

State of Arizona

The Executive Budget

SUMMARY

FISCAL YEAR 2015

Janice K. Brewer
GOVERNOR



JANUARY 2014

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January 2014

To the Honorable Members of the 51st Legislature:

For the past five years, Arizona has walked a narrow budget path, maintaining funding for critical areas of government while addressing a structural budget deficit brought on by years of mismanagement and the devastating impacts of the Great Recession. Throughout this process, we have adhered to strong conservative principles, including prioritizing public safety; reforming, modernizing and streamlining State Government; enhancing Arizona's economic competitiveness; and focusing State spending on its core functions.

Maintaining a high level of discipline has not been easy, but it has paid off, and it must continue to serve as a hallmark of State Government.

The large ending balance achieved in FY 2013 was mainly a result of the temporary tax implemented as a bridge to fiscal viability through the recession. The tax's expiration is the fulfillment of a promise made to the voters who approved it; however, the loss of the temporary revenue has pulled the State's General Fund budget back into a temporary imbalance. This result was expected, and planning for it produced the necessarily large cash balance with which the State ended FY 2013.

While this temporary imbalance was foreseen, it must be rectified as quickly as possible. My budget achieves that objective, and, by staying our course, fiscal balance will be restored in FY 2016. There has been, and will continue to be, a chorus of calls for more spending in the next fiscal year. However, it is imperative that we remain faithful to our proven principles and carry through on our promises to reestablish a strong fiscal foundation.

This year, my budget follows through on those promises by:

- proposing a balanced budget for FY 2015 that is free of fiscal bridges and temporary measures,
- identifying a path that will bring the State to full structural balance by FY 2016,
- continuing to modernize State Government,
- reforming the management structure of Child Protective Services (CPS), and
- taking the next step in K-12 performance funding.

We will achieve these objectives while adding to our Budget Stabilization Fund.

In addressing the State's structural deficit, we recognize that imbalanced budgets are products not only of overly optimistic revenue forecasts but also of poor spending decisions. Long-term neglect of the State's core operating infrastructure to create spending capacity for pet political projects has left the operations of the State at risk. We have launched the modernization of our technology systems, and now we must begin the long-term process of addressing critical building systems and statewide infrastructure.

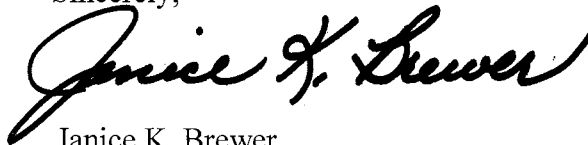
Modernizing State Government also requires that we reexamine our budget processes and priorities. Historically, State budgeting has begun and ended with responses to growing demands for State services. When a person has qualified to receive a service – whether assistance for the needy or enrollment in a public school, college or university — the State has simply added more money to the pot. That process must change. Budgeting must be more strategic, and it must be more outcome-based.

Further, to reach for a higher plateau of fiscal management while more effectively caring for neglected, abused and abandoned children, we must free CPS from the Department of Economic Security. I call on the Legislature to make the necessary budget changes to see that process through to a successful conclusion. A streamlined, stand-alone CPS will provide greater transparency and accountability while allowing the agency to focus solely on its top priority: child safety. Moreover, demanding higher performance standards and providing meaningful resources will ultimately improve outcomes for Arizona's most vulnerable children.

Finally, my proposal continues K-12 education reforms, launched last year, by fully implementing a performance-based funding model that centers on individual student outcomes. This plan will reward schools for each student who earns high marks or achieves measurable improvement. We cannot ignore the base cost of educating each student, but we can inject into our education system appropriate incentives to encourage the learning outcomes our children deserve.

We should be proud of what we have accomplished together these past few years. State Government has made great strides toward the turnaround I envisioned when I first stood before you. We must remain steadfast in our commitment to sound fiscal policy and budget practices that have driven the Arizona Comeback.

Sincerely,

A handwritten signature in black ink that reads "Janice K. Brewer". The signature is written in a cursive, flowing style.

Janice K. Brewer
Governor

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Staying a Successful Course

Maintaining budget discipline continues to serve as a hallmark of State Government.

Five years ago, at the depths of the most severe economic downturn and resulting fiscal crisis since the Great Depression, the Executive and Legislature positioned State Government on a long-term path to fiscal solvency. That path included a temporary tax, significant spending cuts, and ongoing fiscal discipline.

With the expiration of the temporary tax, Arizona passed a significant milestone toward fiscal stability; however, that journey is not complete.

While the FY 2013 ending cash balance exceeded \$895 million, this balance was driven in large part by the now-expired temporary tax. The accumulation of the large cash balance was a planned strategy aimed at smoothing the transition from temporary to permanent revenue and lessening the impact of a \$960 million revenue reduction that pushed the State’s budget into a short-term structural deficit. That deficit must be remedied quickly yet responsibly, and the FY 2015 Executive Budget Recommendation achieves that objective by adhering to the State’s self-imposed spending discipline of the last five years.

Projected Baseline Structural Balances

In Thousands of Dollars

FY 2014	FY 2015	FY 2016	FY 2017
(\$303,497)	(\$12,121)	\$240,180	\$435,099

The Executive’s baseline budget projections show a return to structural balance by FY 2016. In the meantime, the State’s General Fund budgets must reflect an unwavering commitment to that target. Maintaining the FY 2016 structural balance will finally complete the budget correction plan put into place in FY 2010. For the first time since FY 2007, the State will have a budget that is balanced without any temporary measures.

Restoring structural balance in FY 2015 is a tempting goal. However, with the expiration of the temporary tax, the State cannot achieve structural balance without making significant spending cuts that, in the current climate, are neither wise nor necessary.

The large ending balance created by the temporary tax and carefully protected by the Legislature provides the resources necessary to carry the State through fiscal years 2014 and 2015. That balance allows the Executive Budget Recommendation to address the State’s short-term operational and capital needs while achieving a structurally balanced budget in FY 2016.

HIGHLIGHTS

- Creation of a CPS Transition fund for the separation of CPS from DES
- Expansion of the Office of Child Welfare Investigations
- Student Success Funding, charter school reform, increased funding for the K-12 data system, and funding for IT certifications
- Buyout of the universities’ remaining parity payments and establishment of a statutory performance funding formula
- One-time funding for capital improvements
- \$50 million Budget Stabilization Fund deposit
- Restoring the General Fund budget to structural balance by FY 2016

FY 2014 BUDGET RECOMMENDATION

Child Protection

For the balance of FY 2014, none of the State’s operational needs is greater than protecting at-risk children. During FY 2011 and FY 2012, Child Protective Services (CPS) experienced unprecedented growth in reports of child neglect and abuse and in the resulting placement of children in foster care. Caseload growth continued in FY 2013 and early FY 2014, albeit at a slower rate, and as this Budget Plan was prepared, the volume of reports, while still at historically high levels, was no longer climbing.

Although the rate is no longer climbing, the recent high growth has exposed both resource and structural issues at CPS, and the Executive Recommendation addresses both issues. In FY 2014, the recommendation includes resources for 212 new caseworkers. The added caseworkers are sufficient to meet the caseload standards resulting from the May 2013 CPS Resource Allocation Study. The Executive recommends that the workers be phased in over FY 2014 and FY 2015.

Major General Fund Recommendations FY 2014

CPS Workers.....	\$ 5.5 million
Projected FY 2014 Ending Balance.....	671.5 million

FY 2015 BUDGET RECOMMENDATION

The FY 2015 Executive Budget Recommendation continues to address the State’s core missions of public safety, education, and caring for the vulnerable. The Recommendation uses a combination of ongoing spending and one-time capital initiatives to address State needs while maintaining budget discipline.

Child and Adult Protection

Continuing an initiative started in FY 2014, the Executive recommends the continued phase-in of the recommended CPS workers. To address CPS structural issues, the Recommendation expands the Office of Child Welfare Investigations (OCWI) and creates a CPS Transition fund to provide the necessary resources to separate CPS from the Department of Economic Security (DES).

In addition, the budget provides the resources to respond effectively to the growing caseloads in Adult Protective Services (APS) and growing fire safety needs.

Education

The Executive has long supported education reform through performance funding. The FY 2015 Recommendation continues that path for both K-12 and Higher Education.

K-12 Education. The Budget Recommendation builds on last year’s Legislative promise to advance K-12 performance funding. Working with a large and diverse group of stakeholders, the Executive developed the recommended model, “Student Success Funding,” which provides the education incentives needed while maintaining equity in the formula. Additionally, the Executive proposes charter school reform, increased funding for the K-12 data system, and funding for IT certifications.

Higher Education. Before an effective performance plan can be fully implemented, the five-year parity funding plan must be completed. The Executive proposes an FY 2015 buyout of the remaining parity payments and the establishment of a statutory performance funding formula on which to base future increases to General Fund support of Arizona’s three universities. The Executive also recommends funding for the University of Arizona Cooperative Extension program and for STEM funding for the community colleges.

State Infrastructure

In response to a growing consensus to increase the State’s infrastructure investment, the Executive Recommendation addresses transportation, water and communication needs, including:

- transportation funding to re-establish the rural county exchange program,
- funding to help improve and protect State water supplies,
- completing the western loop of the DPS Microwave backbone,
- building out Arizona’s rural broadband network, and
- protecting Arizona’s military bases.

Good Government

The Executive Recommendation continues to modernize and streamline State Government. Executive initiatives address:

- IT modernization, including beginning the process of using offsite data storage;
- tax reform, including TPT exemptions for manufacturing;
- modernization efforts at the Department of Revenue;
- one-time investments for building renewal and other capital needs;
- construction of a new Veteran Home; and
- a \$50 million deposit into the Budget Stabilization Fund.

Major General Fund Recommendations FY 2015

Public Safety

DES – Long-Term Care/TANF Backfill	\$ 58.7 million
DES – CPS Transition Fund (one-time)	25.0 million
DES – CPS Staffing.....	21.5 million
DES – OCWI Staffing.....	8.6 million
DES – Children Support Services.....	5.6 million
DES – Adult Protective Services.....	5.2 million
DES – Eligibility Workers	4.6 million
DES – Records Retention Staffing.....	3.0 million
DES – AZEIP Caseload.....	1.5 million
Forester – Fire Safety/Equipment.....	1.8 million

K-12 Education

Student Success Funding	\$ 37.6 million
Charter Reform	31.5 million
New Assessment.....	13.5 million
Data System (one-time).....	9.5 million
AZELLA Test.....	3.5 million
IT Certifications.....	2.0 million
SEI Fund Adjustment	(3.8 million)

Higher Education

Universities – Parity	\$ 27.5 million
Universities – TGen (one-time)	15.0 million
Community Colleges – STEM	4.2 million
Universities – UA Cooperative Extension	3.5 million
Universities – Debt Service Alignment	(5.8 million)

Infrastructure

DEMA – Military Installation Fund (one-time).....	\$ 5.0 million
DPS – Microwave Backbone (one-time).....	3.4 million
Water – Water Supply	2.0 million

Good Government

Administration – Capital (one-time)	\$ 30.0 million
Board of Regents – Capital (one-time).....	10.0 million
BSF Deposit (one-time).....	50.0 million
DES – Data Center (one-time.....	8.8 million
Corrections – Capital (one-time).....	14.0 million
Revenue – Fraud Prevention	2.6 million
Revenue – Tobacco Enforcement	1.4 million
Revenue – TPT Reform Implementation.....	1.2 million

Revenue – Capture Page II (one-time)	800,000
Veterans – New Veteran Home (one-time).....	9.2 million
Tax Reform Measures.....	30.0 million
Projected FY 2015 Ending Balance.....	\$ 244.0 million
Projected FY 2016 Ending Balance.....	236.4million
Projected FY 2017 Ending Balance.....	420.6 million

SOURCES AND USES OF FUNDS

The General Fund’s Sources and Uses of Funds statement that follows this section summarizes the Executive Budget Recommendation in tabular form. The statement presents the following:

- The “FY 2013 Actual” column reflects actual revenues and expenditures for FY 2013 taken from the State’s Accounting and Financial Information System.
- The “FY 2014 Appropriated” column reflect the enacted appropriations.
- The “FY 2014 Baseline” includes Executive recommended changes to the enacted appropriations.

- The “FY 2015-FY 2017 Baseline” columns reflect the Executive’s revenue and expenditure projections based on updated caseload forecasts.
- The “FY 2015 Baseline plus Gov. Initiatives” column reflect the Executive’s revenue projections and expenditure recommendations.
- The “FY 2016 Executive Baseline plus Gov. Initiatives” and “FY 2017 Executive Baseline plus Gov. Initiatives” columns reflects the Executive’s calculation of the State’s fiscal situation in FY 2016 and FY 2017 based on the FY 2015 Executive Recommendation.

OUTCOMES OF THE EXECUTIVE RECOMMENDATION

The Executive Recommendation provides total General Fund expenditure levels of \$9.31 billion in FY 2015, \$9.4 billion in FY 2016, and \$9.64 billion in FY 2017. In contrast to the structural balances table shown on the first page of this chapter, Fiscal Year 2017 ends with a \$199.1 million structural balance and a \$420.6 million ending balance, with an additional \$500 million in the Budget Stabilization Fund.

Budget Message > STATEMENT OF GENERAL FUND SOURCES AND USES

Dollars in Thousands	FY 13	FY 14	FY 14	FY 15	FY 15	FY 16	FY 16	FY 17	FY 17
	Prelim Actual	Appropriated	Projected	Baseline	Baseline Plus Gov. Initiatives	Baseline	Baseline Plus Gov. Initiatives	Baseline	Baseline Plus Gov. Initiatives
SOURCES OF FUNDS									
Balance Forward	396,960	895,537	895,537	676,089	676,089	663,968	243,995	904,148	236,428
Ongoing Revenues									
Base Revenues	8,734,264.4	9,052,728.4	9,052,728.4	9,565,051.0	9,565,051.0	10,054,020.0	10,054,020.0	10,519,459.8	10,519,459.8
<i>Urban Revenue Sharing</i>	(513,584.0)	(561,001.2)	(561,001.2)	(608,935.7)	(608,935.7)	(631,374.0)	(631,374.0)	(666,289.2)	(666,289.2)
<i>Civic Center and Rio Nuevo Payment</i>	(15,352.5)	(30,449.0)	(30,449.0)	(30,449.0)	(30,449.0)	(30,449.0)	(30,449.0)	(30,449.0)	(30,449.0)
<i>TPT Threshold</i>	(52,000.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted Base Revenues	8,153,327.8	8,461,278.2	8,461,278.2	8,925,666.3	8,925,666.3	9,392,197.0	9,392,197.0	9,822,721.6	9,822,721.6
Temporary 1 cent TPT increase	962,172.0	-	-	-	-	-	-	-	-
Tax Changes	-	-	-	-	(30,000)	-	(30,000)	-	(30,000)
Long-term Care Fund	-	-	-	-	25,000	-	25,000	-	25,000
Revenue from Fraud Detection	-	-	-	-	8,000	-	8,000	-	8,000
Agency Fund Restructure/Diverts	-	-	-	-	(233)	-	(3,896)	-	(3,269)
Budget Fund Transfers + Clean Elections	40,000.0	70,900.0	70,900.0	-	-	-	-	-	-
AG Housing Settlement	-	50,000.00	50,000.00	-	-	-	-	-	-
Judiciary	6,000.0	6,000.0	6,000.0	-	-	-	-	-	-
Total Revenues without Balance Forward	9,161,499.8	8,588,178.2	8,588,178.2	8,925,666.3	8,928,433.0	9,392,197.0	9,391,300.9	9,822,721.6	9,822,452.2
TOTAL SOURCES OF FUNDS	9,558,459.8	9,483,715.1	9,483,715.1	9,601,755.5	9,604,522.2	10,056,165.4	9,635,296.1	10,726,869.9	10,058,880.3
USES OF FUNDS									
Agency Operating Budgets	8,532,599.9	8,704,727.5	8,721,202.3	8,883,390.9	9,198,730.8	9,096,633.3	9,343,484.2	9,333,753.4	9,584,452.9
Standard Adjustments	-	-	-	3,096.0	3,096.0	3,096.0	3,096.0	3,096.0	3,096.0
Health Insurance Premium Holiday	(19,074.7)	-	-	-	-	-	-	-	-
AHCCCS Tobacco Settlement Offset	(48,000.0)	-	-	-	-	-	-	-	-
Reduce K012 Payment Deferral (Small Schools)	21,900.0	-	-	-	-	-	-	-	-
Total Operating Budget	8,487,425.2	8,704,727.5	8,721,202.3	8,886,486.9	9,201,826.8	9,099,729.2	9,346,580.1	9,336,849.4	9,587,548.9
<i>Other Expenses/(Revenues)</i>									
Capital Outlay	20,000.0	31,000.0	31,000.0	-	57,400.0	-	-	-	-
HB 2608 - PSPRS Transfer	-	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0
County Funding	-	7,150.5	7,150.5	7,150.5	7,150.5	7,150.5	7,150.5	7,150.5	7,150.5
Unallocated Adjustments	-	53.3	53.3	-	-	-	-	-	-
Woolsey Flood District	67.8	-	-	-	-	-	-	-	-
Sale/ Lease-Back Lease-Purchase Payment	84,119.8	84,119.8	84,119.8	84,103.6	84,103.6	84,094.5	84,094.5	84,094.5	84,094.5
Administrative Adjustments	42,048.0	60,000.0	60,000.0	60,540.0	60,540.0	63,296.3	63,296.3	64,352.1	64,352.1
Reversions	(170,738.0)	(100,900.0)	(100,900.0)	(105,493.8)	(105,493.8)	(107,253.4)	(107,253.4)	(109,824.2)	(109,824.2)
TOTAL USES OF FUNDS	8,462,922.8	8,791,151.1	8,807,625.9	8,937,787.2	9,310,527.1	9,152,017.1	9,398,868.0	9,387,622.3	9,638,321.8
Rainy Day Fund Deposit	200,000.0	0.0	0.0	0.0	50,000.0	0.0	0.0	0.0	0.0
ENDING BALANCE	895,536.9	692,564.0	676,089.2	663,968.4	243,995.2	904,148.3	236,428.1	1,339,247.6	420,558.5

