arizona Pioneers' Home					
	49,200				
		277,900	(9,500)		
			300,000		
Gov			(53,800)		
					563,800
POS - Commission for Postsecondary Education					
	1,643,400				
		3,300	(100)		
			(101,000)		
					1,545,600
DPS - Department of Public Safety					
	48,911,500				
		645,200	(71,700)		
Gov		0	(2,922,400)		
		0	(235,200)		
Gov		0	(80,400)		
Gov		0	(1,109,000)	ORB	
Gov		0	(621,300)	ORB	
			(1,060,600)	Footnote	
Gov			338,800		
Gov			363,700		
Gov			Yes		
Gov			Yes		
					44,158,600
RAC - Arizona Department of Racing					
	2,668,400				
		74,200	(1,200)		
		0	80,300	ORB	
Gov			(39,000)		
Gov			(28,300)		
			(83,400)	3.125%	
					2,671,000
RAD - Radiation Regulatory Agency					
	1,670,200				
		36,700	(700)		
Gov			(52,200)	3.125%	
					1,654,000
ARP - Arizona Rangers' Pensions					
	11,800				
		200			12,000
REA - State Real Estate Department					
	3,115,000				
		66,000	0		
Gov			(97,300)	3.125%	
					3,083,700

	Revised FY 2002	Statutory and Technical	Legislative Changes	Comments	Engrossed FY 2003
RET - Arizona State Retirement System	6,300,000				
RET - Standard/Technical - One-time Approp.		(6,300,000)			0
REV - Department of Revenue	59,846,800				
REV - Standard/Technical		581,800	(22,100)		
Gov REV - Reduce Alternative Fuels Tax Credit Approp.		0	(109,700)		
Gov REV - Liens & Administration Reductions (Travel, Postage, Toll Free) Gov = \$(53.6)K		0	(190,500)		
Gov REV - Defer Equipment Replacement & Remodeling			(268,100)		
REV - 2.25% Lump Sum Reduction			(1,000,000)	1.7%	
					58,838,200
SFB - School Facilities Board	383,635,500				
SFB - Standard/Technical		34,500	(3,100)		
SFB - Building Renewal (fund at \$128.3 M)		(3,725,900)			
SFB - New Construction (fund at \$311.2 M)		61,250,000			
Gov SFB - Reduce Building Renewal (includes 2.25% Lump Sum Reduction) Gov = \$59 M		0	(90,000,000)	ORB; Allow some prevent maintenance	
Gov SFB - Reduce New Construction to \$250 M from \$311 M SFB Estimate		0	(61,250,000)		
SFB - Adjust Building Renewal for Renovations		0	Yes	Footnote Report	
SFB - Lease to Own			(240,000,000)	ORB	
SFB - Review of New Construction Estimates			(10,000,000)	ORB	
					39,941,000
SOS - Secretary of State	3,037,000				
SOS - Standard/Technical		68,500	(6,900)		
SOS - Restore State Elections Funding		2,833,800			
Gov SOS - 2.25% Lump Sum Reduction (3 FTE Vacant)			(94,900)	3.125%	
					5,837,500
TAX - State Board of Tax Appeals	301,500				
TAX - Standard/Technical		5,400	(200)		
Gov TAX - 2.25% Lump Sum Reduction (Eliminate 1 FTE)			(9,400)	3.125%	
					297,300
TOU - Office of Tourism	10,332,400				
TOU - Formula Funding		1,342,000			
Gov TOU - 2.25% Lump Sum Reduction			(322,900)	3.125%	
Gov TOU - Defer Statutory Funding Increase			(1,342,000)		
					10,009,500
DOT - Department of Transportation	3,585,700				
DOT - Standard/Technical		3,200	0		
DOT - Eliminate GF LTAF Deposit		0	(3,526,100)		
Gov DOT - Lump Sum Reduction, Highway Fund = \$(2.0M)			Yes		
Gov DOT - Grand Canyon Airport, Aviation Fund			Retain		
Gov DOT - Highway Maintenance, Highway Fund = \$1.3M			Yes		
Gov DOT - Ports' Scale Repairs, Highway Fund = \$20K			Yes		
DOT - VLT Enforcement Unit, HF/HURF = \$1.3M			Yes		
DOT - Increase Highway Maintenance Funding, \$3.0 M OF			Yes		
					62,800
TRE - State Treasurer	5,368,700				
TRE - Standard/Technical		61,900	(5,800)		
TRE - Property Tax Refunds		(200,000)			
TRE - Justice of the Peace Salaries		99,100	0		
Gov TRE - Reduce State Share of JP Salaries from 40% to 38.5%			(113,200)	ORB	
Gov TRE - 2.25% Lump Sum Reduction (Reduce OOE costs)			(167,800)	3.125%	
					5,042,900

	Revised FY 2002	Statutory and Technical	Legislative Changes	Comments	Engrossed FY 2003
USL - Commission on Uniform State Laws	40,100				
USL - 2.25% Lump Sum Reduction			(1,300)	3.125%	
					38,800
UNI - Universities					
UNI - Arizona Board of Regents	7,581,500				
UNI - Standard/Technical		64,600	(19,300)		
Gov UNI - 2.25% Lump Sum Reduction			(170,600)		
					7,456,200
UNI - ASU - Main Campus	268,213,200				
UNI - Standard/Technical		8,906,900	(33,400)		
UNI - ASU Main Enrollment Formula (22:1)			6,762,100		
Gov UNI - 2.5% Lump Sum Reduction			(6,705,300)		
					277,143,500
UNI - ASU - East Campus	12,971,200				
UNI - Standard/Technical		408,400	0		
Gov UNI - 2.5% Lump Sum Reduction			(324,300)		
					13,055,300
UNI - ASU - West Campus	37,991,000				
UNI - Standard/Technical		986,400	0		
Gov UNI - 2.5% Lump Sum Reduction			(949,800)		
					38,027,600
UNI - Northern Arizona University	111,974,900				
UNI - Standard/Technical		3,447,300	(26,800)		
UNI - NAU Enrollment Formula (22:1)			(413,400)		
UNI - Debt Service Offset			4,000,000		
Gov UNI - 2.5% Lump Sum Reduction			(2,799,400)		
					116,182,600
UNI - UA - Main Campus	271,132,500				
UNI - Standard/Technical		8,485,000	(198,900)		
UNI - UA Main Enrollment Formula (22:1)			4,652,100		
Gov UNI - 2.5% Lump Sum Reduction			(6,778,300)		
UNI - Hydroponics Footnote change			Yes		
					277,292,400
UNI - UA - Health Sciences Center	55,930,000				
UNI - Standard/Technical		1,042,000	0		
UNI - UA - HSC Enrollment Formula (22:1)			5,300		
Gov UNI - 2.5% Lump Sum Reduction			(1,398,100)		
					55,579,200
VSC - Department of Veterans' Services	2,342,700				
VSC - Standard/Technical		85,900	(1,900)		
Gov VSC - Delay Cemetary opening to 11/02 & Shift costs to Cemetary Fund			(17,500)	ORB	
Gov VSC - Move Director's Office Veterans' Home			(24,000)		
Gov VSC - Veterans' Home Mattressess, Home Fund = \$57.3K			Yes		
VSC - 2.25% Budget Reduction		0	(73,200)	3.125%	
					2,312,000
WAT - Department of Water Resources	15,709,700				
WAT - Standard/Technical		331,500	(144,600)		
WAT - Water Banking Authority to \$500,000		0	(500,000)		
WAT - 2.25% Lump Sum Reduction		0	(314,200)	2%	
					15,082,400
WEI - Department of Weights & Measures	1,470,700				
WEI - Standard/Technical		47,100	(900)		
Gov WEI - 2.25% Lump Sum Reduction (1.5 FTE Vacant)			(46,000)	3.125%	