Budget Message > STATEMENT OF GENERAL FUND SOURCES AND USES

Structural Balances Showing One-Time Sources & Uses Items

	FY 15 Baseline	FY 15 Baseline Plus Gov. Initiatives	FY 16 Baseline	FY 16 Baseline Plus Gov. Initiatives	FY 17 Baseline	FY 17 Baseline Plus Gov. Initiatives
SOURCES OF FUNDS						
Ongoing Base Revenues	8,925,666.3	8,925,666.3	9,392,197.0	9,392,197.0	9,822,721.6	9,822,721.6
Tax Changes	-	(30,000)	-	(30,000)	-	(30,000)
Long-term Care Fund	-	25,000	-	25,000	-	25,000
Revenue from Fraud Detection	-	8,000	-	8,000	-	8,000
Agency Fund Restructure/Diverts	-	(233)	-	(3,896)	-	(3,269)
Net Ongoing Revenues	8,925,666.30	8,928,433.00	9,392,197.00	9,391,300.90	9,822,721.60	9,822,452.20
One-Time Financing Sources						
Balance Forward	676,089.2	676,089.2	663,968.4	243,995.2	904,148.3	236,428.1
One-Time Revenues	676,089.2	676,089.2	663,968.4	243,995.2	904,148.3	236,428.1
TOTAL SOURCES OF FUNDS	9,601,755.5	9,604,522.2	10,056,165.4	9,635,296.1	10,726,869.9	10,058,880.3
USES OF FUNDS						
Ongoing Expenditures						
Agency Ongoing Operating Budgets	8,883,390.9	9,117,277.0	9,096,633.3	9,328,484.2	9,333,753.4	9,569,452.9
Standard Adjustments	3,096.0	3,096.0	3,096.0	3,096.0	3,096.0	3,096.0
Sale/ Lease-Back Lease-Purchase Payment	84,103.6	84,103.6	84,094.5	84,094.5	84,094.5	84,094.5
HB 2608 - PSPRS Transfer	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0
County Funding	7,150.5	7,150.5	7,150.5	7,150.5	7,150.5	7,150.5
Administrative Adjustments	60,540.0	60,540.0	63,296.3	63,296.3	64,352.1	64,352.1
Revertments	(105,493.8)	(105,493.8)	(107,253.4)	(107,253.4)	(109,824.2)	(109,824.2)
Total Ongoing Expenditures	8,937,787.2	9,171,673.3	9,152,017.1	9,383,868.0	9,387,622.3	9,623,321.8
One-Time Expenditures						
Capital Outlay	-	57,400.0	-	-	-	-
Agency One-time Expenditures	-	81,453.8	-	15,000.0	-	15,000.0
Rainy Day Fund Deposit	-	50,000.0	-	-	-	-
One-Time Expenditures	-	188,853.8	-	15,000.0	-	15,000.0
TOTAL USES OF FUNDS	8,937,787.2	9,360,527.1	9,152,017.1	9,398,868.0	9,387,622.3	9,638,321.8
ENDING BALANCE	663,968.4	243,995.2	904,148.3	236,428.1	1,339,247.6	420,558.5
STRUCTURAL BALANCE	(12,120.9)	(243,240.3)	240,179.9	7,432.9	435,099.3	199,130.4

Protection for Our Most Vulnerable Citizens

The 2013 revelation of uninvestigated reports of child abuse brought to the light the undisputable need to reform and adequately equip Child Protective Services.

Paramount among the core functions of the government of any state is the duty to protect its citizens from bodily harm and neglect. Consistent with that duty, the FY 2015 Executive Budget Recommendation provides funding to separate Child Protective Services from the Department of Economic Security, fully equip CPS to investigate and manage reports of child abuse, provide additional staffing to protect vulnerable adults, and provide the State Forester with resources to protect our rural areas from wildland fires.

CHILD PROTECTION

In the last two years, Arizona has seen sharp growth in the number of child abuse cases reported to Child Protective Services (CPS). While the report rate grew by 2% and 3.1% in, respectively, FY 2010 and FY 2011, the rate soared by an alarming 16.4% in FY 2012. That growth rate translated into a 13.1% increase in the number of children placed in Out-of-Home Care in FY 2012.

Expressed in human terms, in FY 2012, 1,404 more children became wards of the State than in the previous year. Conditions worsened markedly in FY 2013, with 2,163 additional children placed in Out-of-Home Care, an increase of 18.3% over the FY 2012 total caseload.

While caseload growth has leveled off since the end of FY 2013, growth during the preceding two years overwhelmed CPS staff and resources. The Congregate Care caseload grew by 26% in FY 2013, increasing the resources needed in the most expensive sector of Out-of-Home Care. Additionally, due to insufficient staffing levels prior to last year's influx of caseworkers, CPS has experienced a 28% turnover rate in 2013. During that time, one in four CPS caseworkers were in training on any given day and therefore unable to work cases. Despite the Executive initiative to increase the total number of caseworkers in FY 2013 and FY 2014 to 1,195, the agency was able to maintain a staff of only 925 active caseworkers.



HIGHLIGHTS

- Shift child protection responsibilities from DES to a new State agency devoted to that purpose
- \$25 million for a new CPS Transition Fund to be used to separate CPS from DES
- \$5.7 million in FY 2014 and \$21.5 million for FY 2015 to expand the force of CPS caseworkers and support staff and alleviate a 10,000-case backlog
- \$8.6 million to increase the Office of Child Welfare Investigations investigation rate to 100% in Maricopa and Pima counties
- \$10 million to begin replacement of CHILDS case tracking system
- \$5.2 million for 40 Adult Protective Services investigators and 24 support staff
- \$1.8 million for State Forester wildland firefighter training, dispatch center staffing, hazardous vegetation removal, fire engine replacement, landowner training and increased costs of the agency's satellite offices

In November 2013, it was discovered that over 6,500 child abuse reports had been closed as "not investigated." Most of the uninvestigated reports had occurred during the preceding 18 months. An ongoing Department of Public Safety administrative review will seek to explain how this occurred.

Simply put, the status quo has failed to fulfill the statutory duty of the Department of Economic Security (DES) to investigate all reports of alleged abuse. DES is one of the largest State agencies, and continuing to bury CPS in the Department's bureaucracy under myriad mixed missions and complexity will only invite future failure.

To rectify this untenable situation, the Executive recommends specific reforms.

Agency Restructuring

The Executive recommends removing child abuse investigations and other child protection functions from DES by creating and charging a new State agency with those responsibilities. The transition to the new agency was started by Executive Order, and the Executive recommends making the statutory changes that are necessary to complete that process. The new department will operate with greater transparency and efficiency as a stand-alone agency, without the burden of

being housed within an agency with competing missions and needs.

The Executive recommends appropriating \$25 million to deposit into a newly established CPS Transition Fund, to be used to separate CPS from DES. The CPS Transition Fund will be administered by the Department of Administration, with oversight by the Joint Legislative Budget Committee. Due to the magnitude of the problem that has caused this recommendation and the administrative complexity of isolating and removing an entire division from DES, the Executive anticipates the full separation will take multiple years to complete.

CARE Team

In December 2013, the Executive created the Child Advocate Response Examination (CARE) Team and charged it with providing oversight for the investigations of cases designated as “not investigated” by CPS. The CARE Team is reviewing CPS policies, personnel and operational processes to identify problem areas and make recommendations on how to improve transparency and efficiency at the agency, ensuring greater success and child safety. In addition to the existing recommendations in the Executive budget, other budget issues may be identified after examination of the CARE Team’s report.

Caseworker Expansion

With the additional workers provided in FY 2013, the State currently funds a total of 1,195 CPS caseworkers. Approximately 70 of these workers cover the Arizona Child Abuse Hotline, and as noted above, because of the high turnover approximately 200 are in training, leaving 925 as case-carrying workers. In the spring of 2013, CPS completed a time study of CPS workers and identified on average how many reports, in-home cases and out-of home cases to which a CPS worker could respond in a month (*see table below*). The current caseload staffing has created a backlog of more than 10,000 cases.

CPS Caseload per Caseworker

CATEGORY	CURRENT CASELOAD	RECOMMENDED STANDARD
Reports	20	13
In-Home Cases	39	33
Out-of Home Cases	28	20

The Executive recommends using this time study to establish the staffing standards for CPS. With current forecasts for reports, out-of home care, and in-home care, and assuming a consistent 200 workers in training, CPS will need to add 212 caseworkers to meet this standard.

The State has not fully adjusted resource levels to the demands of the unprecedented caseload growth. The Executive recommends a supplemental General Fund appropriation of \$5.7 million in FY 2014 and a General Fund appropriation of \$21.5 million for FY 2015, to hire 212 caseworkers and 120 support staff over a nine-month period beginning in February 2014.

In addition to the 212 caseworkers, the Executive recommends hiring 36 CPS supervisors, six CPS Assistant Program Managers, 54 CPS Case Aides and 24 Additional Support Staff, totaling 192 new FTE. Approximately 38 new

FTE will be phased in each month from February through June 2014. Another 39 new FTE will be phased in each month from July through September, and 25 will be hired in October 2014.

Office of Child Welfare Investigations

The Office of Child Welfare Investigations (OCWI) was established in 2013 as a key recommendation of the Governor’s Task Force on Child Safety. The Office is working to fill an important role in child safety by investigating allegations of criminal child abuse and neglect and coordinating with CPS and law enforcement.

Though establishing OCWI promises improvements to the child welfare system, the agency is not staffed at a sufficient level to meet its statutory requirements. In 2013, there were 10,984 reports of allegations of criminal child abuse and neglect, only 17% of which could be investigated by OCWI’s staff of 25 investigators.

The Executive recommends \$8.6 million from the General Fund to increase OCWI staffing levels. In FY 2015 this will fund 93 FTE, including 68 investigators, 10 analysts and 15 supervisors and support staff. After the 93 FTE are hired in FY 2015, OCWI’s investigation rate in Maricopa and Pima counties is expected to increase to 100%.

Technology Modernization

DES uses a software program called CHILDS to track all reports and cases at CPS. The program documents the status, demographic characteristics, location and goal for every child who is in the Department’s care. CHILDS tracks reports that are made through the hotline, initial assessment and investigation of reports, case management, adoption, eligibility determination, staff management, provider management and payment processing, among other services.

The software system was implemented in the 1990s as a client-server system and is unable to be used on mobile devices or accessed online from remote locations. Additionally, CHILDS is a very cumbersome system and reduces caseworker efficiency.

The Executive recommends a \$10 million appropriation to DES for the initial implementation of a full system replacement of CHILDS. At the moment, DES is assessing the specific cost, exact system requirements and required features, and a final cost estimate had not been received at the time the Executive Budget Recommendation was finalized.

The Executive recommends an additional \$15 million in both FY 2016 and FY 2017 to continue implementation of the CHILDS replacement.

CPS Caseload

Despite the dramatic and dismal growth, it seems that the end of unprecedented growth is in sight. Monthly year-over-year growth in CPS reports peaked in August 2011 at 30.6% and has been steadily decreasing since. Additionally, CPS reports from the first quarter of FY 2014 have shown negative growth; as a result, the Executive is forecasting that CPS reports will increase at 1% in FY 2014 and again in FY 2015.

Based on the reports forecast, the Executive’s caseload growth forecast for children in Out-of-Home Care will be flat

for FY 2014 and FY 2015 at 1%. In addition to the forecast 1% growth, the Executive forecast includes a portion of the recently identified cases that had previously been “not investigated” and assumes that 10% of the affected children will be placed in Out-of-Home Care.

Although the growth in CPS reports and total caseload for Out-of-Home Care is expected to plateau with a lower 1% growth rate, the total number of children in the CPS system is not expected to decrease. The total impact of 16.4% and 8.9% growth in CPS reports continues to be felt, despite FY 2013’s Executive initiative to hire 50 caseworkers in FY 2013 and another 150 CPS staff in FY 2014.

Children Support Services

Children Support Services (CSS) helps CPS caseworkers reunite children with families and to move children who cannot reunited into safe, permanent, family-like settings. This funding will be utilized for programs designed to train and educate families involved in the CPS system in parenting skills, substance abuse programs, foster care recruitment and various other tools.

Based on the leveling of caseload growth reported in recent months, the Executive forecasts CPS reports to grow by 1% in FY 2014 and again in FY 2015. To accommodate caseload growth, the Executive recommends appropriating \$5.4 million from the General Fund to CSS in FY 2014 and \$5.6 million in FY 2015. This recommendation assumes that \$850,000 of DES’s \$10.5 million in contingency funds is permanently allocated to this program in FY 2015.

Emergency and Residential Care

Approximately 14% of the total number of children in Out-of-Home Care are placed in emergency placement situations and residential group homes, also known as Congregate Care. Based on the 1% growth expected in CPS reports, the Executive is forecasting 5.6% growth for FY 2014 and 3.2% growth for FY 2015 and recommends \$4.2 million to fund Congregate Care caseload growth in FY 2014. The total shortfall for FY 2014 in Emergency and Residential Care is \$14.7 million; however, the Executive Recommendation assumes that the \$10.5 million in contingency funds will be spent on Emergency and Residential Care. The Recommendation also assumes that \$9.7 million of the \$10.5 million in contingency funds will be permanently allocated to Emergency and Residential Care in FY 2015, thus negating a need for additional appropriation in this area of the department’s budget and no new General Fund appropriations are recommended in FY 2015.

Adoption

The Adoption Services program provides adoption subsidies to parents who adopt a child with physical, mental or developmental disabilities or otherwise meets the “special needs” criteria set forth in statute. The average subsidy is currently \$739 per child per month. In most cases, adoptions result in far better outcomes for children than being placed in group homes or other temporary settings.

The population receiving adoption subsidies is expected to grow by 8.7% in FY 2015. The Executive recommends \$6 million for caseload growth in Adoption Services.

ADULT PROTECTION

The DES Adult Protective Services (APS) program accepts, evaluates and investigates reports of abuse, neglect and exploitation of vulnerable and incapacitated adults while offering appropriate interventions and services.

As with Child Protective Services, APS has seen dramatic increases in the number of reports of abuse, neglect and exploitation in recent years. In FY 2012 and FY 2013, the number of new reports to APS increased by, respectively, 28% and 27%. DES did not receive any additional resources to manage and respond to this increase in elder abuse and neglect. Growth in reports to APS is expected to continue at approximately 20% in FY 2014. These increases translate into additions of 13,400 cases in FY 2014 and 14,700 cases in FY 2015.

APS’s 67 caseworkers are able to investigate, respond to and close 8,415 cases per year. Without additional staffing, the agency will see a total backlog of 17,837 cases at the end of FY 2015, far above manageable levels.

The Executive recommends \$5.2 million from the General Fund for 40 investigators and 24 support staff. The recommended funding is expected to allow the agency to investigate, respond to and close 13,482 cases per year.

FIRE SAFETY AND FORESTER OPERATIONS

The Forester coordinates wildland fire prevention and suppression on 22 million acres of State and unincorporated private land through partnerships with local fire departments and State and federal agencies. Recent federal budget cuts and aging equipment have resulted in financial and operational burdens. The Executive recommends State funding for the important operational and fire safety needs.

Wildland Firefighting Training

The State relies on over 2,500 firefighters from approximately 220 fire departments across Arizona to suppress wildland fires. City and rural fire departments’ main focus is to protect homes and other structures and to provide emergency medical support. However, these same fire departments are also the primary defenders against wildland fires. Wildland firefighters must take 40-hour basic wildland firefighter courses in addition to annual eight-hour refresher training.

The Forester provides courses, training materials, training equipment and training grants to fire departments that have qualified instructors. There is currently no statewide training coordinator to develop and deliver training to all cooperating fire departments. The Executive recommends \$147,200 for a State Fire Training Officer and related travel, equipment and operating expenses. This position will help the State make efficient and effective use of limited resources to provide training to local wildland firefighters.

Removing Hazardous Vegetation

The Forester treats State and private lands through the prescribed burning or thinning of flammable vegetation. This work can be conducted by Forester-guided inmate crews or through fuel reduction grants to outside contractors. These efforts play an important role in improving fire safety in the state by removing the vegetation that would fuel potential wildfires.

While federal grant funds have been used to pay for these



efforts, available funding has been decreasing (*see chart below*). This problem is exacerbated by the extreme competition among Arizona and 17 other western states over federal funds. The Executive recommends \$1.4 million for fire mitigation and the removal of hazardous vegetation.

Dispatch Center

The Forester's Adobe Mountain Dispatch Center is the central communications center for the suppression of wildfires throughout the state, and it supports the suppression of other fires nationwide by coordinating the movement of State resources. The Dispatch Center manages crews, equipment and supplies by monitoring the type and location of each resource and synchronizing their movements via radio, telephone and computer.

From 2004 to 2012, the Forester operated the Dispatch Center with 3.0 federal FTE positions and 3.0 State FTE positions. In 2012, the federal agencies that were sharing the Dispatch Center removed their equipment and staff. Necessary staff positions at the Dispatch Center have been filled by temporary dispatchers to maintain staffing requirements. Additional permanent dispatchers are needed for increased

efficiency and consistency at the Dispatch Center. The Executive recommends \$135,600 for 2.0 Dispatcher positions at Adobe Mountain.

Tucson District Fire Engine

The Forester has four wildland fire engines that are used to patrol for fires and perform initial attacks when a fire is reported. The engines are capable of traveling over more rugged terrain than other fire suppression vehicles. Two engines are located in the Tucson District, while the Phoenix and Flagstaff districts have one each. The Tucson District has more fire activity on State and private lands than the other districts.

One of the Tucson District's engines has 110,000 miles of firefighting duty and has become unreliable. The Executive recommends \$57,000 to replace the engine's chassis and its emergency lighting. The Forester would transfer the 300-gallon firefighting equipment from the old truck to the new chassis.

Training Assistance for Local Landowners

The Forester participates in the National Fire Protection Association's Firewise Communities Program, which teaches the public how to reduce the risk to their property from wildfire. These efforts include clearing vegetation, ensuring that small flames in grass or shrubs do not touch buildings, and using nonflammable roofs to minimize the damage that embers can cause. The Executive recommends \$29,500 to continue teaching local homeowners, builders, and community planners about Firewise techniques and healthy forest practices, and to provide grants for other training activities.

Satellite Offices

The Forester has satellite offices in Flagstaff, Pinetop, Prescott and Tucson that are used for operations, to coordinate wildfire prevention activities, and for storing firefighting equipment.

The State's inmate fire crews are based out of the satellite offices. Inmate crews play an important role in the State's firefighting efforts and in preventing fires through such activities as creating defensible perimeters and clearing flammable vegetation. The Executive recommends \$73,700 for utilities and rent at the Forester's satellite offices.