	Revised FY 2002	Statutory and Technical	Legislative Changes	Comments	Engrossed FY 2003
					1,470,900
	OTH - Other				
		4,316,200			
Gov	OTH - Reversion Adjustment due to Lower Spending				
	OTH - Require Agencies to Absorb Pro-Rata Increase	0	Yes	In agencies	
Gov	OTH - Require Agencies to Absorb State Rent Increase; Add \$675	0	Yes	In agencies	
Gov	K for Moving				
	OTH - Require Agencies to Absorb Risk Mgmt Increase		Yes	In agencies	
	OTH - One-time Adjustment	(449,100)			
	OTH - FY 03 State Employee Health Insurance Increase	17,000,000	(5,000,000)	Self-Insurance 7/1/03	
	OTH - Delete up to 5% unfunded FTEs		Yes	1,886 FTEs	

Fund Transfer Savings/Revenue					
Dept. of Administration					
Gov	- Retiree Accumulated Sick Leave Fund		(1,286,900)		
Gov	- State Surplus Materials Property Fund		(1,000,000)		
Gov	- Risk Management Fund		(6,000,000)		
Gov	- Motor Vehicle Pool Revolving Fund		(3,000,000)		
Gov	- Certificates of Participation Fund (Refinance COP's)		(20,050,000)		
	- Technology & Telecommunications		(4,000,000)	Steamline Phone System	
Dept. of Agriculture					
	- Commercial Feed Fund		(50,000)		
	- Fertilizer Materials Fund		(50,000)		
	- Pesticide Fund		(50,000)		
			200,000		
	- Make equine ownership and hauling certificates optional; Eliminate specific fees and replace with general fee setting authority; Deposit fees to new Equine Fund rather than General Fund.				
Attorney General					
Gov	- Anti-Racketeering Fund (RICO)		(625,000)		
Building & Fire Safety					
Gov	BFS - Mobile Home Relocation Fund		(3,000,000)	Change threshold	
Dept. of Commerce					
	- Housing Trust Fund		(2,000,000)		
	- Clean Air Fund		(7,300,000)		
Dept. of Corrections					
	- Alcohol Abuse Treatment Fund		(1,000,000)		
	- Drug Treatment and Education		(1,000,000)		
Department of Health Services					
	- ASH Capital Construction Fund - Interest		(3,000,000)		
State Land Dept					
Gov	- Land Dept Fund		(70,000)		

	Revised FY 2002	Statutory and Technical	Legislative Changes	Comments	Engrossed FY 2003
Lottery					
Gov	- Lottery Fund		(2,455,000)		
State Parks Board					
Gov	- SLIF (Gov = \$5M)		(10,000,000)		
School Facilities Board					
Gov	- School Improvement Revenue Bond Debt Service Fund (Interest earnings) (via Def. Correction Fund)		(15,000,000)		
Gov	- Deficiencies Corrections Fund (Replaced with Oil Overcharge Fund monies)		(8,000,000)		
Gov	- School Capital Equity Fund		(2,487,500)		
Office of Tourism					
Gov	TOU - Reduce Transfer Amount to TSA from \$4M to \$2M		(2,200,000)	ORB	
Dept. of Transportation					
Gov	- Equipment Fund		0	Allows DPS fund shift	
Other Fund Transfers					
	OTH - Budget Stabilization Fund	0	(50,000,000)		
Other Revenue					
	OTH - IRS Conformity - \$27.7M total cost		Covered	Full conformity on all but bonus depreciation. Current set-aside and HB 2088 corp divid. savings covers cost.	
Gov	AXS - Disproportionate Share Revenue		(40,556,400)	ORB	
	OTH - Urban Revenue Sharing - 14.8% for 2 years		(5,683,900)	ORB	
	OTH - VLT Registration Compliance		(3,500,000)	ORB	
	OTH - Federal Prison Funding		(3,800,000)		
Other					
	ADE - Rollover June Payment to July * - no Charters	0	(191,000,000)		

Summary of Legislative Changes	FY 03 Changes
- Total Spending Changes	(\$543,975,900)
- Total Fund Transfer Savings / Revenue	(196,964,700)
- Other - Rollover	(191,000,000)
Total - Savings	(931,940,600)