Rewarding Schools that Help Students Improve

The Student Success Funding model focuses incentives on individual student growth and rewards schools for each student who demonstrates success

In 2013, the Executive unveiled an ambitious proposal for K-12 Performance Funding to reward schools for student achievement and growth. Over the past year, the Governor’s Office has worked with stakeholders to refine the proposal and address the concerns raised during the 2013 Legislative session.

Student Success Funding

The updated proposal, Student Success Funding, will drive improved student performance by rewarding local education agencies (LEAs) for individual student success.

The Student Success Funding proposal is based on individual student success metrics as measured by Arizona’s Instrument to Measure Standards (AIMS). That basis is preferred over the use of LEA accountability profiles, as the latter (a) aggregates student data for the entire LEA, which can create unintended, counter-productive incentives, and (b) produces constituencies on both sides of accountability reform by attaching dollars to the results of the existing accountability model.

The new Student Success Funding model focuses incentives on individual student growth and rewards LEAs for each student who demonstrates success. Through the updated proposal, LEAs can earn Student Success Funding in three ways:

- students reaching or exceeding grade-level proficiency,
- students achieving above-average growth from the prior year, and
- students graduating from high school.

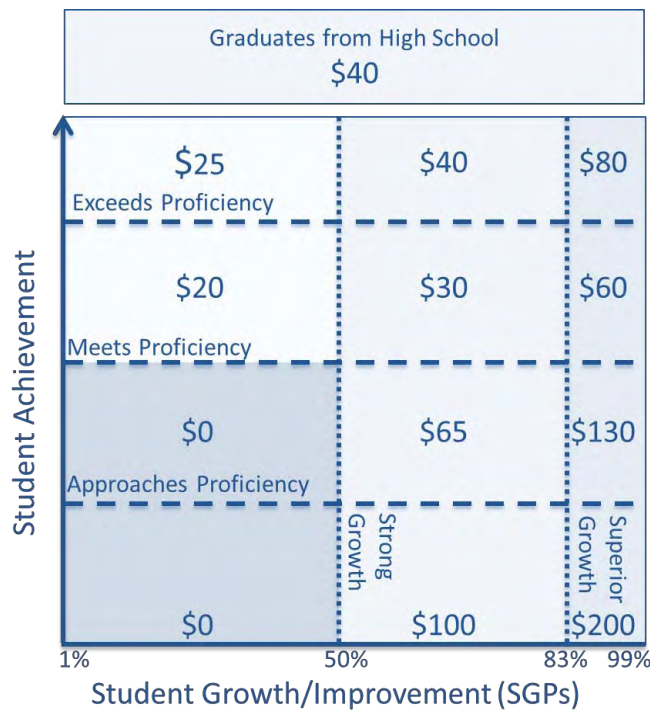
The proposal heavily weights student growth for students who do not meet grade-level proficiency.

The proposal also emphasizes the importance of student growth from year to year. Students at all proficiency levels can earn student success funding, if they achieve above-average growth from the prior year. Growth payments are weighted higher for underperforming students, to reward LEAs for moving their lowest performing students toward proficiency.

Performance amounts are calculated using formulas that vary with the testing program for each grade. The AIMS assessment is administered only in grades 3-8 and 10. For tested grades, funding will be based on individual student achievement levels and growth percentiles. For students in non-tested grades, including Kindergarten through grade 2 and grades 9 and 11, funding will be calculated using the average per-student amount in the tested grades for the LEA. For grade 12, funding will be based on the number of high school graduates.

HIGHLIGHTS

- Student Success Funding focuses incentives on individual student growth and rewards schools for each student who demonstrates success
- Charter school reform addresses issues related to small school weights, charter school quality, and charter renewal application fees
- \$16.5 million to support continued development and implementation of the Arizona Education Learning and Accountability System (AELAS)
- \$2 million for student technology certification programs



Factor	Total
Tested Grades	\$ 22,363,400
Untested Grades	\$ 15,211,600
Graduates	\$ 2,508,700
Total	\$ 40,083,700

The model generates about \$40 million statewide. Since the State will transition to a new assessment in FY 2015, the Executive recommends that Student Success Funding allocations be the same for each LEA in FY 2016 as in FY 2015. For FY 2017, the model will be revised to align with the results of the new assessment.

Dollars generated by Student Success Funding will be deposited in each LEA's local Student Success Fund. The fund will be outside of the Revenue Control Limit and not subject to the carry-forward limit. The Executive recommends that Student Success Funds be subject to the same restrictions as other operational dollars.

The Executive recommends that the Arizona Department of Education (ADE) conduct rigorous test integrity analyses to identify any test manipulation. If there is clear evidence of widespread test manipulation in a district or charter school, the State Board of Education will have power to withhold its entire Student Success Funding allocation.

Capital Formula Suspensions

Capital formula funding to school districts and charter schools has been partially suspended since FY 2008. The FY 2014 budget continued to suspend Additional Assistance of nearly \$239 million to districts and more than \$15.6 million to charters.

The Executive recommends eliminating the lump-sum reductions and permanently reducing the per-pupil formula amounts to align with the funded support level in FY 2014.

CHARTER SCHOOLS

Charter schools represent an important choice option for parents because they are free of school district rules and regulations and can tailor their offerings to students' needs. Of the 1,673 schools large enough to receive a letter grade under ADE's traditional school calculations, 22% are charter schools.

As the importance of charter schools to Arizona's K-12 system grows, so does the need to reexamine how charter schools are funded, evaluated and held accountable.

Charter School Reform

Over the past 18 years, education options for parents and students have expanded to include over 600 public charter schools that serve more than 13% of Arizona's public school students. As the portfolio of charter schools has grown, weaknesses in the law have been exposed, particularly in the areas of school finance, governance and quality management. The Executive recommendation addresses several of these issues through the following reforms:

- eliminating small school weights for Board-sponsored charter schools while holding the system harmless through an increase in Additional Assistance;
- providing resources to the State Board of Charter Schools to support closure of underperforming charter schools; and
- revising the charter renewal process, including the authorization of a renewal application fee.

The Executive also acknowledges that the district sponsored charter school system must be reformed and encourages Legislative proposals on this issue.

Small School Weights

The equalization formula determines State Aid to districts and charters and is based on a weighted student count. Weights are placed into statute to recognize the higher costs of education under certain circumstances.

One such weight is the "small school weight." School districts and charter schools that have a student count of less than 600 students in either elementary (K-8) or high school (9-12) qualify for this weight. Small school weights were originally put in place to recognize the loss of economies of scale in very small districts and were generally intended to benefit rural areas. When the charter school formulas were adopted, the student weighting system, including the small school weights, were included.

The charter school funding formula is based on the district model of school governance, in which there is a single administrative body that oversees the schools within the district. The State's budgeting is performed at the district level, and all of the schools within the district are included in one calculation to determine budget capacity and State Aid for the entire district.

For charter schools, the charter holder is equivalent to the school district, and both charter holders and districts are referred to as the "local education agency" (LEA). A single charter holder may operate multiple schools, and all of the schools within the LEA are included in one calculation to determine State Aid. Since eligibility for the small school weights is determined by the student count for the entire LEA, there is an incentive for charter holders to create separate charter contracts for each individual school in order to maintain student counts of less than 600 and receive higher funding.

For example, if a charter management organization has a single charter contract and operates four schools that each has a student count of 400, it would not receive the small school weights because the student count for the LEA is 1,600. If the same charter management organization instead had a separate charter contract for each school, the four schools would each receive the small school weights, since the individual schools would be treated as an LEA and the student count at each would be less than 600.

Of the 399 charter LEAs, 366 are eligible for small school weights. The small school weights can add up to \$800 per pupil for elementary students and up to \$968 per pupil for high school students. Small school weights for charter schools are estimated to add \$53 million to State Aid costs in FY 2014.

The intent of small school weights is not to incentivize small LEAs in populated areas but, rather, to support higher costs at schools that do not have a choice in their size. To eliminate the incentive and reduce the burdensome administrative processes that accompany it, the Executive recommends eliminating small school weights for charters and holding the system harmless by increasing Additional Assistance for Board-sponsored charters. The recommendation increases Additional Assistance by the average per-pupil increase that small LEAs currently receive from the small school weights: \$547 for elementary students and \$713 for high school students.

The estimated cost to eliminate the small school weights and increase Additional Assistance is \$31.5 million.

Charter School Quality

In 2012, the State Board for Charter Schools enhanced the statutorily required performance framework to establish a clear path to expansion or closure depending on the school's performance. The Board also developed a systematic monitoring process and academic intervention schedule to ensure that (a) low performing charters are closed down in a timely manner and (b) charter schools that remain open are providing quality learning environments. Over the next three years, the Board expects to assign 36 performance management plans and subsequently conduct 105 "demonstration of sufficient progress" document evaluations and site visits.

The Board can revoke a charter at any time, if the charter breaches its contract or if it is determined that the charter holder is not in compliance with the law or has failed to meet or make sufficient progress toward the expectations set in the performance framework. The revocation of a charter is a contested action requiring the Board to defend revocation through expert testimony and demonstration of a breach of contract or failure to demonstrate sufficient progress toward meeting the Board's performance framework. Having limited resources and bearing the burden of proof, the Board cannot be sufficiently effective in its attempts to revoke poorly performing charters.

The Executive Recommendation provides additional resources to support proactive early intervention for low-performing charters (financial or academic). The Executive also recommends reforming the charter contract renewal and revocation process to enhance the prompt closing of poorly performing charter schools that fail to demonstrate improvement. Suggestions for reform include limiting the renewal contract length for underperforming charters and initiating automatic revocation or non-renewal of failing charters.

Charter Renewal Application Fee

In FY 2010, the Board began implementing the statutorily required renewal of charter school contracts. The Board evaluates and processes renewal applications at least 18 months prior to the expiration of the 15-year contract. Included in the evaluations are academic, fiscal and contractual compliance. Renewal of a charter contract results in a 20-year contract extension.

Charters that do not meet the academic or financial expectations set forth in the Board's performance framework are assigned a performance management plan. Oversight of performance management plans is extremely resource-intensive for the Board, and review of a renewal application for a charter that is on a performance management plan requires up to five times more hours than a charter that is meeting the Board's expectations at the time of renewal.

Limited resources and increased responsibilities have created an environment in which the Board cannot meet statutory obligations in a timely, efficient and adequate manner.

Session laws 2012 authorized the Board to charge an application fee to new charters, and the Board began collecting the fee in July 2014. The Executive Recommendation authorizes the Board to collect a renewal application fee and to charge additional fees to charters that are assigned a performance man-

agement plan at the time of the renewal application. The renewal application fee will provide resources to meet the caseload requirements.

DATA SYSTEMS

Realization of a high-quality statewide data system is essential to implementation of Arizona's Education Reform Plan, known as Arizona Ready. The Plan is built on four foundational pillars:

- effective data use;
- strong standards, assessments and accountability;
- great teachers and leaders; and
- support for struggling schools.

A statewide data system will address the four pillars and ensure that students are prepared to succeed in college and career.

AELAS

A.R.S. § 15-249 authorizes the development of the Arizona Education Learning and Accountability System (AELAS) to "collect, compile, maintain and report student level data for students attending public institutions that provide instruction to pupils in preschool programs, grades one through twelve and postsecondary education." Since FY 2012, the Governor and the Legislature have provided \$19.4 million to develop AELAS.

For FY 2015, the Executive Recommendation includes \$16.5 million to support continued development and implementation of AELAS. The Recommendation includes \$14.3 million in one-time funding and \$2.2 million in ongoing funding.

SAIS and SLDS. Prior to FY 2014, the Arizona Department of Education (ADE) spent two years stabilizing the Student Accountability and Information System (SAIS) and laying the groundwork to begin development of the new data system.

In FY 2014, the Governor and the Legislature required that ongoing funding for the project be focused on replacement of SAIS and development of the Student Longitudinal Data System (SLDS). SAIS replacement is critical to ensuring the consistency and reliability of student and school finance data. The SLDS provides educators, students, parents and the public with access to important education data that is collected by SAIS. The SLDS dashboards put data in a secure, accessible and usable format for teachers and administrators to support data-driven decision making in the classroom and to drive improved student achievement.

In FY 2014, the Department plans to continue development of SAIS and begin rolling out dashboards to schools. The FY 2014 SAIS deliverables include:

- implementing a common education data format to significantly reduce errors, discrepancies and inefficient processes;
- implementing an opt-in statewide student information system to save resources for districts and charters and ensure that valid and reliable data is being submitted to the department by LEAs; and

- streamlining school finance processes to reduce redundant procedures.

In addition to making progress on SAIS replacement, the Department plans to deliver SLDS dashboards to 160 LEAs by the end of FY 2014. The dashboards give teachers and administrators access to historical student data to inform instruction and support data-driven decision making.

Looking ahead, the FY 2015 goals will bring the State closer to the realization of a data system that will transform public education. The FY 2015 goals include:

- completing 80% of SAIS replacement;
- providing SLDS dashboards to 450 LEAs;
- starting the mapping of 170 disparate ADE systems to new architecture; and
- stabilizing ADE's IT department to ensure that users have reliable access to the data system.

JOB-READY GRADUATES

Career and technical education programs prepare students to enter the workforce armed with the academic and vocational skills needed to succeed in college and career. There is growing demand for qualified individuals who offer skills in information technology (IT); as a result, the IT industry is partnering with states to provide high school students with educational programs that lead to career and post-secondary education pathways.

The Executive Recommendation includes \$2 million to provide certification and licensing programs to Arizona students through a statewide contract. IT vendors with which other states have partnered include Microsoft, Adobe, Oracle and Cisco. The membership programs give teachers and students access to skills training and certifications. The programs typically consist of Web-based modules and instruction that prepare students for industry-recognized certification exams. The Executive recommends that the statewide contract include bulk purchasing of certification exams to remove financial barriers to student certification.

Funding Based on Results, Not Inputs

Performance-based funding will change the way universities focus resources internally

Arizona's system of higher education encompasses the State's three universities and more than 20 community colleges. This system represents the fulfillment of academic ambition for more than 350,000 Arizonans, a vital resource for Arizona's private and public sectors, and a catalyst for statewide economic development.

Arizona's colleges and universities represent the State's investment in its future by ensuring that higher education is available to all who choose that path. Excellence in higher education produces a qualified workforce poised to succeed in high-wage jobs, and it serves as a magnet for dynamic, leading-edge employers whose success hinges on the availability of talented workers and managers.

UNIVERSITIES

Parity and Performance

The 2012 Budget required the universities to identify a method of addressing the differences among the three institutions based on per-student funding. The resulting study published by the universities established that ASU and NAU were underfunded by, respectively, \$59.9 million and \$16.5 million when compared to UA. The 2013 Budget began a five-year phase-in of the total \$76.4 million parity funding, with \$30.5 million allocated to date.

For FY 2015, the Executive Recommendation resolves the parity issue, two years ahead of schedule, to allow for a transition to funding Arizona's public universities based on performance and student success. Twenty-five states have implemented, or are developing, outcome-based revenue streams.

The Legislature, faced with two very different funding models coupled with limited State resources, has shown a clear preference for the parity approach over the past two sessions. Additionally, the Board of Regents and the universities have cited the importance of establishing a level playing field on which to base the schools' performance-based funding.

The 2012 Budget required the Board of Regents to adopt a performance-based funding model in collaboration with the universities. In response, the Board developed a formula that included three key metrics:

- Total Degrees Awarded,
- Student Credit Hours Completed, and
- Research Expenditures Secured.

In the performance-based funding model, each university has a unique "weight" multiplier based on its mix of degrees.

HIGHLIGHTS

- \$27.5 million to ASU and NAU to complete the remaining parity phase-in
- Creation of a performance-based funding model based on percentage growth in overall weighted degrees produced, credit hours earned and research expenditures secured
- \$3.5 million for UA Cooperative Extension work
- \$15 million over the next five years for TGen
- \$6.2 million to the community colleges for STEM and workforce programs

The purpose is to offset the high production costs of technical degrees in science, technology, engineering and mathematics (STEM) as these fields are vital to Arizona's future.

However, the weights have been based on a one-time assessment of degree mix instead of aligning with the annual growth outcomes in Total Degrees Awarded and Student Credit Hours Completed. Additionally, the Research Expenditures Secured component produces a disproportionately low dollar outcome compared to similar growth rates in degree and credit hour metrics. The current performance-based funding model has the effect of making the State's share of new degree growth funding close to 100%, while research dollar growth asks for 15 cents on the dollar.

The Executive supports the idea of resolving parity before pushing additional performance funding dollars. However, the buy-out amount proposed by ABOR and the universities would require the State to commit more dollars over the next three years than in the original five-year agreement. The Executive recommends a 10% discount be applied to the original parity agreement, resulting in a buy-out amount of \$27.5 million in FY 2015.

Recommended Funding Model. The Executive also recommends a collaborative effort among the Governor's Office, the Board of Regents and the Legislature in the 2014 session to create a performance-based funding model based on:

- measures of university performance only and not on external, State revenue growth measures;
- percentage growth in overall weighted degrees produced, credit hours earned and research expenditures secured;
- average percentage growth in those three areas applied to a university's total State funding, not overall funding.

Performance-based funding was never intended to be used as a mechanism to fully fund degree and credit-hour growth, curb tuition increases, or change external revenue streams; rather, it is meant to change the way universities focus resources internally.

With the parity issue resolved in FY 2015 and a strong performance-based funding model in statute, attention can shift to supporting the State’s long-term goals and meeting the universities’ funding needs in FY 2016 and beyond.

UA Cooperative Extension

Cooperative Extension work was created by a federal act in 1914 to be delivered through the Land Grant colleges and universities. Arizona’s extension program, which is an arm of UA’s College of Agriculture and Life Sciences (CALs), provides a statewide non-formal education network of faculty and staff to bring applied research and information dissemination to agriculture and other industries throughout Arizona. Knowledge is shared through education services offices in all 15 counties and five tribal reservations.

Cooperative Extension work, which has historically been jointly funded by federal, state and county governments, has seen a reduction in State contributions in the past few years. Because of its unique mission and funding model, the program does not receive tuition dollars and has not kept pace with the growing university.

The Executive recommends increasing the Cooperative Extension line item by \$3.5 million to enhance 4-H Youth, agriculture, and other programming throughout the state.