FY 2003 Capital Outlay Bill - HB 2707

	<u>Appropriation</u>	<u>Section</u>	<u>Fund Source</u>
ADOA Projects:			
Building Renewal for:			
ADOA @ 15%	2,882,200	3(A,B)	COSF
Pioneers' Home @ 100%	186,100	3(B)	Miners' Fund
Pioneers' Home Plumbing Renovations (also has FY04 GF)	500,000	6	St.Charitable+General Fund
Ex-Appropriate Tucson Prison Complex	(30,069,700)	1,2	Corrections Fund
PLTO Project Management (3 FTE Positions)	143,500	4(1)	COP Fund
PLTO Backfill Renovation (135,600 sq. ft. vacated in 6 buildings)	3,053,000	4(2)	COSF/COP Funds
PLTO Agency Relocations (move 9 agencies into vacated space)	1,007,000	4(3)	COP Fund
Subtotal - ADOA	(22,297,900)		
ADOT Projects:			
Building Renewal @ 58%	1,634,000	3(C)	Highway Fund
Asbestos and Lead Inspections	600,000	5(1)	Highway Fund
De-Icer Buildings	200,000	5(2)	Highway Fund
East Valley Maintenance Yard	1,184,000	5(3)	Highway Fund
Controlled Access Highways	81,089,000	5(4)	Highway Fund
Debt Service	44,908,000	5(4)	Highway Fund
Highway Construction	112,731,000	5(4)	Highway Fund
Airport Planning and Development	10,064,000	5(5)	Aviation Fund
Subtotal - ADOT	252,410,000		
Other:			
Building Renewal for:			
Arizona Exposition and State Fair @ 100%	1,209,700	3(D)	Expo & St. Fair Fund
Game and Fish Department @ 100%	331,000	3(E)	Game & Fish Fund
Arizona Lottery Commission @ 100%	38,300	3(F)	Lottery Fund
DHS - SAMHC @ 100%	78,900	3(G)	SAMHC Bldg Rnwl Fund
Subtotal - Other	1,657,900		
Total - FY 2003 Capital Outlay Bill	231,770,000		

6/3/02

OMNIBUS RECONCILIATION BILLS (ORB)
Public Finances – HB 2708

	<u>Section #</u>
<p>Arizona Department of Administration <i>Surplus Property</i></p> <ul style="list-style-type: none"> As session law, allows proceeds of surplus property sales in FY 2003 to be deposited into the General Fund instead of being returned to the agency. The language exempts DPS and ADOT. 	22
<p><i>Self-Insurance</i></p> <ul style="list-style-type: none"> As permanent law, requires the state to implement a state employee self-insurance health plan by October 2003 and after approval by JLBC. As session law, requires bimonthly reports to JLBC. 	11, 12, 25
<p><i>Self-Insurance Participation by Home and Community Based Providers</i></p> <ul style="list-style-type: none"> As permanent law, allows home and community based providers to participate in the state's self-insured health plan, subject to approval by JLBC. 	12
<p>Arizona Department of Agriculture <i>Equine Certification</i></p> <ul style="list-style-type: none"> As permanent law, makes equine certification optional, eliminates current equine certification fee structure, and gives the department authority to set certification fees. Fees are to be deposited in the newly created Equine Inspection Fund. Exempts director from adoption of rules for fees through June 30, 2003. 	1, 2, 3, 4, 5, 6, 7, 31
<p>Attorney General <i>Child Abuse Case Processing Funding</i></p> <ul style="list-style-type: none"> As session law, eliminates required transfer at the end of FY 2002 of remaining monies in the Federal Funds Account that were transferred into the account from the Collection Enforcement Revolving Fund to improve processing times and eliminate a backlog of child abuse cases. 	16
<p>Boxing Commission/Department of Racing <i>Combine Agencies</i></p> <ul style="list-style-type: none"> As permanent law, creates the Division of Boxing Regulation within the Department of Racing to provide staff support to the Boxing Commission. Funding for the Boxing Commission will come from monies appropriated to the Department of Racing. 	8
<p>Department of Building and Fire Safety <i>Mobile Home Relocation Fund</i></p> <ul style="list-style-type: none"> As permanent law, requires the ending balance of the Mobile Home Relocation Fund to be less than \$2,500,000 (instead of \$5,000,000) before assessments for the fund are reinstated. Also requires county assessors to waive the assessments for the fund in any year the monies in the fund exceed \$4,000,000 (instead of \$8,000,000). 	10
<p>Department of Corrections <i>Arizona Correctional Industries</i></p> <ul style="list-style-type: none"> As permanent law, allows monies in the Arizona Correctional Industries Revolving Fund to be used for inmate programming activities. 	15
<p><i>Private Prisons</i></p> <ul style="list-style-type: none"> As permanent law, before constructing new prison beds or expanding existing prison facilities, requires DOC to give consideration to contracting for private prison beds. 	13, 14
<p><i>Private Prison Beds/County Costs</i></p> <ul style="list-style-type: none"> As session law, allows DOC to contract for private beds, not to exceed \$43.60 per bed per day and not to exceed 445 beds on average from October 2002 through June 2003. Of the \$43.60 per diem cap, requires the state to pay up to \$30 and Maricopa County to pay 82% and Pima County to pay 18% of any per diem amount above \$30. County payments expire June 30, 2003. 	30

	Section #
Department of Environmental Quality <i>General Fund Transfer to WQARF</i> <ul style="list-style-type: none"> As session law, sets the FY 2003 corporate income tax transfer to WQARF to \$10,000,000. 	17
<i>Alternative Fuels Applications</i> <ul style="list-style-type: none"> As session law, establishes a pre-approval process for diesel vehicle conversion grants for contracts entered into during FY 2003. 	28
Judiciary/State Treasurer <i>Justice of the Peace Salaries</i> <ul style="list-style-type: none"> As session law, lowers the state share of Justice of the Peace compensation from 40% to 38.5% in FY 2003. The county share is increased from 60% to 61.5%. 	20
<i>County Probation Reimbursement</i> <ul style="list-style-type: none"> As session law, requires counties with populations over 500,000 to reimburse the state for the county share of adult and juvenile probation costs. 	29
State Land Department <i>Natural Resources Conservation District Funding</i> <ul style="list-style-type: none"> As session law, allows up to \$490,000 from the Environmental Special Plate Fund to be specified in the General Appropriations Act to fund Natural Resources Conservation Districts in FY 2003. 	23
State Parks <i>SLIF Travel Prohibition</i> <ul style="list-style-type: none"> As session law, prohibits the use of State Lake Improvement Fund monies for out of state travel. 	27
Department of Public Safety <i>PSPRS Contribution Rate Suspension</i> <ul style="list-style-type: none"> As session law, suspends the 2% employer contribution rate to the Public Safety Personnel Retirement System (PSPRS) in FY 2003, which results in PSPRS employers contributing the actuarial required contribution rate. 	21
<i>Firearm Background Checks</i> <ul style="list-style-type: none"> As permanent law, repeals A.R.S. § 13-3114 and transfers responsibility to conduct firearm background checks to the Federal Bureau of Investigation. 	9, 18
Arizona Department of Transportation <i>Vehicle License Tax Enforcement/Collections Deposits</i> <ul style="list-style-type: none"> As session law, requires 50% of increases in VLT collections due to MVD registration enforcement to be deposited in the General Fund. 	24
<i>Railroad Corridor Acquisition</i> <ul style="list-style-type: none"> As session law, allocates \$650,000 of the state highway fund share of VLT collections in FY 2003 for the acquisition of the 78-mile railroad corridor from west Phoenix to the town of Wellton. Requires recovery from sale of property or assets to be deposited in the State Highway Fund. 	26
Office of Tourism <i>Tourism and Sports Authority Transfers</i> <ul style="list-style-type: none"> As session law, transfers \$2,000,000 (instead of \$4,200,000) in FY 2003 from the Tourism Revenue Clearing Account to the Tourism Fund. 	19
<ul style="list-style-type: none"> As session law, transfers \$2,200,000 in FY 2003 from the Tourism Revenue Clearing Account to the General Fund. 	19

OMNIBUS RECONCILIATION BILLS (ORB)
Health – HB 2709

	<u>Section #</u>
<p>AHCCCS <i>Budget Neutrality Compliance Fund Deposit</i></p> <ul style="list-style-type: none"> As session law, repeals Laws 2001, 1st Special Session, Chapter 1, Section 11, which appropriates \$109,883,800 from the General Fund to the Proposition 204 Budget Neutrality Compliance Fund in FY 2003. The deposit is now part of the General Appropriation Act. 	21.3
<p><i>Disproportionate Share Uncompensated Care Pool</i></p> <ul style="list-style-type: none"> As session law, repeals Laws 2001, Chapter 344, Section 124, which appropriates \$3.5 million from the General Fund in FY 2003 to the Disproportionate Share Uncompensated Care (DUC) Pool. As session law, repeals Laws 2001, Chapter 344, Section 123, which allocates \$6.5 million in county Transaction Privilege Tax revenues in FY 2003 for the DUC pool. As session law, amends Laws 2001, Chapter 344, Section 100(B), which authorizes the withholding of \$6.5 million in county Transaction Privilege Tax revenues in FY 2003. Changes the purpose of the allocation from the DUC pool to state match for the AHCCCS program. 	21.2 21.1 20
<p><i>Disproportionate Share Hospitals</i></p> <ul style="list-style-type: none"> As session law, authorizes the withholding of \$125.2 million in county Transaction Privilege Tax revenues in FY 2003 to reimburse the state for indigent health care costs. As session law, requires the Economic Estimates Commission to revise Maricopa and Pima counties' expenditure limits to adjust for Disproportionate Share Hospital payments. As session law, adjusts Maricopa and Pima counties' expenditure limits in FY 2004 to reset the limits if the DSH program is eliminated. 	22 23 24
<p><i>Arizona Long Term Care System</i></p> <ul style="list-style-type: none"> As session law, freezes the General Fund subsidy to Maricopa and Pima counties for 50% of growth in the Arizona Long Term Care System at the FY 2002 level. Funds all formula changes for the other 13 counties. 	31
<p><i>Health Insurance Flexibility Act II</i></p> <ul style="list-style-type: none"> As permanent law, expands the Children's Health Insurance Program (CHIP) to parents of children enrolled in CHIP effective October 1, 2002. As permanent law, reduces eligibility for SOBRA women and children under the age of 6 from 140% to 133% of the Federal Poverty Level as they will now be covered under CHIP pursuant to HIFA II. Effective October 1, 2002. As session law, increases eligibility for SOBRA women from 133% to 140% of the Federal Poverty Level if the enrollment cap in the HIFA II waiver is reached. Appropriates \$233,300 General Fund and \$466,700 federal expenditure authority for this purpose. As permanent law, allows AHCCCS to perform eligibility determination for HIFA II (CHIP parents). As permanent law, repeals A.R.S. § 36-2984 or the family coverage provision in the CHIP program. With HIFA II this provision is no longer needed, as parents are now eligible for CHIP coverage. 	13 3 34 14 15
<p><i>Newborn Male Circumcision</i></p> <ul style="list-style-type: none"> As permanent law, repeals coverage for circumcision of newborn males in the AHCCCS program as of October 1, 2002. 	4
<p><i>Ticket to Work</i></p> <ul style="list-style-type: none"> As permanent law, amends the Ticket to Work eligibility methodology for Acute Care coverage to conform with federal guidelines. As permanent law, amends the Ticket to Work eligibility methodology for Long-Term Care coverage to conform with federal guidelines. 	11 12
<p><i>Transitional Medical Assistance</i></p> <ul style="list-style-type: none"> As permanent law, reduces AHCCCS coverage for Transitional Medical Assistance from 24 months to 12 months effective October 1, 2002. 	10

	Section #
<p><i>Rule Making Exemption</i></p> <ul style="list-style-type: none"> As session law, exempts AHCCCS from Title 41, Chapter 6 relating to rule making for one year for the purposes of implementing program changes for Transitional Medical Assistance, HIFA II, circumcision, Premium Sharing, Health Care Group, Ticket to Work and eligibility for SOBRA women and children, but requires 2 public hearings. 	34
<p><i>Medical Services Stabilization Fund</i></p> <ul style="list-style-type: none"> As session law, repeals Laws 2001, 1st Special Session, Chapter 1, Section 12, which appropriates \$5,467,000 from the General Fund to the Medical Services Stabilization Fund in FY 2003 to repay the fund for State Emergency Services costs. 	21.4
<p><i>Premium Sharing Program</i></p> <ul style="list-style-type: none"> As permanent law, allocates \$10,500,000 from the Tobacco Tax Medically Needy Account to the Premium Sharing Fund in FY 2003. As permanent law, sunsets the program on September 30, 2004. As permanent law, reduces the eligibility level from 250% to 200% of the Federal Poverty Level. Retains eligibility at 400% for persons with chronic conditions. As permanent law, repeals the existing program and reenacts the program, effective October 1, 2002, to comply with HIFA II. As session law, transfers Premium Sharing enrollees to CHIP, if they are eligible under the HIFA II expansion, effective September 30, 2002. Grandfathers eligibility for participants currently in the program. 	7 9 9 8, 9, 36 32
<p><i>Health Care Group</i></p> <ul style="list-style-type: none"> As session law, allocates \$5 million in FY 2003 from the Medically Needy Account of the Tobacco Tax and Health Care Fund for Health Care Group. As permanent law, changes the requirement for the minimum number of hours an enrollee must work from 32 hours to 20 hours per week. Allows AHCCCS to establish premiums and adjust them based on actuarial analysis. Requires 60 days notice to enrollees before premium adjustments. Shifts administrative functions from the health plans to AHCCCS. As permanent law, repeals ARS 36-2912.01, 36-2912.02, 36-2912.03, 36-2912.04, which are either replaced in the new language or are no longer necessary due to references to federal requirements. 	30 5 6
<p><i>Tobacco Tax Medically Needy Account</i></p> <ul style="list-style-type: none"> As session law, allocates \$84,872,300 of \$97,689,300 from the Medically Needy Account in FY 2003 for the following AHCCCS programs: <ul style="list-style-type: none"> \$10,000,000 for reimbursement to private hospitals; \$4,552,400 for extended maternity length of stay; \$1,349,600 for HIV/AIDS drug treatment for AHCCCS recipients; \$31,445,300 for state matching monies for the AHCCCS acute care program; \$5,000,000 for Health Care Group reinsurance; \$500,000 to expand AHCCCS and Long Term Care for persons with disabilities; and Up to \$32,025,000 to be deposited in the Children's Health Insurance Fund. 	30
<p>Commission for the Deaf and Hard of Hearing</p> <p><i>TDD Fund</i></p> <ul style="list-style-type: none"> As permanent law, repeals the quarterly reporting requirement in the Telecommunication Devices for the Deaf Fund. The fund is subject to legislative appropriation. 	2
<p>Department of Economic Security</p> <p><i>General Assistance</i></p> <ul style="list-style-type: none"> As permanent law, modifies the program to incorporate prospective eligibility for Supplemental Security Income as one of the determinants of General Assistance eligibility. 	17
<p><i>Arizona Works</i></p> <ul style="list-style-type: none"> As session law, amends Laws 2001, Chapter 232 (the FY 2000 and FY 2001 General Appropriation Act) to reduce the FY 2003 appropriation from the Temporary Assistance for Needy Families Block Grant for Arizona Works administrative performance incentives from \$868,500 to \$434,300. 	18