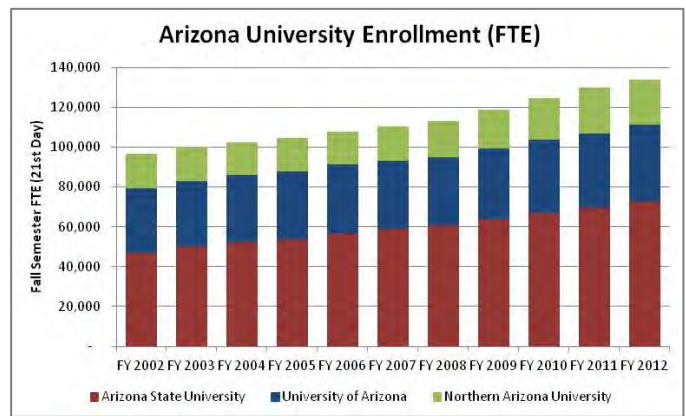
TGen

The Translational Genomics Research Institute (TGen) is a Phoenix-based not-for-profit research institute dedicated to the development of diagnostics, prognostics and therapies for cancer, neurological disorders, diabetes and other complex diseases.

In FY 2013 and FY 2014, TGen received from the Arizona Biomedical Research Commission grants of, respectively, \$4.1 million and \$2 million. To ensure that adequate funding for TGen continues, the Executive recommends a one-time appropriation to the University of Arizona of \$15 million to be disbursed to TGen in \$3 million increments for each of the next five years. Putting the entire five-year funding stream in place in FY 2015 will allow TGen to leverage the commitment in competing for additional grants.

Debt Service Realignment

Statute appropriates \$34.6 million in fiscal years 2008 through 2031 to finance lease-purchase payments for research



infrastructure project agreements. However, the universities completed a refinancing of their infrastructure debt, changing their repayment schedule. The payment for FY 2015 totals \$28.8 million. The Executive recommends reducing the appropriation for lease-purchase payments to the university system in FY 2015 by \$5.8 million to align with expenditures.

COMMUNITY COLLEGES

A rapidly evolving economy places new demands on working Arizonans to adapt their skills and knowledge to the needs of prospective employers. Arizona’s community colleges continue to play an important role in helping students maximize their employment potential, and the Executive Recommendation focuses on providing continued financial support with that mission in mind.

STEM Formula

Statute provides a State Aid formula to be used for science, technology, engineering and mathematics (STEM) and workforce programs at the community colleges. The STEM formula for FY 2015 provides \$210 per full-time student equivalent (FTSE) for each district having fewer than 5,000 FTSE, and \$160 per FTSE for each district with 5,000 or more FTSE.

For FY 2015, the Executive recommends fulfilling the statutory formula for all community college districts excepting Maricopa and Pima. The recommended formula will provide \$6.2 million from the General Fund to the community colleges for the STEM and workforce programs.

Effective Management of State Assets

Investments in the State’s infrastructure focus on transportation, water planning, communications, and protection of Arizona military installations

TRANSPORTATION

HURF Shift

In FY 2009, HURF support of the Highway Patrol increased from the historical level of \$10 million to nearly \$85 million. By FY 2012, the amount grew to the current level of \$119.9 million. The Executive is supportive of replacing HURF funds for the Highway Patrol with General Fund monies, but not at the expense of long-term budget integrity. With the loss of the temporary 1% sales tax and other key budget priorities, the Executive does not recommend a permanent change in the Highway Patrol budget in FY 2015; rather, this should be a priority in future years.

HURF Swap

However, the “HURF Swap” program can be implemented this year. The program provides relief to local governments from the increased administrative costs that come with federal transportation funds and helps them maintain greater freedom in building their own projects.

Eligibility for the program is limited to local governments that are not members of the Maricopa Association of Governments or the Pima Association of Governments.

The HURF Swap was active until 2008, when State Highway Funds became insufficient to support the program. The Executive recommends appropriating \$31 million from the Highway Expansion and Extension Loan Program Fund to the State Highway Fund for the purpose of reinstating the HURF Swap program.

WATER

In the past year, the combination of several factors has raised the priority level for immediate and long-term statewide water supply planning. Those factors include:

- the release of the Colorado River Basin Study,
- recommendations of the Water Resources Development Commission regarding the Colorado River,
- requests for assistance from the Adjudication Court, and
- increases in illegal transportation of water and improper drilling.

HIGHLIGHTS

- \$31 million for the HURF Swap program, to relieve local government administrative costs associated with federal transportation funding
- Support for statewide water supply planning
- \$15-per-pupil fee for school districts and charters to support central broadband development and expand high-speed Internet access statewide
- \$5.4 million to replace the DPS analog microwave radio transmission system with digital technology

With its current resources, the Arizona Department of Water Resources (DWR) can complete up to three water supply planning projects while still performing routine administrative functions.

When greater resources were available, over 60.0 FTE covered four program areas relating to statewide water supply planning. In contrast, at present there is funding for only 3.0 FTE positions within a single program area to address water supply needs.

In order to address problems associated with limited resources available for water supply planning, the Executive recommends 11.0 additional FTE positions. The necessity for the new positions is described in the following discussion of some of the issues mentioned above.

Colorado River

A 14-year drought in the Colorado River drainage area has resulted in a 45% probability of a shortage of available water from the Colorado River in 2016. During a shortage, agricultural users typically replace Central Arizona Project (CAP) water with groundwater. The demand for Colorado River water supply is increasing, and plans must be developed with the other basin states, the federal government, the tribes, Mexico and other stakeholders to prevent shortages.

Two of the recommended FTE positions will work with the agricultural industry, cities and counties, CAP, Arizona Water Banking Authority and other entities to identify and implement methods to preserve groundwater. The third FTE position will work to develop strategies to augment Arizona’s use of the Colorado River through development and importation of new water supplies.

Statewide Planning

Projected growth in rural areas beyond the Active Management Areas (AMAs) requires further planning in order to meet water demand. Plans developed to supply needs outside of AMAs require a much higher level of guidance and support from DWR than those that are composed through AMAs.

Three additional FTE positions will aid DWR in ensuring that those growth areas have sustainable water supplies.

Adjudication Assistance

Requests for assistance from the Adjudication Courts have been on the rise in recent years. DWR acts as a technical advisor to the Courts and provides assistance that includes data management, surveying, field data collection, GIS and engineering.

DWR can efficiently manage and complete only one major project at a time. Four additional FTE positions will allow the Department to work on multiple larger projects simultaneously.

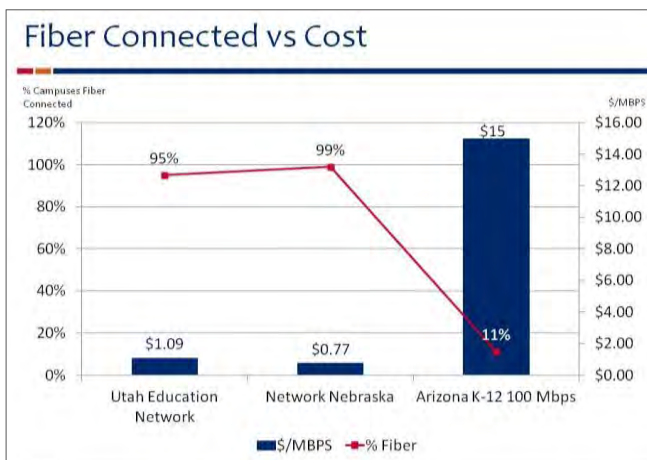
Compliance and Enforcement

DWR is responsible for approving any groundwater withdrawal or diversion of water for use in another state. Approvals for withdrawals or diversions consider protections to the public welfare, State Government priorities, and local water resource management goals. The Department also regulates all groundwater wells, as standards in groundwater withdrawal help prevent water contamination.

One additional FTE will increase the Department's oversight of compliance and enforcement.

BROADBAND ACCESS FOR EDUCATION

Internet access for education is severely deficient across the state, and schools are paying significantly more than other markets. The standard data rate is 100 Mbps, compared to the 12 Mbps median data rate of Arizona schools. Today, only 11% of Arizona schools meet the standard. This lack of sufficient broadband availability leaves schools without access to critical resources and makes transition to an online assessment difficult if not impossible for more than 40% of Arizona's schools.



Without central broadband development, fiber network development across Arizona is significantly behind other states. This severely reduces broadband availability and Internet speed while increasing unit costs. In Utah, 95% of school campuses are fiber connected, compared to only 11% of Arizona campuses. Utah spends about \$19.6 million per year for 800,000 students and has an average data rate of 1 Gbps per K-12 campus. In comparison, Arizona spends about \$22.1 million for 1.1 million students and significantly slower access. Arizona is paying almost as much as Utah per student for Internet access but is receiving significantly less for its investment.

The Arizona Department of Administration (ADOA) holds an Internet service provider contract that schools and other public agencies use and that expires in October 2014. The Executive recommends that the new contract include performance standard requirements that will require fiber network development. The estimated cost to build out the fiber network is \$350 million over six years. It is estimated that half of the cost would be paid for by private vendors seeking a return on investment. The State can also leverage federal funding through E-rate, the federal program that subsidizes Internet and technology costs for schools.

With private, State and federal investment, funding will be leveraged to enhance education Internet buying and availability. After two years of the project, 100% of Arizona schools will be able to meet the minimum criteria to administer an online assessment. Completion of the project will increase the percentage of schools at the 100 Mbps standard to 100% for urban campuses and at least 50% for rural campuses, with the ultimate goal of 95% of all students having access to sufficient broadband. In addition to the educational benefits, investment in broadband can yield positive economic benefits, particularly for rural areas, as greater broadband availability spurs business development.

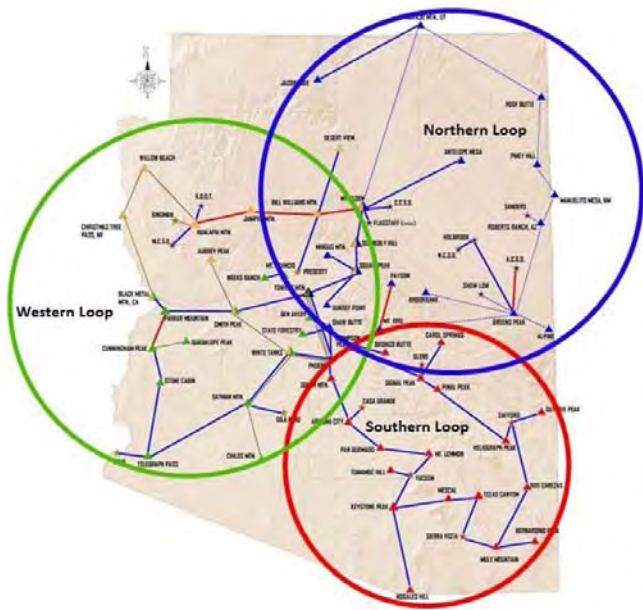
In FY 2015, per-pupil funding will increase by approximately \$70. The Executive recommends authorizing ADOA to assess a \$15-per-pupil fee on school districts and charters to support central broadband development. The fee will be assessed annually for the duration of the six-year project. The plan will lower Internet costs while significantly improving Internet speeds and providing greater access to digital resources.

DPS MICROWAVE BACKBONE

The Department of Public Safety (DPS) is engaged in a multi-year effort to replace its aging analog microwave radio transmission system with digital technology.

As the map on the next page illustrates, Arizona is covered by three "loops" of radio towers: a southern loop, a western loop and a northern loop. The loop structure makes it possible for communications to continue if a tower becomes temporarily inoperable, by sending the communication signal in the opposite direction around the loop. Conversion from analog to digital microwave was completed on the southern loop in FY 2011. The western loop's conversion is partially completed, and the northern loop's has yet to begin.

Failure of a microwave tower comes with significant risks, as officers can lose communication with their dispatchers and



fellow officers for hours at a time. For example, on April 26, 2013, two of the State's three loops sustained four significant failures simultaneously, leaving DPS scrambling to diagnose problems and find parts needed for repairs. Parts for these towers are no longer manufactured and often can be found only through online, often second-hand sources. The same loops suffered nine additional failures in a three-month period in 2013.

DPS radio towers are utilized by multiple State agencies and local law enforcement agencies. Malfunctions with radio towers create communication problems and safety concerns for

the officers. As time passes, replacement parts for the system are increasingly expensive and difficult to find. Repairs are time consuming and require technicians to perform maintenance on-site.

The Executive recommends capital appropriations of \$3.4 million from the General Fund and \$2 million from the Highway Patrol Fund.

MILITARY INSTALLATION FUND

Since before World War II, military aviation has been an important catalyst for Arizona's economic and population growth. The viability of one major military facility, Davis-Monthan Air Force Base in Tucson, is threatened by potential developments at the federal level.

Davis-Monthan is the home base for about 80 A-10 Thunderbolt II ground attack planes, commonly known as the "Warthog." The base's 80 Warthogs comprise roughly one quarter of the U.S. Air Force's A-10 fleet. Training pilots to fly the A-10 and providing support and air control for A-10 flights is Davis-Monthan's primary focus.

The U.S. Air Force is considering cutting its A-10 program nationwide; if that occurs, the Warthogs would be recalled by the end of 2015.

To protect Arizona's long-standing relationship with the armed services, the Executive recommends a one-time appropriation of \$5 million to the Military Installation Fund. These funds will be used for a study and report on the continued use of Davis-Monthan and for the Department of Emergency and Military Affairs to perform other military installation preservation and enhancement projects.

A Continuing Commitment to Modernization

The Executive Recommendation provides a broad-based approach to enhancing the quality of State Government.

Executive initiatives for FY 2015 focus on technological advances, protecting State revenues and recommitting to effective stewardship of State property, including large one-time investments in two of the State’s major building systems.

IMPROVING EFFICIENCY THROUGH TECHNOLOGY

To support the continued delivery of high quality and efficient services, over the last several years State Government has made significant investment in information technology infrastructure, systems and processes. Considering the rapid rate of change in technological advances and opportunities, optimizing the State’s major IT systems must continue to be a major strategic focus and a hallmark of good government.

The State is engaged in a number of projects to modernize the technology that supports its service delivery mechanisms. The Executive Recommendation is that these projects expand in scope and number in FY 2015, while critical IT projects from previous years continue to move toward completion.

Additionally, as the State’s data centers approach the limits of their capacity, decisions must be made about whether to reinvest in an aging technology infrastructure or to move to a cloud-based approach to storage and computing. The Executive recommends an emphasis on the latter, phasing in a cloud-based approach over the next several years.

DES Data Center Relocation

The first step in transitioning to cloud-based technology is the relocation of the Department of Economic Security data center a State-owned building to private leased space. The data center has several building maintenance problems that pose serious risks to both the staff and to the data systems housed in the facility:

- The space beneath the raised floor of the facility frequently floods, and water comes into contact with exposed power cables, thus electrifying the water.
- The raised floors are unstable and contain exposed asbestos.
- Fire suppression systems have been disabled because failed components have previously resulted in accidental discharge of halon.
- There have been fires in the uninterrupted power supplies in the building.

HIGHLIGHTS

- \$89 million for automation projects, including replacement of the CPS CHILDS system, upgrades to the Department of Revenue tax system, and relocation of the DES data center
- Capital funding for urgent projects in the ADOA building system (\$30 million), State prisons (\$14 million), Board of Regents (\$10 million)
- \$2.6 million to detect fraudulent requests for tax refunds
- \$1.4 million in resources needed for Tobacco Settlement compliance
- \$1.2 million to develop and implement TPT Reform

- The roof is leaking in several places, resulting in damaged equipment and permanently ruined cooling systems. The data center now uses oscillating fans to keep the computer systems from overheating.

In order to avert catastrophic systems failure at DES, the Executive recommends an \$8.8 million General Fund appropriation to fund the relocation of the DES data center from its location in a State-owned building to private leased space.

Automation Projects Fund

In FY 2014, a statewide IT management plan specified that certain IT projects be consolidated with centralized oversight and project management provided by the Department of Administration’s Arizona Strategic Enterprise Technology (ASET) Division. The plan also stipulated that funding for several new and continuing technology projects come through the Automation Projects Fund.

Included in the plan’s first year were the Department of Environmental Quality’s e-licensing system, the Arizona Department of Education (ADE) data system, replacement of the Arizona Financial Information System (AFIS), and replacement of the Department of Corrections’ Adult Inmate Management System (AIMS). The Executive recommends that these projects be continued into FY 2015.

New projects recommended for FY 2015 include the aforementioned relocation of the DES data center, replacement of the CPS CHILDS system, upgrades to the Corporation Commission’s database and the Department of Revenue’s tax system, and replacement of the Liquor Department’s licensing

management system. The Department of Administration (ADOA) will administer these projects.

In total, the Executive recommends that over \$89 million in appropriated and non-appropriated funds be administered from the Automation Projects Fund and managed by ADOA for new and continuing IT projects.

PROTECTING STATE REVENUES

In support of the Department of Revenue's mission to administer Arizona's tax laws with integrity, fairness and efficiency, the Executive Recommendation provides the Department with necessary resources in the areas of:

- Transaction Privilege Tax reform,
- tobacco settlement compliance,
- the capturing of important data from Individual Income Tax returns, and
- detection of fraudulent claims for Individual Income Tax refunds.

Transaction Privilege Tax Reform

As recommended by the Governor's Transaction Privilege Tax (TPT) Task Force, in 2013 the Legislature passed HB 2111 (TPT Reform). The measure, which was widely supported by the Legislature and business community and goes into effect January 1, 2015, will simplify the State's TPT requirements and lighten the administrative burden on businesses by creating a unified audit and collection system.

The TPT Reform legislation was a response to the complex and redundant nature of Arizona's TPT system, which in its current form requires businesses to remit separate sales tax payments to the State and to every municipality in which they do business. In addition, businesses are subject to audits by both:

- the Arizona Department of Revenue (DOR), which administers TPT collections on behalf of the State, its 15 counties and 73 of Arizona's 91 cities and towns (called "program cities"); and
- any of the remaining 18 "non-program cities" that administer their own TPT and have separate auditing authority.

TPT Reform requires DOR to implement an online portal that will enable taxpayers to obtain TPT licenses, file a single TPT return and make one payment for all jurisdictions. The Department is also required to:

- establish a quality control review and approval process for all TPT audits,
- train and certify 110 State and city auditors,
- build a standardized audit package and electronic system, and
- establish methods and a manual for processing State and city audits.

The Executive recommendation provides \$1.2 million for DOR to facilitate the development and implementation of TPT Reform. This funding will allow the Department to hire 19

additional revenue auditors and audit processing personnel to perform the additional duties.