	Section #
<p><i>DDD Published Rate</i></p> <ul style="list-style-type: none"> As session law, requires DES to implement a published rate system for providers contracting with the Division of Developmental Disabilities. The system shall be phased-in over 3 years, subject to the availability of funds. 	33
<p><i>Rulemaking Exemption</i></p> <ul style="list-style-type: none"> As session law, exempts the Department from Title 41, Chapter 6 relating to rulemaking for 1 year for the purpose of modifying the General Assistance program. 	35
<p>Department of Health Services <i>Poison Control Fund</i></p> <ul style="list-style-type: none"> As session law, allocates 0.3% of the Telecommunication Excise Tax to the Poison Control Fund and 0.8% of the tax to the Telecommunication Devices for the Deaf Fund within the Commission for the Deaf and Hard of Hearing. 	25
<p><i>SMI Services Fund</i></p> <ul style="list-style-type: none"> As session law, requires \$2 million from the SMI Services Fund to be used for behavioral health services in FY 2003. 	27
<p><i>SMI Eligibility Determination</i></p> <ul style="list-style-type: none"> As permanent law, requires all Seriously Mentally Ill persons to apply for Title XIX eligibility before they are eligible to receive Non-Title XIX services. 	16
<p><i>Restoration to Competency</i></p> <ul style="list-style-type: none"> As session law, requires cities or counties to pay 86% of the cost of restoration to competency treatment provided at the Arizona State Hospital to inmates from that county. 	26
<p><i>Mental Health Institute</i></p> <ul style="list-style-type: none"> As session law, repeals the FY 2003 appropriation of \$2.5 million from the Medical Services Stabilization Fund for a mental health institute in Laws 2001, Chapter 273, Section 1. The amount is eliminated due to a lack of monies in the fund. The FY 2002 appropriation of \$2.5 million is retained. 	19
<p><i>Tobacco Tax Health Education Account</i></p> <ul style="list-style-type: none"> As session law, transfers \$5 million from the Health Education Account to the Medically Needy Account in FY 2003. As permanent law, requires DHS to perform evaluations of the account rather than the Auditor General. 	29 1
<p><i>Medically Needy Account</i></p> <ul style="list-style-type: none"> As session law, repeal Laws 2001, 2nd Special Session, Chapter 7, Section 22, which suspended all FY 2003 allocations from the Medically Needy Account. As permanent law, increases the Medically Needy Account allocation for nonrenal disease management from \$70,000 to \$200,000 annually to reflect actual expenditures. As permanent law, continues the FY 2002 Medically Needy Account allocation of \$4,500,000 in FY 2003 and each year thereafter for grants to qualifying community health centers. As permanent law, repeals the annual allocation of \$150,000 for health care districts. The allocation was suspended in FY 2002. As session law, allocates \$12,817,000 of \$97,689,300 from the Medically Needy Account in FY 2003 for the following DHS programs: <ul style="list-style-type: none"> \$1,000,000 for AIDS medications provided through the Arizona Drug Assistance Program; \$10,790,000 for psychotropic medications for Non-Title XIX Seriously Mentally Ill persons; \$477,000 for the Arizona Statewide Immunization Information System; \$350,000 for Hepatitis C disease surveillance; and \$200,000 to reimburse local health departments. 	21.5, 21.6 7 7 7 30
<p>Department of Veterans Services <i>Veterans' Cemetery Fund</i></p> <ul style="list-style-type: none"> As session law, authorizes the withdrawal of \$214,200 in FY 2003 from the State Veterans' Cemetery Fund for the operating expenses of the Southern Arizona Veterans' Cemetery. 	28