Tobacco Settlement Compliance

To settle litigation initiated by the states to recover healthcare costs resulting from the use of tobacco products, in 1998 Arizona and many other states entered into a Master Settlement Agreement (MSA). The MSA requires the "participating manufacturers" (PMs) to make significant annual payments in perpetuity to the settling states, while "non-participating manufacturers" (NPMs) must pay into a qualified escrow fund.

The State of Arizona receives about \$100 million per year from the PMs.

Under the terms of the MSA, the states are obligated, as a condition of future payments, to perform a variety of administrative measures to ensure that they are adequately meeting the MSA's provisions. In 2007, the PMs sued Arizona and certain other states, claiming inadequate enforcement efforts. In Arizona, the allegedly inadequate enforcement pertained largely to sales of tobacco on Indian reservations.

The PMs' lawsuit was settled in March 2013. Under the terms of the settlement, the states agreed to certain additional requirements that clarify those imposed by the original MSA. Pursuant to the settlement, the Arizona Department of Revenue is required to:

- review monthly tobacco reports for accuracy and completeness;
- conduct MSA compliance audits;
- conduct nonresident distributor audits;
- track all sales by NPMs, including tribal sales;
- determine taxes paid by PMs and NPMs; and
- refer noncompliant NPMs to the Attorney General's Office for enforcement.

The requirement to track and enforce tax laws on tobacco sales occurring on Indian reservations poses a significant challenge, because the universe of NPM sales that DOR is required to track is increased ten-fold, by more than 100 million cigarettes per year.

DOR's Luxury Tax Unit does not have an adequate system in place to track billing, collections and processing of returns and, thus, is unable to comply with the requirements imposed by the 2013 settlement. Currently, data is being tracked in a Microsoft Access database that fails to perform critical required functions, such as tracking delinquent and missing returns; identifying incomplete returns; calculating interest and penalties; issuing billing notices and license renewals; handling accounts receivable and accounts payable; and tracking sales, cigarette stamps and manufacturers.

The Executive recommendation provides \$1.4 million for the Department to obtain an automated tobacco tax processing and revenue accounting system and to hire six additional staff to comply with the Tobacco settlement.

Tax Return Data

Capital gains and other tax information, such as subtractions from and additions to the Arizona gross income tax, is very important for accurate tax revenue forecasting and analysis. The importance of collecting that data was heightened in 2012 with the creation of the State tax credit for long-term capital gains.

DOR's resources allow for the capturing of data from side 1 of Arizona Form 140 but not from side 2, where valuable details on capital gains and other income adjustments are reported.

Capturing additional data from State income tax returns is a labor-intensive function, as approximately 843,400 taxpayers – 28% of the total – continued to file paper returns for Tax Year 2012.

The Executive recommends scanning the second page of the individual income tax returns and modifying the tax system and data warehouse to capture and report this data. The recommendation of \$641,000 for the project is included in the Automation Project Fund appropriation.

Fraudulent Tax Refunds

Fraudulent claims for refunds of individual income taxes is a growing concern for federal and state governments. The Internal Revenue Service reports that last year about \$4 billion worth of fraudulent refunds were issued to people using stolen identities. For example, included in the estimated 1.5 million fraudulent refunds were 655 that were sent to the same address in Lithuania.

In Tax Year 2012, DOR detected and blocked \$47 million worth of fraudulent individual income tax refunds. However, a recent LexisNexis test conducted for the Department identified additional potentially fraudulent refunds. Of the 1.9 million tax refunds that were analyzed, LexisNexis flagged 46,683 refunds (2.4%) as highly suspicious, 50% to 75% of which were considered to be potentially fraudulent, which totaled up to \$17.1 million. This amount is in addition to the \$47 million DOR had already detected.

DOR will continue to maximize its fraud-prevention measures to the extent allowable by its existing resources. To prevent an estimated \$8 million to \$12 million in additional fraud, the Executive recommends \$2.6 million to obtain services from LexisNexis for further fraud detection, of which \$2.3 million is an annual fixed fee. If fraudulent refunds are less than the total fee, the State would pay only up to the amount of fraud prevented.

Other Tax Changes

The Executive Recommendation sets aside \$30 million for tax reform. Specifically, the Executive recommends a TPT exemption for power used in manufacturing. Further, the Executive recommends the process for calculating the Minimum Qualified Tax rate (MQTR) be changed. Multiple errors in this calculation have cost the general fund tens of millions of dollars over the last several years. The Executive recommends that at least the Property Tax Oversight Commission be required to review and approve these calculations.

WORKING CAPITAL LIMIT

In FY 2010, Arizona issued tax-exempt debt to help balance the budget. As part of that issuance, the State agreed to live under strict federal rules that require the State to either:

- invest the portion of the State's ending General Fund balance and the Budget Stabilization Fund that exceeds 5% of prior-year expenditures in tax-exempts and, beginning in FY 2016, apply that excess to mandatory debt prepayment, or
- restrict investment yield on General Fund and BSF investments to no higher than the yield paid on the bonds (approximately 4%).

Failure to stay within one of these limitations could result in the debt being declared taxable.

To date, Arizona has lived within the first limitation. However, if it is no longer feasible for the State to comply with that limitation, the Executive will elect to comply with the second limitation. If the Executive does elect to restrict interest earnings, the restriction will be in place until FY 2020, when the debt's optional call provisions become effective.

STEWARDSHIP OF CAPITAL ASSETS

As of June 30, 2013, the State was responsible for 6,824 buildings and structures statewide, with a replacement value of more than \$13 billion. Since the 2009 budget crisis, and as a general rule over the last several years, the State's spending for capital facilities has been limited to critical and emergency repairs and certain projects deemed absolutely essential. Unfortunately, many projects related to State buildings and structures have suffered to the point at which safety and security are growing concerns.

The Executive's capital outlay plan for FY 2015 emphasizes large one-time investments in two of the State's building systems:

- Department of Administration (ADOA), which includes the Department of Corrections (DOC); and
- Board of Regents (ABOR).

Each of these systems has extensive building renewal and capital project needs that substantially fall within the four major categories of work:

- Fire Life Safety (including fire alarms),
- Major Building Systems (i.e., electrical, HVAC, plumbing),
- Roofing, and
- Infrastructure (i.e., exterior utilities, roads, water).

Implementation of the Executive's capital outlay plan is designed to improve the operation and safety of State facilities, increase the efficiency of State operations, and help avoid expensive emergency repairs.

The Executive recommends that the State's building systems use this significant one-time capital investment to make noticeable improvements and repairs to the State's buildings and to begin ensuring that they are properly maintained for years to come.

ADOA Building System

The ADOA Building System includes 3,887 structures that have a total area of more than 22.7 million gross square feet (GSF) and an estimated replacement value of \$3.9 billion. ADOA’s most recent building evaluations revealed that the overall condition of the building system is poor and that many buildings have exceeded their useful life. In addition, many buildings in the ADOA system have:

- inadequate or missing fire-life safety mechanisms (i.e., fire alarms),
- mechanical problems (HVAC, plumbing), and
- roofs in need of repair or replacement.

ADOA One-Time Capital

To fund the more urgent capital needs in the ADOA system, the Executive Recommends a one-time capital appropriation of \$30 million dollars from the General Fund for urgent projects. It is recommended that the majority of the funding go toward statewide repair, replacement and upgrade of fire alarms, roofs, infrastructure and HVAC and plumbing systems.

This one-time General Fund appropriation is in addition to the normal building renewal dollars that ADOA receives. ADOA one-time capital projects are broken down into the following major categories:

Category of Work	General Fund Amount
Mechanical	\$ 12,800,000
Fire Alarms.....	9,800,000
Roofs	4,200,000
Infrastructure.....	1,400,000
Electrical	1,200,000
Other	600,000
TOTAL	\$ 30,000,000

ASH. Major HVAC equipment must be replaced at the Arizona State Hospital. The project includes the purchase and installation of two new 700-ton chillers, replacement of the de-air tank, updating of the update controls, and replacement of air handlers.

Building Demolition. Constructed in 1967 and acquired by the State in 1978, the buildings located at 1937 W. Jefferson St. in Phoenix include the former ADOA Child Development Center (CDC) and two modular buildings, one previously occupied by the DPS Capitol Police Emergency Operations Center (EOC) and another that has been vacant. All three buildings are vacant and in chronic decline, and it is recommended that the \$200,000 cost for this project come from the ADOA one-time capital appropriation.

DJC. The Department of Juvenile Corrections’ Adobe Mountain School requires a new fire suppression system for 32 buildings. The project includes sprinklers and other life safety-related maintenance in order to comply with Fire Codes and Life Safety.

Capitol Mall. Major roof replacement is required at a number of buildings at the Capitol Mall:

- 1535 W. Jefferson St.
- 1645 W. Jefferson St.
- 1789 W. Jefferson St.

- House of Representatives
- Senate.

Chiller and mechanical equipment at various locations on the Capitol Mall also must be replaced, and several fire alarm systems at both the Capitol Mall and the Tucson Mall are in need of repair and replacement as well.

DOC One-Time Capital

The DOC’s ten prison complexes are made up of more than 1,500 structures totaling nearly eight million square feet.

As of November 30, 2013, the inmate population at the Department of Corrections was 40,956. DOC currently relies on 36,731 rated beds and 5,294 temporary beds to house and provide for the safe management of inmates. DOC will open 1,500 new beds before the end of FY 2015 to accommodate inmate population growth. The inmate population grew by 809 inmates during FY 2013 and, through November 30, 2013, had grown by 270 inmates in FY 2014.

To fund the more urgent capital needs in the DOC system, the Executive recommends a one-time \$14 million capital appropriation from the General Fund for urgent statewide projects. This one-time appropriation will be in addition to the FY 2015 \$5 million building renewal funding the agency will receive.

Of the one-time capital appropriation, the majority – nearly \$9 million – will go toward system-wide repair, replacement and upgrade of fire alarms, and the first phase of a system-wide lock replacement project; the current locking mechanisms are failing as a result of moisture within the DOC buildings caused by the current cooling system.

DOC one-time capital projects are broken down into the following general categories:

Category of Work	General Fund Amount
Fire Alarms.....	\$ 5,100,000
Roofs.....	1,100,000
Major Systems.....	2,000,000
Locks	3,500,000
Infrastructure	2,300,000
TOTAL	\$ 14,000,000

Major system improvements are also needed within DOC. Roofs throughout the Douglas and Tucson prison complexes are in need of complete replacement, and aged, obsolete and non-working fire alarms need to be replaced throughout the system. Further, the Lewis complex recently lost one of the three wells servicing the site. The well must be replaced to ensure an ongoing adequate water supply for the prison.

Board of Regents Building System

The three universities governed by the Board of Regents (ABOR) include an inventory of 1,711 buildings and structures that have a total area of 40 million square feet and an estimated replacement value \$9.3 billion.

ABOR One-Time Capital

The Executive recommends a one-time appropriation of \$10 million General Fund be distributed to the ABOR system. The recommendation provides that the universities continue to use bonding to address their building renewal and capital

construction needs beyond the recommended \$10 million investment.

To fund the more urgent capital needs in the ABOR System, the Executive recommends that the ABOR one-time capital projects be broken down into the following categories of work:

Category of Work	General Fund Amount
Fire Alarms.....	\$ 4 million
Roofs.....	3 million
Major Systems.....	3 million
TOTAL	\$ 10 million

ADOT Building System

The ADOT system includes an inventory of 1,224 buildings and structures with a total area of 3.2 million square feet and a replacement value estimated at \$699 million.

For FY 2015, the Executive recommends, from the State Highway Fund, \$5.3 million for new capital projects and \$3 million for building renewal needs.

ADOT Building Construction

ADOT has 35 de-icer storage buildings and 14 vehicle wash stations and plans on building 17 more de-icer storage buildings in the next three years to comply with environmental standards. For FY 2015, the \$5.3 million recommended above will fund the construction of five de-icer storage buildings (\$2.3 million) and six vehicle wash systems (\$3 million).

By 2019, ADOT plans to build 34 vehicle wash systems in remote locations where commercial options are unavailable. This plan will prevent the premature deterioration of ADOT’s highway maintenance vehicles and equipment.

ADOT Building Renewal

The Executive recommends \$3 million from the State Highway Fund and \$188,200 from the State Aviation Fund for building renewal needs.

Highway Construction

As detailed in the table below, the Executive Recommendation supports a \$1.4 billion transportation infrastructure program in FY 2015. The recommended funding would provide \$98 million for highway construction and \$272 million for pavement preservation. The debt service on existing ADOT construction bonds is \$307.5 million in FY 2015. In accordance with State law, actual expenditure levels are determined within the scope of the Five-Year Highway Construction Program as approved by the State Transportation Board.

Highway Construction Projects Beginning in FY 2015 and Debt Service Payments

Construction.....	\$97,625,000
Urban Controlled Access ¹	606,475,000
Pavement Preservation Maintenance.....	271,756,000
Other ²	68,866,000

¹Includes expenditures from the HURF for controlled access, Maricopa Regional Area Road Fund and Pima Association of Governments (PAG) Regional Transportation Authority.

²Includes construction preparation, contingency set-asides and related highway construction and maintenance items.

Debt Service ³	307,466,000
Total	\$1,352,188,000

Building Renewal

To properly care for the ADOA building system, the Executive recommends \$12 million from the Capital Outlay Stabilization Fund for general building renewal in FY 2015.

The Executive recommends increasing COSF rates from \$13.08 per square foot of office space to \$15.14 per square foot, and increasing storage rates from \$4.74 per square foot to \$5.49 per square foot for FY 2015. These updated rates remain below market for comparable private space and fund COSF at a level that is adequate to cover all operating, capital and policy issues.

Although building renewal needs are estimated based on statutory formula, the State has fully funded the formula only twice in the past 27 years, and deferred maintenance costs are at nearly \$435 million for the ADOA Building System. As so many of the State’s building components and structural systems have exceeded their useful life, this building renewal money is an important investment in the State’s infrastructure.

The Executive Recommendation also includes building renewal funding, preventive maintenance and new construction for five other State agencies, two of which – Game and Fish and the Lottery – are considered to have dedicated fund sources based on statutory formulas. The Executive recommends:

- *Game and Fish Department*: \$807,600 from the Game & Fish Fund for cyclical maintenance for replacing or renovating major building system components, including a \$260,000 increase to address the rising cyclical maintenance costs of the Department’s 280-plus structures
- *Lottery*: funding the full \$90,300 renewal formula amount
- *State Parks*: \$1.5 million from the State Parks Revenue Fund for building renewal and preventive maintenance of the Parks system
- *DPS*: \$3 million from the State Highway Fund for building renewal
- *DES*: that DES partner with a developer to construct a building on State land in Flagstaff to house all DES Flagstaff operations.

ADOA Preventive Maintenance Program

In order to better preserve and maintain the State’s infrastructure going forward, the Executive recommends the establishment of a preventive maintenance program at ADOA. For FY 2015, the program will focus on performing scheduled maintenance on:

- 17 generators on the Phoenix and Tucson Capitol Mall complexes;
- Phoenix Capitol Mall mechanical equipment chillers, chilled water coils and air handler coils; and

³Includes \$138,978,000 for HURF bonds (\$111,075,000 for statewide program and \$27,903,000 MAG program); \$103,593,000 for Maricopa Regional Area Road Fund Bonds; and \$64,895,000 for Grant Anticipation Notes as of June 30, 2013.

- electrical equipment, motor controls and panel distributors.

Performing this preventive maintenance will extend the useful lives of the equipment and begin to establish a pattern of maintaining and preserving the State's assets.

Veteran Home

By 2020, despite the recent construction of a new Veteran Home in Tucson, without further action the State will be providing beds for only 320 of 1,520 long-term-care veterans who meet the U.S. Department of Veterans Affairs assistance formula. This would severely limit the quality of long-term care for Arizona veterans, especially those who are disabled.

In addition to the per diem allotted for the care of veterans, the federal government offers to the states a 65% match for the construction of veteran homes. The Arizona Department of Veterans' Services (ADVS) has identified three potential locations for a new Home, with consideration to the veteran population in underserved areas.

The Executive recommends an appropriation for the construction of a new Veteran Home in Yuma. After the State appropriates its share of the construction costs, ADVS will apply for the federal match, acquire land and begin construction. With the State appropriation by July 2014 and the federal match awarded by October 2015, a new Veteran Home could be completed by October 2017, assuming six months for planning and design and 18 months for construction.

Recovery Continues at a Moderate Pace

Led by its retail sector, the Arizona economy is displaying growth at a slightly faster pace than that of the nation

The U.S. economy continued its moderate improvement in 2013, with a third-quarter Gross Domestic Product (GDP) growth estimate eclipsing 4%. Consumer confidence, as measured by the Conference Board's Consumer Confidence Index®, surpassed the 80 level for the first time since 2008 before ending the year at 78.1. For the year, the consumer confidence averaged 73.3, the highest yearly average since 2007.

At the same time, consumers and businesses appear to remain wary, continuing the unwinding of several decades of over-leveraging that financed spending beyond the means of the general population, especially a population fueled by the unprecedented retirement surge of the Baby Boom generation. That phenomenon, the associated need for retirement saving, and continuing concerns about the future serve as dampening headwinds in terms of consumer demand and overall economic growth.

The ultimate source of the continuing modest growth pattern and what, if any, policy action is warranted remain a topic for debate.

Some economists attribute the decline in aggregate demand to an aging population, a newly found and widely spread aversion to debt, still-recovering home equity, a weak labor market and overall subdued consumer confidence.

Others cite supply-side concerns that emanate from angst over the Affordable Health Care Act and failure to reform immigration laws and modify an encumbering corporate tax code.

It is likely that both demand- and supply-side factors help explain why consumers are not spending at pre-recession levels and businesses continue to hoard cash well after the recession has passed. Amid these concerns, most point to dysfunction in Washington as a serious headwind.

Against this backdrop of fiscal and demographic issues is the challenge of predicting economic growth for the coming year. The real puzzle is whether the catalyst for growth lies in unfreezing a hesitant consumer or in unleashing corporate cash. Most agree that job growth has to occur for either to happen in a significant fashion; meanwhile, employment opportunities are stifled by lagging demand and the reluctance of businesses to risk cash on expansion.

NATIONAL OUTLOOK

The most recent outlook from Global Insight suggests a slow-growth recovery period through 2014, with real GDP growth at sub-par levels (i.e., under 3%). The case for faster

growth could hinge on impetus from increasing wealth in equities, housing and an improving labor market. Pessimists cite government fiscal imbalances, the burdensome impact of health care obligations and an archaic tax code as formidable impediments to economic growth.

Employment

Job growth improved in 2013, and prospects appear a bit brighter for 2014. Global Insight predicts that employment growth will stay below 2% nationally and that the national unemployment rate will be in the mid 6's during 2014 and below 6% by the end of 2015.

Labor force participation rates will likely continue a decline that began in the early 2000s and that accelerated during the Great Recession. Productivity growth fueled by automation will impede opportunities for workers in positions dominated by repetitive tasks, with even a manufacturing resurgence not sparking significant job creation. Predictably, workers with specialized skills will find the most opportunity and see the most wage appreciation.

Consumer Spending

As was mentioned earlier, consumer confidence has begun to show signs of improvement. Using Global Insight's most likely scenario, consumer confidence would steadily return over the next three years, attaining pre-recession levels in 2015.

Because actual buying patterns have been somewhat more positive than the outlooks that consumers express in surveys, forecasts should depend more on watching what consumers do rather than simply asking them how they feel. Also, consumer activity has improved at a rate faster than overall income growth, suggesting that it is being fueled by increases in household wealth and a very favorable interest rate environment.

With improved labor market conditions over the next several years, this positive consumer sentiment should spread throughout the economy and help improve the prospects for continued economic expansion.

Interest Rates

In 2013 we saw the first signs that the Federal Reserve will not provide an unlimited supply of credit to the economy, and its signals of an unwinding of bond purchases has pushed mortgage rates up over a full percentage point over the past year.

At the same time, it is noteworthy that Global Insight continues to see no significant inflation risk. Inflation is expected to remain below 2%; with low inflation, interest rates will remain low. Commodity prices were depressed in 2013, gold has lost significant value over the past several years, and there is no immediate sign of change. Fixed-income savers will have limited opportunities to earn rates of return that keep pace with even the modest inflation rates that are forecasted.

Business Spending

The corporate profit growth picture in 2014 will likely accelerate in comparison with 2013, before slowing in 2015 and beyond. In the near term, business investment will accelerate as businesses perceive that demand for products and services improve and for most enterprises balance sheet conditions will support the expansion. The negative risks prevail as well, should a geopolitical shock or inability to pass the debt ceiling legislation once again serve as a significant distraction.

Value of the Dollar

In 2013, the dollar appreciated against a basket of foreign currencies, with upward pressure coming from improving economic conditions in the U.S. relative to other countries.

Weakness pressures in the future could come from concerns about an overly aggressive Fed and perceived prospects for inflation. However, as has been the case for several years, Global Insight does not foresee, in any of its current scenarios, a deterioration in the value of the dollar. A slow but steady appreciation of the U.S. dollar would be consistent with an improving U.S. economy, slowly rising interest rates, and modest inflation rates.

Current Events and Risks

Many indicators of the U.S. economy are pointing to a continued slow but steady growth scenario. The odds of continued recovery may have improved in the fall of 2013, as the risk of political gridlock appears to be lower than in recent years, in part due to the negative repercussions of the government shutdown in October.

Downside risk exists in the form of possible unforeseen shocks, either geopolitical or natural. However, many economists point to pent-up demand, cash on the sidelines, and record corporate profits as opportunities for the economy to accelerate.

Overall Consensus

Barring any unforeseen shocks, growth is expected to be slow but steady nationally. With no clear catalyst for rapid growth or collapse, the economy continues to plod along at what has been characterized by some as a “plow horse” pace.

The contrast between these two disparate outcomes makes economic forecasting more challenging than in the past several years.

ARIZONA OUTLOOK

Led by its retail sector, the Arizona economy is displaying growth at a slightly faster pace than that of the nation. Statistics suggest that, while the state’s employment growth remains sluggish, overall income growth is positive. Favorable credit conditions, coupled with an improved housing market, are conducive to a moderate spending pace. Conditions are likely to improve, and consensus forecasts for 2014-15 call for steady growth, with modest acceleration as that two-year period progresses.

This growth scenario assumes that:

- the aerospace manufacturing sector remains stable,
- semiconductor manufacturing continues to exhibit modest growth and that expansion at major employer facilities remain on track,
- health care services continue to expand,
- retail trade and professional services see modest growth coincident with the overall growth in the state, and
- the excess inventory in the housing sector is eliminated, stimulating new construction and continuing its transition from being a headwind to providing support for the Arizona growth scenario.

While no tangible evidence is available to date, there are anecdotal reports that domestic in-migration is finally recovering, as residents of other states become unlocked from homes and jobs at an increasing rate and are able to fulfill plans to relocate. Arizona should continue to be a destination for persons and families attracted by the state’s lifestyle, climate and employment growth that, while still underperforming relative to historical norms, is preferable to most states. In particular, a catalyst might come from well-to-do Californians wishing to escape that state’s high individual income taxes.

Employment

Job creation continues to be a challenge, and last year’s predictions of solid three-plus percent job growth appear to be still nearly a year away. In 2013, job growth struggled to eclipse 2%; for 2014 and 2015, most economists expect job growth of, respectively, 2.5% and 3%.

Despite that modest forecast, Arizona is being viewed as a potential leader in long-term job growth. In its September 25, 2013, issue, *Forbes* ranked Arizona first in the nation for projected employment over the next five years.

At the same time, headwinds may occur in manufacturing, aerospace and defense, government, and even the retail sector. While lawmakers debate the optimal policy response, the most likely explanation for the dismal jobs picture is the rapid pace of productivity. Any job that requires a repetitive skill is at risk of replacement by a machine or automated process. The shift toward automation that accelerated during the Great Recession will likely continue rather than revert back to a pre-recession pace.

Personal Income

Arizona’s aggregate personal income growth, as reported by the U.S. Bureau of Economic Analysis, continued to display

growth in 2013, but the pace was quite slow by historical standards. Prospects for acceleration exist as the employment picture improves.

As growth in overall income returns, it is likely that consumer confidence will rebound from historical low levels and consumer purchases will continue to accelerate. A dampening factor over the past several years has been low inflation rates, and any resurgence in inflation will bolster this personal income growth scenario.

Population

The pace of domestic in-migration has held the key to growth in Arizona for decades. By all accounts, 2009 through 2011 were likely the slowest years for new arrivals from other states in Arizona's recorded history. The 2012-13 period saw slight improvement, although the official figures are not yet available, and data from public utility companies does not suggest significant new customer growth.

The historical attractions for Arizona have been job growth, affordable housing and, of course, an attractive climate. As was mentioned earlier, impediments to in-migration from key sourcing states are easing, and many of the attributes that have sustained Arizona's magnetism for decades remain in place today.

It is likely that in-migration rates will improve in 2014 and beyond, and the pace of that resurgence that will be important for Arizona's growth trajectory. Demographics suggest that Arizona will see significant growth in retiree populations as the economy and incomes improve.

Risks

Risks that potentially threaten Arizona's economy endure but are lower than in the last several years. Perhaps the most serious risk to Arizona comes from a scenario in which the nation falls back into recession due to severe federal spending cuts or external shocks. A national recession would significantly delay recovery in Arizona since it will damage our cyclically sensitive sectors while impeding the in-migration flow. Catalysts for a national downturn include another financial episode triggered by a debt crisis and/or geopolitical or natural shock. Geopolitical shocks could threaten the hospitality and travel industry that is positioned to grow from very low current levels.

The debt rhetoric in Washington suggests that substantial cuts in federal spending are a distinct possibility. In recent years, Arizona has depended on an annual injection of some \$65 billion federal dollars per annum, and the State has received \$1.50 to \$1.75 for every tax dollar sent to D.C.; thus, federal cuts, especially in defense-related spending, could leave a negative imprint on the state. Some \$13 billion in direct procurement is injected into Arizona's defense industry each year.

Finally, the extent of Arizona's reliance on the availability of undocumented workers will become clearer as the state's economy continues to grow. Clearly, the enforcement of undocumented worker laws will not allow Arizona businesses to tap a source of affordable labor that they have relied upon for decades. This could serve as a new source of demand for domestic workers or simply prove to be a bottleneck that

impedes growth. While a major adjustment in the labor market will invariably take place, the risk of severe shocks and especially harsh short-term fiscal tightening seem remote at this time.

Achieving Baseline Revenue Forecasts

FY 2014. The "big three" revenue categories – Transaction Privilege Tax (TPT), Individual Income Tax and Corporate Income Tax – are on track for realizing the FY 2014 forecast.

TPT collections are slightly ahead of pace for realizing the baseline 2014 forecast, while the Individual Income Tax is on pace, and the Corporate Income Tax is now on pace for a collections total that has recently been revised downward.

TPT is being fueled by a robust retail spending component and, to lesser degrees, use-tax collections and contracting have also been strong in FY 2014. Trends suggest that a modest spring collections period will result in the projected baseline collection.

Individual Income Taxes, fueled by the projected robust pace of capital gains and increased liability of Arizona's high income earners, is on pace to grow by roughly 9% over FY 2013. Estimated payment flow to date is consistent with this robust growth pattern.

Corporate Income Tax collections have slowed considerably in FY 2014, as the abundance of income tax credits has expanded and the pace of refunds has accelerated. This collections pace is completely out of step with the robust growth of corporate income tax collections observed nationally.

FY 2015. Recent trends in consumer confidence point to continued robust growth in the retail and contracting sectors that will likely result in the realization of the baseline TPT forecast in 2015. The 30% appreciation of equities in 2013 will provide ample opportunity for investors to continue to realize capital gains, and the improving real estate market will provide additional impetus.

As the overall economy improves, so too will the pace of average tax liabilities associated with normal incomes. All these factors will contribute to the realization of the baseline individual income tax forecasts. Corporate collections will continue to fall as the impact of the rate reductions takes affect and the reduction in rates, expanding credits and persistent refunds offset improvements in the overall corporate tax base. This is now fully reflected in the baseline forecast for 2015.

Upside and Downside Potential

The pessimistic and optimistic economic scenarios are depicted in the current monthly report prepared for the Governor's Office of Strategic Planning & Budgeting (OSP) by the Seidman Research Institute at Arizona State University.

As the economy moves away from the effects of the Great Recession and adjusts to a more stable growth path, the future course of revenues will become more predictable.

That does not imply that the future is devoid of risk and/or opportunity. The risk to the revenue forecasts are that demographic changes, coupled with changes in attitudes toward debt and home ownership, act to dampen consumption to levels well below historical norms for some time, and the

U.S. economy takes a path similar to Japan over the past 20 years with low to negative inflation and an aging population.

More likely, the U.S. economy weathers the impact of Baby Boomer retirements, and younger workers find opportunities as the Boomers leave the workforce. Recent wealth appreciation sustains without undue excesses, so no speculative bubble is created. The nominal U.S. economy grows at a 5-6% rate with modest inflation averaging 3-4%. In this case spending rates increase slightly and capital gains income opportunities prevail. Coupled with a strategy to address the country's long-term fiscal obligations, this nominal growth path sets the stage for modest increases in standards of living going forward.

Any acceleration in the transition to this higher nominal growth trajectory will result in revenue flows closer to the optimistic scenario for Arizona, since the state has always grown faster than the nation during expansionary periods.

General Fund Base Revenue Summary

FY 2013 Through FY 2017
(in thousands)

	Actual FY 2013	Estimate FY 2014	Estimate FY 2015	Estimate FY 2016	Estimate FY 2017
TAXES					
Individual Income	3,397,545.1	3,610,760.0	3,868,060.0	4,141,360.0	4,383,260.0
Corporate Income	662,026.4	598,400.0	573,868.0	525,945.0	481,494.6
Sales and Use	3,842,371.3	4,054,820.0	4,290,600.0	4,542,099.4	4,781,700.0
Property Taxes	13,202.5	20,000.0	20,000.0	20,000.0	20,000.0
Luxury Taxes	56,184.6	58,182.6	59,747.2	61,265.0	63,018.3
Insurance Premium Taxes	388,084.1	396,700.0	431,300.0	441,000.0	453,809.0
Estate Taxes	0.0	0.0	0.0	0.0	0.0
Other Taxes	10,324.6	3,000.0	3,000.0	3,000.0	3,000.0
TOTAL TAXES	8,369,738.6	8,741,862.6	9,246,575.2	9,734,669.4	10,186,281.9
OTHER REVENUES					
Licenses, Fees & Permits/Misc.	168,498.6	119,880.8	124,676.0	129,663.1	136,146.2
Interest Earnings	12,026.7	12,000.0	12,000.0	12,000.0	12,000.0
Lottery	79,260.8	76,718.0	84,643.7	80,531.5	88,943.3
Transfers & Reimbursements	26,535.0	21,000.0	21,000.0	21,000.0	21,000.0
Disproportionate Share	78,204.6	81,267.0	76,156.1	76,156.1	75,088.4
TOTAL OTHER REVENUES	364,525.8	310,865.8	318,475.8	319,350.7	333,177.9
TOTAL REVENUES	8,734,264.4	9,052,728.4	9,565,051.0	10,054,020.0	10,519,459.8
ADJUSTMENTS					
Urban Revenue Sharing	(513,584.0)	(561,001.2)	(608,935.7)	(631,374.0)	(666,289.2)
Civic Center & Rio Nuevo Payments	(15,352.5)	(30,449.0)	(30,449.0)	(30,449.0)	(30,449.0)
TPT Threshold	(52,000.0)	-	-	-	-
GRAND TOTAL REVENUES	8,153,327.8	8,461,278.2	8,925,666.3	9,392,197.0	9,822,721.6

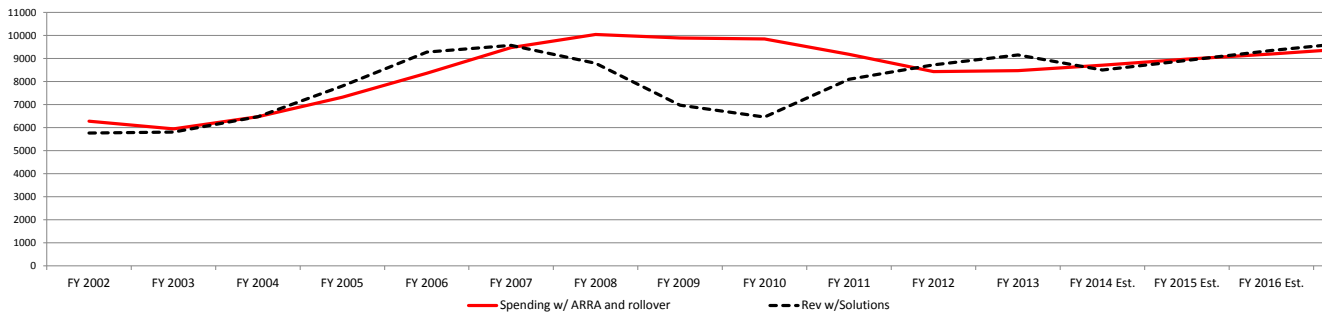
Note : Tax reductions impacts are included in the forecast.

Executive Budget > BUDGET IN A FLASH

Sources and Uses FY 2014-FY 2017 (\$1,000s)

	FY 2014	FY 2015	FY 2016	FY 2017
Beginning Balance	\$895,536.9	\$676,089.2	\$243,995.2	\$236,428.1
Revenue Estimate	\$8,588,178.2	\$8,928,433.0	\$9,391,300.9	\$9,822,452.2
TOTAL SOURCES	\$9,483,715.1	\$9,604,522.2	\$9,635,296.2	\$10,058,880.3
Agency Operating Budgets	\$8,721,202.3	\$9,198,730.8	\$9,343,484.2	\$9,584,452.9
Other Expenditures	\$86,423.6	\$161,796.2	\$55,383.9	\$53,868.9
TOTAL EXPENDITURES	\$8,807,625.9	\$9,360,527.0	\$9,398,868.1	\$9,638,321.8
Ending Balance	\$676,089.2	\$243,995.2	\$236,428.1	\$420,558.5

Arizona General Fund Ongoing Revenue and Expenditures (FY 2002-FY 2017) (\$1,000,000s)



Agency Operating Budgets (\$1,000s)

	FY 2014	FY 2014 Change	FY 2015
Department of Education	3,620,831.2	254,878.2	3,875,709.4
AHCCCS	1,334,933.4	(75,677.6)	1,259,255.8
Department of Corrections	971,743.9	25,912.8	997,656.7
Universities	740,517.3	40,153.2	780,670.5
Department of Economic Services	690,112.9	110,118.8	800,231.7
Department of Health Services	550,646.4	58,225.1	608,871.5
School Facilities Board	193,181.4	(3,796.4)	189,385.0
Judiciary	109,841.0	0.0	109,841.0
Community Colleges	69,513.4	42.5	69,555.9
Department of Public Safety	51,560.8	4,460.6	56,021.4
Department of Revenue	47,025.3	4,324.8	51,350.1
Department of Administration	30,094.3	51,522.0	81,616.3
All Other Operating Budgets	294,726.2	23,839.3	318,565.5
TOTAL OPERATING BUDGETS	8,704,727.5	494,003.3	9,198,730.8

FY 2014 Supplemental Recommendations (1,000s)

DES-CPS Caseworkers	\$5,748.0	Administrative Hearings-Alleviate Shortfall	\$184.6
DES-Children Support Services	\$5,359.0	Navigable Stream Adjud. Comm.-Hearings	\$150.0
DES-Emergency & Residential Care Caseload Growth	\$4,204.9	Land-CAP Water Rights Fees	\$128.3
Independent Redistricting Commission-FY14 Funding	\$700.0	Total FY 2014 Supplemental Appropriations	\$16,474.8

Major Highlights of FY 2015 (1,000,000s)

\$58.7 - DES Long-term Care System Fund & TANF Backfill	\$21.5 - DES CPS Caseworkers
\$57.4 - Capital Investments	\$15.0 - University of Arizona TGen Funding
\$50.0 - Budget Stabilization Fund	\$13.5 - Education Assessment
\$37.6 - Education Student Success Funding	\$12.7 - DOC Medium Custody Private Prison Beds
\$27.5 - University Parity Funding	\$9.7 - DOC Maximum Security State Prison Beds
\$26.5 - Administration Automation Projects	\$9.2 - Veterans' Home Construction
\$25 - New Department of Child Protective Services	