OMNIBUS RECONCILIATION BILLS (ORB)
Education – HB 2710

	<u>Section #</u>
<p>Arizona State Schools for the Deaf and the Blind <i>Students FIRST Provisions</i></p> <ul style="list-style-type: none"> As permanent law, require ASDB to incorporate into its budget requests amounts that the School Facilities Board indicates that it needs for deficiencies correction and new school facilities. Makes those amounts subject to legislative appropriation. As session law, stipulate that the statutory deadline for correcting school district capital deficiencies does not apply to ASDB. 	33, 52
<p>Auditor General <i>School District Audits</i></p> <ul style="list-style-type: none"> As permanent law, require the Auditor General to prescribe a method for determining that the use of building renewal monies for routine maintenance does not result in supplanting. As permanent law, require the Auditor General to randomly determine which school districts to audit each year, subject to approval by the Joint Legislative Audit Committee. As session law, require school district audits to include a detailed audit of school district administrative costs at the school level and at the district level. 	38, 40, 54
<p><i>Analyze Data on K-12 Administrative Costs</i></p> <ul style="list-style-type: none"> As session law, require the Auditor General to analyze statewide data on administrative costs for school districts that reported particularly high or low average per pupil current expenditures for administration for FY 2001. The analysis is to emphasize school districts that moved into or out of the “high” and “low” administrative cost categories between FY 1999 and FY 2001. 	50
<p>Community Colleges <i>Reduce State Board Duties</i></p> <ul style="list-style-type: none"> As permanent law, transfer some of the current duties, obligations and powers of the State Board for Directors of Community Colleges (SBDCC) to county boards of supervisors, the State Board of Education, JLBC and JCCR. 	4 – 32, 58, 59, 60
<p><i>State Board Rules</i></p> <ul style="list-style-type: none"> As session law, freeze through June 30, 2003 administrative rules and orders adopted by the SBDCC prior to June 30, 2002. As session law, prohibit community college district boards from adopting rules that conflict with rules adopted by the SBDCC. 	58
<p><i>Provisional Community College Districts</i></p> <ul style="list-style-type: none"> As permanent law, exclude from the full-time equivalent student (FTSE) count of a community college the count attributable to a provisional community college district that is formed and has established its primary tax rate. 	8
<p><i>SBDCC Compensation</i></p> <ul style="list-style-type: none"> As permanent law, repeal A.R.S. § 15-1423, which prescribes guidelines for compensating the SBDCC executive director and board members. 	9
<p><i>Tuition and Fee Waivers</i></p> <ul style="list-style-type: none"> As permanent law, allow a district board to waive tuition and fees. (Restores in a different location some current law language from A.R.S. § 15-1424.B7.) 	11
<p><i>Identify Dual Enrollment Students</i></p> <ul style="list-style-type: none"> As permanent law, require community college governing boards to identify dual enrollment students. (Note: This requirement is from Laws 2001, Chapter 372, which amended A.R.S. § 15-1425. The bill repeals the Chapter 372 language in order to simplify the blending of multiple enactments.) 	11, 12
<p><i>Legal Counsel for Procuring Federal Loans</i></p> <ul style="list-style-type: none"> As permanent law, repeals A.R.S. § 15-1426, which authorizes the SBDCC to hire legal counsel to procure federal loans for community colleges. 	13
<p><i>Annual Report</i></p> <ul style="list-style-type: none"> As permanent law, require community college governing boards to include in their annual report additional data on full-time equivalent students. 	14

	Section #
<p><i>Transfer Articulation</i></p> <ul style="list-style-type: none"> As permanent law, convert into statutory language a General Appropriations Act footnote regarding reporting requirements for community college and university transfer articulation. As permanent law, require the Arizona Board of Regents and community colleges to facilitate the coordination of transfer articulation. 	32
<p><i>State Aid Specified in General Appropriation Act</i></p> <ul style="list-style-type: none"> As session law, disregard the funding formulas in A.R.S. §§ 15-1464, 15-1466 and 15-1468 and instead fund Capital Outlay State Aid, Operating State Aid and Equalization Aid at levels set in the General Appropriations Act. 	47
<p><i>Appropriate Funding for Tribal Community Colleges</i></p> <ul style="list-style-type: none"> As session law, allow distribution of sales tax monies pursuant to A.R.S. § 42-5031.01 only to a tribal community college that received distributions under that law for FY 2002. 	53
<p><i>Vocational Education Allotments</i></p> <ul style="list-style-type: none"> As session law, require the State Board for Vocational and Technological Education to allocate federal monies for vocational education in a manner that minimizes administrative costs and maximizes allocations to community college districts. 	62
<p><i>Exemption from Building Codes</i></p> <ul style="list-style-type: none"> As session law, exempt community college buildings from local building codes pursuant to A.R.S. § 34-461. 	65
<p>Department of Education <i>JTED Voter Notification</i></p> <ul style="list-style-type: none"> As permanent law, require school district voters to be notified of the tax increase that would result if they join a JTED. 	2, 3
<p><i>Cap Excess Utilities Spending</i></p> <ul style="list-style-type: none"> As session law, cap school district excess utilities spending through FY 2004 at the FY 2002 level. 	56
<p><i>K-12 Rollover</i></p> <ul style="list-style-type: none"> As session law, defer until July 1, 2003 \$191 million of the Basic State Aid and Additional State Aid (Homeowner's Rebate) payment that school districts will receive on June 15, 2003. 	48, 49
<p><i>JTED Freeze</i></p> <ul style="list-style-type: none"> As session law, freeze the number of JTED's at the FY 2002 level through FY 2004 with certain exceptions. 	51
<p>JLBC Staff <i>K-12 Administrative Cost Analysis</i></p> <ul style="list-style-type: none"> As session law, require the JLBC Staff to analyze K-12 administrative cost data for FY 2001 by July 1, 2002. 	50
<p>Legislative Council <i>English Learner Cost Study</i></p> <ul style="list-style-type: none"> As session law, reduce the appropriation for an English Learner cost study from \$500,000 to \$250,000. 	44
<p><i>Conforming Legislation</i></p> <ul style="list-style-type: none"> As session law, require Legislative Council to prepare proposed legislation to conform statute to the provisions of this act. 	64
<p>School Facilities Board <i>(Note: The SFB portion of the bill includes a repeal of A.R.S. § 15-2002, as amended by Laws 2001, Chapter 297, in order to simplify the blending of multiple enactments. Section 33 includes replacement language. That replacement language affects more than one policy issue listed below.)</i></p>	34
<p><i>Building Renewal Fund Reduction</i></p> <ul style="list-style-type: none"> As session law, disregard SFB instructions to transfer \$132 million GF to the Building Renewal Fund and instead transfer \$38,274,100. As session law, suspend the Building Renewal formula for FY 2003 and FY 2004 and explain legislative intent for this action. 	45, 61, 63