FY 2015 Executive Recommendations

	<u>General Fund</u>	<u>Other Appropriated</u>	<u>Non- Appropriated</u>	<u>All Funds</u>
State Board of Accountancy	0.0	1,933.7	0.0	1,933.7
Acupuncture Board of Examiners	0.0	154.6	0.0	154.6
Arizona Department of Administration	88,766.8	289,549.6	1,054,324.3	1,432,640.7
Office of Administrative Hearings	1,149.4	12.3	1,103.6	2,265.3
Arizona Department of Agriculture	8,398.9	0.0	16,195.9	24,594.8
Arizona Health Care Cost Containment System	1,259,255.8	167,929.0	9,608,933.1	11,036,117.9
State Board of Appraisal	0.0	861.6	0.0	861.6
Arizona Commission on the Arts	0.0	0.0	2,157.0	2,157.0
State Board of Athletic Training	0.0	118.2	0.0	118.2
Attorney General - Department of Law	22,464.6	43,809.9	44,496.6	110,771.1
Automobile Theft Authority	0.0	5,297.6	0.0	5,297.6
Board of Barber Examiners	0.0	333.8	0.0	333.8
Board of Behavioral Health Examiners	0.0	1,758.1	0.0	1,758.1
Capital Projects	57,400.0	32,886.1	0.0	90,286.1
State Board for Charter Schools	994.4	0.0	102.7	1,097.1
State Board of Chiropractic Examiners	0.0	450.4	0.0	450.4
Citizens' Clean Elections Commission	0.0	0.0	10,479.9	10,479.9
Commerce Authority	0.0	0.0	37,402.2	37,402.2
Arizona Community Colleges	69,555.9	0.0	0.0	69,555.9
Constable Ethics Standards & Training Board	0.0	0.0	324.5	324.5
Registrar of Contractors	0.0	12,193.3	5,628.5	17,821.8
Corporation Commission	609.7	26,337.5	695.0	27,642.2
Department of Corrections	997,656.7	47,413.5	57,847.7	1,102,917.9
Board of Cosmetology	0.0	1,784.5	74.8	1,859.3
Arizona Criminal Justice Commission	0.0	5,954.2	11,463.6	17,417.8
Arizona State Schools for the Deaf and the Blind	22,491.1	12,856.4	20,747.5	56,095.0
Commission for the Deaf and the Hard of Hearing	0.0	4,015.4	0.0	4,015.4
State Board of Dental Examiners	0.0	1,214.8	0.0	1,214.8
Arizona Early Childhood Development and Health Board	0.0	0.0	181,005.1	181,005.1
Department of Economic Security	800,231.7	462,859.3	3,666,238.5	4,929,329.5
Department of Education	3,875,709.4	56,035.2	1,647,722.5	5,579,467.1
Department of Emergency and Military Affairs	15,427.6	132.7	58,666.2	74,226.5
Department of Environmental Quality	7,000.0	70,834.0	58,683.8	136,517.8
Governor's Office for Equal Opportunity	188.5	0.0	0.0	188.5
State Board of Equalization	639.5	0.0	0.0	639.5
Board of Executive Clemency	958.4	0.0	0.0	958.4
Arizona Exposition & State Fair	0.0	12,618.8	0.0	12,618.8
State Department of Financial Institutions	0.0	5,328.8	204.8	5,533.6
Board of Fingerprinting	0.0	0.0	543.1	543.1
Department of Fire, Building and Life Safety	2,026.0	0.0	707.0	2,733.0
State Forester	9,129.4	0.0	20,030.4	29,159.8
State Board of Funeral Directors & Embalmers	0.0	353.6	0.0	353.6
Arizona Game & Fish Department	0.0	40,261.9	70,075.6	110,337.5
Department of Gaming	0.0	13,497.0	0.0	13,497.0
Arizona Geological Survey	941.4	0.0	1,992.1	2,933.5
Office of the Governor	6,926.0	0.0	26,028.2	32,954.2
Governor's Office of Strategic Planning and Budgeting	1,993.2	0.0	0.0	1,993.2
Department of Health Services	608,871.5	92,180.0	1,849,102.7	2,550,154.2

FY 2015 Executive Recommendations

	<u>General Fund</u>	<u>Other Appropriated</u>	<u>Non- Appropriated</u>	<u>All Funds</u>
Governor's Office of Highway Safety	0.0	0.0	9,052.4	9,052.4
Arizona Historical Society	3,155.0	0.0	941.9	4,096.9
Prescott Historical Society of Arizona	826.0	0.0	182.4	1,008.4
Department of Homeland Security	0.0	0.0	17,000.0	17,000.0
Board of Homeopathic Medical Examiners	0.0	102.1	0.0	102.1
Arizona Department of Housing	0.0	313.8	88,746.2	89,060.0
Independent Redistricting Commission	1,115.1	0.0	0.0	1,115.1
Arizona Commission of Indian Affairs	56.9	0.0	14.5	71.4
Department of Insurance	6,223.3	0.0	7,716.7	13,940.0
Industrial Commission of Arizona	0.0	19,989.5	6,132.4	26,121.9
Judiciary	109,841.0	41,105.8	32,787.0	183,733.8
Department of Juvenile Corrections	43,822.7	3,925.4	1,952.3	49,700.4
State Land Department	12,505.7	5,877.2	1,059.1	19,442.0
Auditor General	17,989.7	0.0	1,997.8	19,987.5
House of Representatives	13,372.2	0.0	0.0	13,372.2
Joint Legislative Budget Committee	2,492.0	0.0	0.0	2,492.0
Legislative Council	8,046.5	0.0	0.0	8,046.5
Senate	8,283.8	0.0	0.0	8,283.8
Department of Liquor Licenses and Control	0.0	3,601.6	975.2	4,576.8
Arizona State Lottery Commission	0.0	101,795.5	1,108,411.8	1,210,207.3
Massage Therapy	0.0	457.2	0.0	457.2
Arizona Medical Board	0.0	5,738.7	0.0	5,738.7
State Mine Inspector	1,223.3	112.5	185.9	1,521.7
Naturopathic Physicians Board of Medical Examiners	0.0	158.9	0.0	158.9
Arizona Navigable Stream Adjudication Commission	129.2	0.0	0.0	129.2
State Board of Nursing	0.0	4,275.6	414.7	4,690.3
Nursing Care Ins. Admin. Examiners	0.0	420.2	0.0	420.2
Board of Occupational Therapy Examiners	0.0	189.1	0.0	189.1
State Board of Dispensing Opticians	0.0	135.8	0.0	135.8
State Board of Optometry	0.0	206.0	0.0	206.0
OSHA Review Board	0.0	0.0	0.0	0.0
Arizona Board of Osteopathic Examiners	0.0	826.4	0.0	826.4
State Parks Board	0.0	12,821.1	16,811.0	29,632.1
Personnel Board	0.0	374.9	0.0	374.9
Office of Pest Management	0.0	1,700.0	113.5	1,813.5
Arizona State Board of Pharmacy	0.0	2,053.3	832.3	2,885.6
Board of Physical Therapy Examiners	0.0	411.9	0.0	411.9
Arizona Pioneers' Home	1,602.8	4,656.6	26.8	6,286.2
State Board of Podiatry Examiners	0.0	147.3	0.0	147.3
Commission for Postsecondary Education	1,396.8	1,535.3	1,901.2	4,833.3
Power Authority	0.0	0.0	36,499.1	36,499.1
State Board for Private Postsecondary Education	0.0	395.6	103.1	498.7
State Board of Psychologist Examiners	0.0	421.8	0.0	421.8
Department of Public Safety	56,021.4	184,513.7	59,799.3	300,334.4
Public Safety Personnel Retirement System	0.0	0.0	39,559.0	39,559.0
Arizona Department of Racing	2,029.5	2,895.9	89.6	5,015.0
Radiation Regulatory Agency	1,640.8	852.9	967.6	3,461.3
Department of Real Estate	3,151.0	0.0	234.0	3,385.0

FY 2015 Executive Recommendations

	<u>General Fund</u>	<u>Other Appropriated</u>	<u>Non- Appropriated</u>	<u>All Funds</u>
Residential Utility Consumer Office	0.0	1,334.4	0.0	1,334.4
Board of Respiratory Care Examiners	0.0	297.1	0.0	297.1
Arizona State Arizona Retirement System	0.0	26,717.5	174,579.0	201,296.5
Department of Revenue	51,350.1	26,056.7	109,150.0	186,556.8
School Facilities Board	189,385.0	0.0	295,330.5	484,715.5
Department of State - Secretary of State	15,035.5	3,682.0	4,360.9	23,078.4
State Boards Office	0.0	231.0	0.0	231.0
State Board of Tax Appeals	264.7	0.0	0.0	264.7
State Board of Technical Registration	0.0	2,119.5	0.0	2,119.5
Arizona Office of Tourism	9,102.6	0.0	13,904.9	23,007.5
Department of Transportation	50.4	397,222.1	2,362,965.5	2,760,238.0
State Treasurer	1,205.1	5,004.7	0.0	6,209.8
Arizona Board of Regents	21,925.5	0.0	114,205.5	136,131.0
ASU - Tempe	290,453.1	453,068.7	1,228,799.7	1,972,321.5
ASU - Polytechnic	26,018.7	35,691.7	45,043.3	106,753.7
ASU - West	33,519.0	40,980.3	62,161.3	136,660.6
Northern Arizona University	115,622.7	120,281.1	308,417.0	544,320.8
University of Arizona - Main Campus	223,546.2	271,507.7	1,289,567.4	1,784,621.3
University of Arizona - Health Sciences Center	69,585.3	41,117.0	369,904.0	480,606.3
Department of Veterans' Services	14,636.3	31,634.4	9,167.7	55,438.4
State Veterinary Medical Examining Board	0.0	591.1	0.0	591.1
Water Infrastructure Finance Authority	0.0	0.0	204,402.6	204,402.6
Department of Water Resources	14,620.2	906.8	10,493.1	26,020.1
Department of Weights and Measures	1,675.3	1,772.9	0.0	3,448.2
Statewide Issues	92,199.6	0.0	0.0	92,199.6
	<u>9,323,905.9</u>	<u>3,273,194.1</u>	<u>26,489,936.1</u>	<u>39,087,036.1</u>

General Fund Operating Budgets Summary

(Dollars in Thousands)

	FY 2013 Expenditures	FY 2014 Appropriation	FY 2014 Executive Budget	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
Arizona Department of Administration	75,923.1	37,244.8	37,244.8	88,766.8	51,522.0
Office of Administrative Hearings	827.8	862.2	1,046.8	1,149.4	287.2
Arizona Department of Agriculture	8,018.2	8,320.2	8,320.2	8,398.9	78.7
Arizona Health Care Cost Containment System	1,267,202.2	1,334,933.4	1,294,933.4	1,259,255.8	(75,677.6)
Attorney General - Department of Law	23,365.9	22,464.6	22,464.6	22,464.6	0.0
State Board for Charter Schools	753.5	822.4	822.4	994.4	172.0
Arizona Community Colleges	68,932.8	69,513.4	69,513.4	69,555.9	42.5
Corporation Commission	600.3	609.7	609.7	609.7	0.0
Department of Corrections	946,359.2	971,743.9	971,743.9	997,656.7	25,912.8
Arizona State Schools for the Deaf and the Blind	20,494.6	21,795.3	21,795.3	22,491.1	695.8
Department of Economic Security	618,264.4	690,112.9	705,424.8	800,231.7	110,118.8
Department of Education	3,464,988.9	3,620,831.2	3,620,831.2	3,875,709.4	254,878.2
Department of Emergency and Military Affairs	6,963.0	10,312.4	10,312.4	15,427.6	5,115.2
Department of Environmental Quality	7,000.0	7,000.0	7,000.0	7,000.0	0.0
Governor's Office for Equal Opportunity	177.5	188.5	188.5	188.5	0.0
State Board of Equalization	503.5	639.5	639.5	639.5	0.0
Board of Executive Clemency	822.9	838.4	838.4	958.4	120.0
State Department of Financial Institutions	2,948.8	3,019.1	3,019.1	0.0	(3,019.1)
Department of Fire, Building and Life Safety	1,723.5	2,026.0	2,026.0	2,026.0	0.0
State Forester	6,913.0	7,336.4	7,336.4	9,129.4	1,793.0
Arizona Geological Survey	872.5	941.4	941.4	941.4	0.0
Office of the Governor	3,563.5	6,926.0	6,926.0	6,926.0	0.0
Governor's Office of Strategic Planning and Budgeting	1,866.9	1,993.2	1,993.2	1,993.2	0.0
Department of Health Services	582,929.9	550,646.4	590,646.4	608,871.5	58,225.1
Arizona Historical Society	3,061.9	3,155.0	3,155.0	3,155.0	0.0
Prescott Historical Society of Arizona	617.0	826.0	826.0	826.0	0.0
Independent Redistricting Commission	2,588.7	1,115.1	1,815.1	1,115.1	0.0
Arizona Commission of Indian Affairs	53.4	56.9	56.9	56.9	0.0
Department of Insurance	4,984.4	5,364.9	5,364.9	6,223.3	858.4
Judiciary	108,580.3	109,841.0	109,841.0	109,841.0	0.0
Department of Juvenile Corrections	40,636.4	43,822.7	43,822.7	43,822.7	0.0
State Land Department	1,253.8	12,345.4	12,473.7	12,505.7	160.3
Auditor General	17,428.0	17,989.7	17,989.7	17,989.7	0.0
House of Representatives	11,839.4	13,372.2	13,372.2	13,372.2	0.0
Joint Legislative Budget Committee	0.4	2,492.0	2,492.0	2,492.0	0.0
Legislative Council	5,566.1	8,046.5	8,046.5	8,046.5	0.0
Senate	7,893.7	8,283.8	8,283.8	8,283.8	0.0
State Mine Inspector	1,187.5	1,223.3	1,223.3	1,223.3	0.0
Arizona Navigable Stream Adjudication Commission	116.4	129.2	279.2	129.2	0.0
OSHA Review Board	1.0	0.0	0.0	0.0	0.0
Arizona Pioneers' Home	1,158.7	1,602.8	1,602.8	1,602.8	0.0
Commission for Postsecondary Education	1,396.8	1,396.8	1,396.8	1,396.8	0.0
Department of Public Safety	16,878.8	51,560.8	51,560.8	56,021.4	4,460.6

General Fund Operating Budgets Summary

(Dollars in Thousands)

	FY 2013 Expenditures	FY 2014 Appropriation	FY 2014 Executive Budget	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
Arizona Department of Racing	2,029.5	2,029.5	2,029.5	2,029.5	0.0
Radiation Regulatory Agency	1,433.8	1,468.6	1,468.6	1,640.8	172.2
Department of Real Estate	2,661.0	2,988.7	2,988.7	3,151.0	162.3
Department of Revenue	44,998.1	47,025.3	47,025.3	51,350.1	4,324.8
School Facilities Board	173,724.2	193,181.4	193,181.4	189,385.0	(3,796.4)
Department of State - Secretary of State	14,457.2	11,635.5	11,635.5	15,035.5	3,400.0
State Board of Tax Appeals	256.5	264.7	264.7	264.7	0.0
Arizona Office of Tourism	6,008.3	7,102.6	7,102.6	9,102.6	2,000.0
Department of Transportation	50.4	50.4	50.4	50.4	0.0
State Treasurer	1,231.9	1,205.1	1,205.1	1,205.1	0.0
Arizona Board of Regents	36,916.0	21,925.5	21,925.5	21,925.5	0.0
ASU - Tempe	257,927.2	272,577.0	272,577.0	290,453.1	17,876.1
ASU - Polytechnic	20,812.5	22,869.5	22,869.5	26,018.7	3,149.2
ASU - West	33,133.9	33,519.0	33,519.0	33,519.0	0.0
Northern Arizona University	105,922.8	110,335.0	110,335.0	115,622.7	5,287.7
University of Arizona - Main Campus	207,555.9	209,706.0	209,706.0	223,546.2	13,840.2
University of Arizona - Health Sciences Center	61,351.6	69,585.3	69,585.3	69,585.3	0.0
Department of Veterans' Services	5,215.0	5,436.3	5,436.3	14,636.3	9,200.0
Department of Water Resources	11,126.5	12,326.4	12,326.4	14,620.2	2,293.8
Department of Weights and Measures	1,489.8	1,325.8	1,325.8	1,675.3	349.5
General Fund Operating Total	8,325,560.7	8,680,303.0	8,696,777.8	9,174,306.3	494,003.3

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2013 Expenditures	FY 2014 Appropriation	FY 2014 Executive Budget	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>State Board of Accountancy</u>					
Accountancy Board Fund	1,563.1	1,933.7	1,933.7	1,933.7	0.0
<u>Acupuncture Board of Examiners</u>					
Acupuncture Board of Examiners Fund	128.8	150.2	150.2	154.6	4.4
<u>Arizona Department of Administration</u>					
Personnel Division Fund	14,304.7	12,898.7	12,898.7	12,898.7	0.0
Capital Outlay Stabilization Fund	16,859.5	18,070.7	18,070.7	18,070.7	0.0
Liquor Licenses Fund	0.0	0.0	0.0	626.7	626.7
DEQ Emissions Inspection Fund	0.0	0.0	0.0	6,800.0	6,800.0
Corrections Fund	449.8	572.9	572.9	572.9	0.0
Information Technology Fund	4,143.1	3,232.3	3,232.3	3,577.3	345.0
Utility Regulation Revolving Fund	0.0	0.0	0.0	33.4	33.4
Air Quality Fund	641.4	927.1	927.1	927.1	0.0
Security Regulatory and Enforcement Fund	0.0	0.0	0.0	783.3	783.3
Public Access Fund	0.0	0.0	0.0	33.3	33.3
Prison Construction and Operations Fund	0.0	0.0	0.0	2,000.0	2,000.0
State DOC Revolving-Transition Fund	0.0	0.0	0.0	1,500.0	1,500.0
State Web Portal Fund	5,564.2	4,250.0	4,250.0	7,275.0	3,025.0
Education Learning and Accountability	0.0	0.0	0.0	1,600.0	1,600.0
Automation Projects Fund	0.0	66,738.0	66,738.0	88,998.7	22,260.7
Special Employee Health Fund	9,056.6	5,259.2	5,259.2	5,259.2	0.0
Penitentiary Land Earnings Fund	0.0	0.0	0.0	1,000.0	1,000.0
State Charitable, Penal & Reformatory Land Earnings Fund	0.0	0.0	0.0	2,500.0	2,500.0
DOC Special Services Fund	0.0	0.0	0.0	1,000.0	1,000.0
Motor Pool Revolving Fund	8,878.7	10,155.8	10,155.8	10,155.8	0.0
State Surplus Property Fund	2,462.6	2,399.6	2,399.6	2,399.6	0.0
Admin - Surplus Property/Federal Fund	86.5	464.1	464.1	464.1	0.0
Risk Management Fund	68,502.0	93,072.2	102,872.2	91,982.2	(1,090.0)
Automation Operations Fund	21,367.1	19,108.0	19,108.0	27,238.0	8,130.0
Telecommunications Fund	1,608.7	1,853.6	1,853.6	1,853.6	0.0
Agency Total	153,924.9	239,002.2	248,802.2	289,549.6	50,547.4
<u>Office of Administrative Hearings</u>					
Healthcare Group Fund	13.3	12.3	12.3	12.3	0.0
<u>Arizona Health Care Cost Containment System</u>					
Tobacco Tax and Health Care Fund	38,295.8	37,389.3	37,389.3	36,437.7	(951.6)
Tobacco Products Tax Fund	18,964.6	18,320.1	18,320.1	18,675.7	355.6
Children's Health Insurance Program Fund	53,782.3	32,139.1	32,139.1	29,965.8	(2,173.3)
Budget Neutrality Compliance Fund	3,221.1	3,303.9	3,303.9	3,392.7	88.8
Healthcare Group Fund	1,133.5	1,097.2	1,097.2	0.0	(1,097.2)
Prescription Drug Rebate Fund	47,895.3	95,010.9	95,010.9	79,457.1	(15,553.8)
Agency Total	163,292.7	187,260.5	187,260.5	167,929.0	(19,331.5)
<u>State Board of Appraisal</u>					
Board of Appraisal Fund	751.1	851.6	851.6	861.6	10.0
<u>Arizona Commission on the Arts</u>					
Budget Stabilization Fund	0.0	1,000.0	1,000.0	0.0	(1,000.0)