	<u>Section #</u>
<p><i>New School Facilities Fund Reduction</i></p> <ul style="list-style-type: none"> As session law, disregard SFB instructions to transfer \$311 million GF to the New School Facilities Fund and instead make no transfer. 	46
<p><i>Leasing-to-Own (LTO)</i></p> <ul style="list-style-type: none"> As permanent law, allow SFB and local school districts to use lease-to-own arrangements for new school facilities up to a maximum of \$200 million each year. Defines parameters for lease-to-own arrangements, including a requirement that lease-to-own space be included in student capacity computations. As session law, require the SFB to enter into LTO agreements to pay for new school facilities in FY 2003, but at a maximum funding level of \$400 million for that year. As session law, allow the SFB to transfer monies from the New School Facilities Fund to the LTO Fund. 	35, 55
<p><i>Deficiencies Corrections Deadlines</i></p> <ul style="list-style-type: none"> As permanent law, prohibit distribution of deficiencies corrections monies for projects started after June 30, 2003 or projects that were approved after May 10, 2002. 	37, 63
<p><i>Delay Deficiencies Corrections Repeal</i></p> <ul style="list-style-type: none"> As session law, delay repeal of the Deficiencies Corrections Fund from June 30, 2003 to June 30, 2004. 	42, 43
<p><i>Prevent Reconfiguration of Grades</i></p> <ul style="list-style-type: none"> As permanent law, prohibit reconfiguration of grades if within 3 years the reconfiguration would result in the district falling below the minimum square footage adequacy guidelines (estimated short-term savings of \$8.4 million). 	1
<p><i>New Construction Estimates</i></p> <ul style="list-style-type: none"> As permanent law, require the SFB to submit to JCCR by October 15th each year information regarding its technical estimates for new school construction. 	33
<p><i>Routine Maintenance</i></p> <ul style="list-style-type: none"> As permanent law, require each school district to develop routine maintenance guidelines and submit them to the SFB by October 1, 2002 for review and approval by February 1, 2003. As permanent law, require the SFB to randomly select 20 school districts every 30 months and inspect them for compliance with their routine maintenance guidelines. As permanent law, require school districts to use up to 8% of building renewal funds to return buildings to compliance with routine preventative maintenance guidelines if the SFB finds them to be out of compliance. 	33, 38
<p><i>ASDB Funding</i></p> <ul style="list-style-type: none"> As permanent law, prohibit the SFB from including funding for ASDB in transfer instructions that are given to the State Treasurer each year pursuant to A.R.S. § 15-2002.A10. 	33
<p><i>Transfer of Monies Between Funds</i></p> <ul style="list-style-type: none"> As permanent law, allow the SFB to temporarily transfer monies between agency funds. Require the SFB to report to JCCR regarding amounts transferred and reasons for transfers. 	33
<p><i>Include New Space Funded at the District Level</i></p> <ul style="list-style-type: none"> As permanent law, require SFB to include in the student capacity of a school district any square footage from new school facilities that is built after July 1, 2002 and that is funded with either 1) Class B bonds, 2) capital overrides approved by voters after June 30, 2002, or 3) unrestricted capital outlay expended after June 30, 2002. For expanded facilities, the new requirement applies only to expansion space that exceeds minimum adequacy guidelines for square footage by more than 25%. Would reduce costs for new construction and increase costs for building renewal. 	36
<p><i>School Construction Project Management</i></p> <ul style="list-style-type: none"> As permanent law, require a school district that uses its own project manager for new school construction to have its governing board and project manager sign an affidavit that they will follow minimum adequacy requirements. 	39
<p><i>Allow Districts to use Building Renewal for Maintenance</i></p> <ul style="list-style-type: none"> As permanent law, allow school districts to use 8% of their building renewal monies for routine preventative maintenance. Shall not supplant existing funding for routine maintenance. As permanent law, require the SFB to provide school districts with examples of routine maintenance services that may be funded with building renewal monies. 	38

	Section #
<p><i>Building Renewal 5-Year Plan</i></p> <ul style="list-style-type: none"> As permanent law, requires school districts to submit a 5-year plan for building renewal to the SFB by October 15th each year. 	38
<p><i>Elimination of Building Renewal for Deficiencies Corrections Replacement Buildings</i></p> <ul style="list-style-type: none"> As permanent law, beginning on July 1, 2002, prohibit a district from receiving building renewal monies for any building to be replaced with deficiencies corrections monies. 	38
<p><i>Project Managers</i></p> <ul style="list-style-type: none"> As permanent law, allow the SFB to include project managers in the technical support that they provide to school districts. 	33
<p><i>Return Surplus Construction Funds</i></p> <ul style="list-style-type: none"> As permanent law, require districts to return any surplus new school construction funds unless SFB determines the project was completed with quality products. 	39
<p><i>Minimum Guidelines</i></p> <ul style="list-style-type: none"> Repeal Laws 2001, 2nd SS, Chapter 6, section 9, which currently does not allow any changes to the minimum adequacy guidelines. As session law, allow SFB to make changes to the minimum school facility adequacy guidelines for health, safety and cost. 	41, 57

e:\03recbk\03ORB List-Education Conference.doc 5/24/02

OMNIBUS RECONCILIATION BILLS (ORB)
Urban Revenue Sharing/Conformity – HB 2712

	<u>Section #</u>
<p>Urban Revenue Sharing <i>FY 2003 and FY 2004 Urban Revenue Sharing Distribution</i></p> <ul style="list-style-type: none"> As permanent law, requires that for FY 2003 and FY 2004, the urban revenue sharing distribution percentage to cities and towns be reduced from 15% to 14.8%, returning to 15% in FY 2005. Also requires that the reduction from 15% to 14.8% not apply to the alternative fuel reimbursement from the budget stabilization fund which was deposited into the tax refund account in FY 2001 and FY 2002. 	3
<p>IRS Conformity <i>Full and Partial Conformity to IRS Tax Provisions</i></p> <ul style="list-style-type: none"> As permanent law, requires that the state conform to the federal tax provisions contained in the Economic Growth and Tax Relief Reconciliation Act of 2001, and the Job Creation and Worker Assistance Act of 2002, except for the bonus depreciation allowance provision. 	1, 2, 4, 5, 6, 7, 8

FY 2002 - FY 2003 TANF Block Grant Spending (Updated 5-8-02)

	Total FY 2002	FY 03 Technical Changes	House/Senate Proposal	Total FY 2003
ESTIMATED TANF BEGINNING BALANCE	85,775,700	57,865,300		57,865,300
TOTAL TANF BLOCK GRANT REVENUES ^{1/}	231,137,200	226,212,300		226,212,300
<u>Cost Center/Special Line Item</u>				
Administration				
Operating	5,505,500	13,900	(259,000)	5,260,400
Finger Imaging	287,400	1,200		288,600
Lease Purchase Equipment	645,100	(100)		645,000
Public Assistance Collections	168,200	4,200		172,400
Attorney General Legal Services	132,500	3,800		136,300
Total – Administration	6,738,700	23,000	(259,000)	6,502,700
Benefits and Medical Eligibility				
Operating	9,942,300	399,000	(200,000)	10,141,300
TANF Cash Benefits (10.8% growth from June '02 to June '03)	81,452,400	22,365,700	(212,200)	103,605,900
FLSA Supplement	1,008,900			1,008,900
Tribal Welfare Reform	1,000,000		(1,000,000)	0
Arizona Works Administrative Incentives	1,292,800	(424,300)	(434,200)	434,300
Food Stamp Outreach and Education	50,000		(50,000)	0
Additional Appropriations: Laws 2001, Chapter 345 (Hopi Tribe)	398,000	(398,000)		0
Total – Benefits and Medical Eligibility	95,144,400	21,942,400	(1,896,400)	115,190,400
Aging and Community Services				
Operating	237,300	6,500		243,800
Community and Emergency Services (\$1,038,900 reallocated as part of COG shift)	5,996,000			5,996,000
Coordinated Hunger Program	500,000			500,000
Coordinated Homeless Programs	1,583,200			1,583,200
Domestic Violence Prevention	5,115,900			5,115,900
Total – Aging and Community Services	13,432,400	6,500	0	13,438,900
Children, Youth and Families				
Operating (Technical changes include \$1,504,700 one-time equipment reduction)	16,435,500	(1,052,800)	(700,000)	14,682,700
Children Services	10,174,300			10,174,300
Family Builders Program	6,200,000			6,200,000
Attorney General Legal Services	47,000	500		47,500
TANF Deposit to SSBG (assumes 10% transfer in FFY03, permits \$11.6M GF savings)	32,066,500	4,331,700		36,398,200
TANF Deposit to the Joint Substance Abuse Treatment Fund	333,300			333,300
Homeless Youth Intervention	400,000			400,000
Permanent Guardianship Subsidy	859,300			859,300
Additional Appropriations: Laws 2001, Chapter 345 (Out-of-School)	500,000	(500,000)		0
Total – Children, Youth and Families	67,015,900	2,779,400	(700,000)	69,095,300
Employment and Rehabilitation Services				
Operating	6,053,800	231,500		6,285,300
JOBS	20,316,600			20,316,600
Work-Related Transportation	3,302,200			3,302,200
Day Care Subsidy (annualize 10/1/01 rates)	20,964,200	2,393,200		23,357,400
Transitional Child Care (annualizes 10/1/01 rates)	25,843,100	576,400		26,419,500
Total – Employment and Rehabilitation Services	76,479,900	3,201,100	0	79,681,000
TOTAL – DEPARTMENT OF ECONOMIC SECURITY	258,811,300	27,952,400	(2,855,400)	283,908,300
Department of Health Services - Pregnancy Prevention, Perinatal Services	6,300	(6,300)		0
Northern Arizona University - Character Education Training	230,000		(230,000)	0
TOTAL TANF BLOCK GRANT SPENDING IN BUDGET	259,047,600	27,946,100	(3,085,400)	283,908,300
ESTIMATED TANF ENDING BALANCE	57,865,300	(2,916,100)		169,300

^{1/} FY02: 3/4 of FFY02 Supp. Grant (\$17.9M); FY03: 1/4 of FFY02 Supp. Grant (\$6.0M), \$19.0M of FFY03 Supp. Grant revenues.

JLBC Staff
5/23/02 16:32

Medically Needy Account

	FY 2001	FY 2002	FY 2003
<u>Medically Needy Account</u>			
Balance Forward	\$ 88,328,400	\$ 49,200,600	\$ 43,011,200
Transfer in - Tobacco Tax and Health Care Fund ^{1/}	77,649,400	76,280,300	75,128,900
Transfer in - Health Education Account	-	10,000,000	5,000,000
Interest and Revertments ^{2/}	8,248,000	2,509,600	2,462,800
Total Funds Available	\$ 174,225,800	\$ 137,990,500	\$ 125,602,900
<u>Allocation</u>			
AHCCCS Medically Needy Allocations:			
\$10 M Hospital Reimbursement	10,000,000	10,000,000	10,000,000
Maternity Length of Stay	5,315,500	4,402,000	4,552,400
HIV/AIDS Treatment	384,600	1,349,600	1,349,600
AHCCCS State Match	16,247,200	30,195,800	31,445,300
Transplants	801,400	400,000	320,000
Health Care Group Reinsurance	-	6,000,000	5,000,000
Ticket to Work	-	91,000	500,000
Transfer to Premium Sharing Fund	-	-	10,920,000
Transfer to CHIP Fund	19,833,700	11,170,700	23,572,500
Transfer to CHIP Fund - CHIP Parents	-	-	7,897,400
Transfer to DHS Health Crisis Fund	960,000	1,000,000	1,000,000
Transfer to DES Aging and Adult Administration	500,000	500,000	500,000
Transfer to AHCCCS - FY 2001 Shortfall	29,809,400	-	-
DHS Medically Needy Allocations:			
Primary Care Programs	6,240,000	5,720,000	5,720,000
Qualifying Community Health Centers	5,200,000	4,680,000	4,680,000
Community Health Centers	4,000,000	1,000,000	-
Telemedicine - U of A	-	225,000	-
Telemedicine - DHS	-	260,000	260,000
Mental Health - Non-Title XIX	5,200,000	3,120,000	3,120,000
Behavioral Health Fund Shift	-	-	-
Detoxification Services	-	390,000	390,000
Renal Disease Management	260,000	260,000	260,000
Evaluations	854,200	854,200	854,200
Rural Primary Care Provider Loan Repay Pgm	111,200	111,200	111,200
HIV/AIDS Drug Assistance Program (ADAP)	1,000,000	1,000,000	1,000,000
Nonrenal Disease Management	208,000	72,800	200,000
CHIP Direct Services	1,000,000	-	-
TCE Areas - Health Care Services	-	260,000	-
SMI Non-Title XIX Psychotropic Medications	16,600,000	10,790,000	10,790,000
Emergency Vaccines	500,000	-	-
County Public Health	-	200,000	200,000
Nursing Care Inst. Incentive Grants	-	100,000	-
Az Statewide Immunization Information System	-	477,000	477,000
Hepatitis C Surveillance	-	350,000	350,000
Health Service Districts	-	-	-
Total Allocation	\$ 125,025,200	\$ 94,979,300	\$ 125,469,600
Balance Forward	\$ 49,200,600	\$ 43,011,200	\$ 133,300

1/ Revenue estimates assume a decrease of (1.5)%. Revenues actually declined by (1.18)% in FY 1999, (2.65)% in FY 2000, and (0.98)% in FY 2001 .

2/ Revertments include monies transferred pursuant to Laws 2000, Chapter 304 and unexpended DHS allocations that have not yet been reverted by DHS.