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2013 Expenditures	FY 2014 Appropriation	FY 2014 Executive Budget	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>State Board of Athletic Training</u>					
Athletic Training Fund	100.6	105.2	118.2	118.2	13.0
<u>Attorney General - Department of Law</u>					
Consumer Protection/Fraud Revolving Fund	3,360.9	3,506.2	4,106.2	6,827.7	3,321.5
Attorney General Antitrust Revolving Fund	143.7	244.2	244.2	244.2	0.0
Attorney General Collection Enforcement Fund	5,347.3	5,387.8	5,387.8	6,887.8	1,500.0
State Aid to Indigent Defense Fund	0.0	500.0	500.0	800.0	300.0
Interagency Service Agreements	12,617.1	13,525.4	13,525.4	13,525.4	0.0
Victims Rights Fund	3,224.7	3,997.8	3,997.8	3,997.8	0.0
Risk Management Fund	8,453.1	9,439.5	9,439.5	9,439.5	0.0
Attorney General Legal Services Cost Allocation Fund	2,073.4	2,087.5	2,087.5	2,087.5	0.0
Agency Total	35,220.2	38,688.4	39,288.4	43,809.9	5,121.5
<u>Automobile Theft Authority</u>					
Automobile Theft Authority Fund	4,216.8	5,297.6	5,297.6	5,297.6	0.0
<u>Board of Barber Examiners</u>					
Barber Examiners Board Fund	291.9	333.8	333.8	333.8	0.0
<u>Board of Behavioral Health Examiners</u>					
Behavioral Health Examiners Fund	1,487.3	1,758.1	1,758.1	1,758.1	0.0
<u>State Board of Chiropractic Examiners</u>					
Chiropractic Examiners Board Fund	448.3	469.4	469.4	450.4	(19.0)
<u>Registrar of Contractors</u>					
Registrar of Contractors Fund	7,215.0	14,893.3	14,893.3	12,193.3	(2,700.0)
<u>Corporation Commission</u>					
Utility Regulation Revolving Fund	13,240.1	14,194.0	14,194.0	14,194.0	0.0
Security Regulatory and Enforcement Fund	4,650.2	4,787.5	4,787.5	4,787.5	0.0
Public Access Fund	5,992.4	6,535.5	6,535.5	6,590.5	55.0
Securities Investment Management Fund	707.6	715.4	715.4	715.4	0.0
Arizona Arts Trust Fund	50.2	50.1	50.1	50.1	0.0
Agency Total	24,640.5	26,282.5	26,282.5	26,337.5	55.0
<u>Department of Corrections</u>					
Corrections Fund	29,384.0	30,017.6	30,017.6	30,017.6	0.0
State Education Fund for Correctional Education Fund	451.8	516.2	516.2	517.9	1.7
DOC - Alcohol Abuse Treatment Fund	363.0	554.4	554.4	554.4	0.0
Transition Program Fund	2,905.3	2,485.0	2,485.0	1,300.0	(1,185.0)
Transition Services Fund	533.3	0.0	0.0	0.0	0.0
Prison Construction and Operations Fund	8,499.6	12,499.4	12,499.4	13,684.4	1,185.0
Penitentiary Land Earnings Fund	979.2	979.2	979.2	979.2	0.0
State Charitable, Penal & Reformatory Land Earnings Fund	173.5	360.0	360.0	360.0	0.0
Agency Total	43,289.7	47,411.8	47,411.8	47,413.5	1.7
<u>Board of Cosmetology</u>					
Cosmetology Board Fund	1,654.0	1,784.5	1,784.5	1,784.5	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2013 Expenditures	FY 2014 Appropriation	FY 2014 Executive Budget	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>Arizona Criminal Justice Commission</u>					
Criminal Justice Enhancement Fund	572.0	649.2	649.2	649.2	0.0
Victim Compensation and Assistance Fund	3,495.3	4,092.5	4,092.5	4,092.5	0.0
Drug and Gang Prevention Resource Center Fund	135.1	238.9	238.9	238.9	0.0
State Aid to County Attorneys Fund	973.6	973.6	973.6	973.6	0.0
Agency Total	5,176.0	5,954.2	5,954.2	5,954.2	0.0
<u>Arizona State Schools for the Deaf and the Blind</u>					
Schools for the Deaf and Blind Fund	13,223.4	13,585.5	13,585.5	12,856.4	(729.1)
<u>Commission for the Deaf and the Hard of Hearing</u>					
Telecom for the Deaf Fund	3,466.5	3,776.4	3,776.4	4,015.4	239.0
<u>State Board of Dental Examiners</u>					
Dental Board Fund	1,029.0	1,214.8	1,214.8	1,214.8	0.0
<u>Department of Economic Security</u>					
Indirect Cost Recovery Fund - A	0.0	1,000.0	1,000.0	1,000.0	0.0
Workforce Investment Grant Fund	51,306.8	56,060.0	56,060.0	56,060.0	0.0
Temporary Assistance for Needy Families (TANF) Fund	245,836.3	221,007.1	221,007.1	218,705.4	(2,301.7)
Child Care and Development Fund	107,671.2	130,769.7	130,769.7	130,769.7	0.0
Special Administration Fund	1,129.9	2,829.9	2,829.9	2,829.9	0.0
Child Support Enforcement Administration Fund	10,049.3	16,787.4	16,787.4	16,787.4	0.0
Domestic Violence Shelter Fund	2,220.0	2,220.0	2,220.0	2,220.0	0.0
Child Abuse Prevention Fund	0.0	1,459.1	1,459.1	1,459.1	0.0
Children and Family Services Training Program Fund	68.3	207.7	207.7	207.7	0.0
Public Assistance Collections Fund	18.8	427.0	427.0	427.0	0.0
Department Long-Term Care System Fund	49,248.8	86,912.6	100,712.6	30,518.4	(56,394.2)
Spinal and Head Injuries Trust Fund	1,861.1	1,874.7	1,874.7	1,874.7	0.0
Agency Total	469,410.5	521,555.2	535,355.2	462,859.3	(58,695.9)
<u>Department of Education</u>					
School Accountability Fund Prop 301 Fund	0.0	7,000.0	7,000.0	7,000.0	0.0
Teacher Certification Fund	2,100.9	2,359.7	2,359.7	2,359.7	0.0
Empowerment Scholarship Account Fund	62.1	200.0	200.0	200.0	0.0
Public Institution Permanent School Earnings Fund	46,406.9	46,475.5	46,475.5	46,475.5	0.0
Agency Total	48,569.9	56,035.2	56,035.2	56,035.2	0.0
<u>Department of Emergency and Military Affairs</u>					
Emergency Response Fund	117.1	132.7	132.7	132.7	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2013 Expenditures	FY 2014 Appropriation	FY 2014 Executive Budget	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>Department of Environmental Quality</u>					
DEQ Emissions Inspection Fund	26,786.4	26,592.3	26,592.3	29,092.3	2,500.0
Hazardous Waste Management Fund	1,209.0	1,742.7	1,742.7	1,742.7	0.0
Air Quality Fund	3,400.8	5,376.4	5,376.4	5,376.4	0.0
Underground Storage Tank Revolving Fund	0.0	22.0	22.0	22.0	0.0
Recycling Fund	713.3	1,359.4	1,359.4	2,359.4	1,000.0
Permit Administration Fund	4,506.6	7,143.9	7,143.9	7,143.9	0.0
Solid Waste Fee Fund	705.1	1,242.7	1,242.7	1,242.7	0.0
Used Oil Fund	6.2	0.0	0.0	0.0	0.0
Water Quality Fee Fund	5,013.6	10,546.1	10,546.1	10,546.1	0.0
Indirect Cost Fund	10,951.9	13,308.5	13,308.5	13,308.5	0.0
Agency Total	53,292.9	67,334.0	67,334.0	70,834.0	3,500.0
<u>Arizona Exposition & State Fair</u>					
Arizona Exposition and State Fair Fund	10,957.9	11,423.5	11,693.5	12,618.8	1,195.3
<u>State Department of Financial Institutions</u>					
Financial Services Fund	758.3	936.7	936.7	0.0	(936.7)
Financial Institutions Fund	0.0	0.0	0.0	5,328.8	5,328.8
Agency Total	758.3	936.7	936.7	5,328.8	4,392.1
<u>State Board of Funeral Directors & Embalmers</u>					
Funeral Directors and Embalmers Fund	327.0	353.6	353.6	353.6	0.0
<u>Arizona Game & Fish Department</u>					
Game and Fish Fund	25,816.1	33,684.1	33,684.1	34,264.1	580.0
Watercraft Licensing Fund	3,106.3	4,555.8	4,555.8	4,555.8	0.0
Game/Non-game Fund	130.9	346.3	346.3	346.3	0.0
Capital Improvement Fund	1,000.0	999.7	999.7	999.7	0.0
Waterfowl Conservation Fund	20.0	80.0	80.0	80.0	0.0
Wildlife Endowment Fund	0.0	16.0	16.0	16.0	0.0
Agency Total	30,073.3	39,681.9	39,681.9	40,261.9	580.0
<u>Department of Gaming</u>					
Lottery Fund	300.0	300.0	300.0	300.0	0.0
Permanent Tribal-State Compact Fund	2,052.5	2,104.0	2,104.0	2,104.0	0.0
Arizona Benefits Fund	9,392.0	11,093.0	11,093.0	11,093.0	0.0
Agency Total	11,744.5	13,497.0	13,497.0	13,497.0	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2013 Expenditures	FY 2014 Appropriation	FY 2014 Executive Budget	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>Department of Health Services</u>					
Tobacco Tax and Health Care Fund	35,083.0	35,467.0	35,467.0	34,564.4	(902.6)
Capital Outlay Stabilization Fund	210.0	1,559.8	1,559.8	1,559.8	0.0
Health Services Licenses Fund	7,785.9	8,842.4	8,842.4	9,272.6	430.2
Child Care and Development Fund	694.5	830.4	830.4	879.4	49.0
Health Research Fund	1,000.0	1,000.0	1,000.0	1,000.0	0.0
Emergency Medical Services Operating Fund	4,210.6	5,121.4	5,121.4	5,121.4	0.0
Newborn Screening Program Fund	5,653.2	6,738.9	6,738.9	6,738.9	0.0
AZ Long-Term Care System Fund	1,379.6	0.0	0.0	0.0	0.0
Substance Abuse Services Fund	2,250.0	2,250.0	2,250.0	2,250.0	0.0
Nursing Care Institution Protection Fund	54.9	128.2	128.2	178.2	50.0
Environmental Lab License Revolving Fund	745.8	926.9	926.9	926.9	0.0
Child Fatality Review Fund	94.5	94.8	94.8	94.8	0.0
Vital Records Electronic Systems Fund	2,456.1	3,634.7	3,634.7	3,634.7	0.0
Hearing and Speech Professionals Fund	318.2	0.0	0.0	0.0	0.0
The Arizona State Hospital Fund	10,453.8	14,918.5	14,918.5	14,918.5	0.0
DHS State Hospital Land Earnings Fund	186.9	650.0	650.0	650.0	0.0
DHS - Indirect Cost Fund	8,747.8	10,390.4	10,390.4	10,390.4	0.0
Agency Total	81,324.8	92,553.4	92,553.4	92,180.0	(373.4)
<u>Board of Homeopathic Medical Examiners</u>					
Homeopathic Medical Examiners Fund	86.3	102.1	102.1	102.1	0.0
<u>Arizona Department of Housing</u>					
Housing Trust Fund	311.2	313.8	313.8	313.8	0.0
<u>Industrial Commission of Arizona</u>					
Industrial Commission Admin Fund	18,768.8	19,989.5	19,989.5	19,989.5	0.0
<u>Judiciary</u>					
Supreme Court CJEF Disbursements Fund	7,016.5	10,006.7	10,006.7	10,006.7	0.0
Judicial Collection - Enhancement Fund	17,313.3	20,031.2	20,031.2	20,031.2	0.0
Defensive Driving Fund	3,646.9	4,194.4	4,194.4	4,194.4	0.0
Court Appointed Special Advocate Fund	2,438.0	2,940.9	2,940.9	2,940.9	0.0
Confidential Intermediary Fund	275.4	488.0	488.0	488.0	0.0
Drug Treatment and Education Fund	500.0	500.0	500.0	500.0	0.0
State Aid to Courts Fund	2,589.4	2,944.6	2,944.6	2,944.6	0.0
Agency Total	33,779.5	41,105.8	41,105.8	41,105.8	0.0
<u>Department of Juvenile Corrections</u>					
Juvenile Corrections CJEF Dist Fund	406.1	530.6	530.6	530.6	0.0
State Education Fund for Committed Youth Fund	1,691.1	2,296.2	2,296.2	2,296.2	0.0
State Charitable, Penal and Reformatory Land Fund	1,098.6	1,098.6	1,098.6	1,098.6	0.0
Agency Total	3,195.8	3,925.4	3,925.4	3,925.4	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2013 Expenditures	FY 2014 Appropriation	FY 2014 Executive Budget	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>State Land Department</u>					
Environmental Special Plate Fund	171.8	260.0	260.0	260.0	0.0
Due Diligence Fund	0.0	500.0	500.0	500.0	0.0
Trust Land Management Fund	1,451.2	3,174.5	3,174.5	5,057.2	1,882.7
Risk Management Revolving Fund	10,939.3	0.0	0.0	60.0	60.0
Agency Total	12,562.3	3,934.5	3,934.5	5,877.2	1,942.7
<u>Department of Liquor Licenses and Control</u>					
Liquor Licenses Fund	2,911.3	2,932.3	2,932.3	3,601.6	669.3
<u>Arizona State Lottery Commission</u>					
Lottery Fund	65,519.4	99,360.2	99,360.2	101,795.5	2,435.3
<u>Massage Therapy</u>					
Massage Therapy Board Fund	464.7	457.2	457.2	457.2	0.0
<u>Arizona Medical Board</u>					
Medical Examiners Board Fund	5,175.6	5,738.7	5,738.7	5,738.7	0.0
<u>State Mine Inspector</u>					
Aggregate Mining Reclamation Fund	11.4	112.5	112.5	112.5	0.0
<u>Naturopathic Physicians Board of Medical Examiners</u>					
Naturopathic Board Fund	115.9	158.9	174.7	158.9	0.0
<u>State Board of Nursing</u>					
Nursing Board Fund	4,111.6	4,275.6	4,275.6	4,275.6	0.0
<u>Nursing Care Ins. Admin. Examiners</u>					
Nursing Care Institution Admin/ACHMC Fund	337.5	420.2	420.2	420.2	0.0
<u>Board of Occupational Therapy Examiners</u>					
Occupational Therapy Fund	157.3	172.5	172.5	189.1	16.6
<u>State Board of Dispensing Opticians</u>					
Dispensing Opticians Board Fund	130.0	135.8	135.8	135.8	0.0
<u>State Board of Optometry</u>					
Board of Optometry Fund	201.8	206.0	206.0	206.0	0.0
<u>Arizona Board of Osteopathic Examiners</u>					
Osteopathic Examiners Board Fund	700.4	775.5	775.5	826.4	50.9
<u>State Parks Board</u>					
Reservation Surcharge Revolving Fund	90.0	0.0	0.0	0.0	0.0
State Parks Revenue Fund	11,492.2	12,821.1	12,821.1	12,821.1	0.0
Budget Stabilization Fund	0.0	1,000.0	1,000.0	0.0	(1,000.0)
Agency Total	11,582.2	13,821.1	13,821.1	12,821.1	(1,000.0)
<u>Personnel Board</u>					
Personnel Division Fund	315.2	374.9	374.9	374.9	0.0
<u>Office of Pest Management</u>					
Pest Management Fund	1,368.8	2,039.0	2,039.0	1,700.0	(339.0)
<u>Arizona State Board of Pharmacy</u>					
Pharmacy Board Fund	1,893.8	2,103.7	2,103.7	2,053.3	(50.4)
<u>Board of Physical Therapy Examiners</u>					
Physical Therapy Fund	335.8	432.6	432.6	411.9	(20.7)

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2013 Expenditures	FY 2014 Appropriation	FY 2014 Executive Budget	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>Arizona Pioneers' Home</u>					
Pioneers' Home State Charitable Earnings Fund	3,051.8	2,577.2	2,577.2	2,577.2	0.0
Pioneers' Home Miners' Hospital Fund	1,501.4	2,079.4	2,079.4	2,079.4	0.0
Agency Total	4,553.2	4,656.6	4,656.6	4,656.6	0.0
<u>State Board of Podiatry Examiners</u>					
Podiatry Examiners Board Fund	124.3	147.3	147.3	147.3	0.0
<u>Commission for Postsecondary Education</u>					
Postsecondary Education Fund	1,324.3	1,535.3	1,535.3	1,535.3	0.0
<u>State Board for Private Postsecondary Education</u>					
Private Postsecondary Education Fund	335.3	641.2	641.2	395.6	(245.6)
<u>State Board of Psychologist Examiners</u>					
Psychologist Examiners Board Fund	343.2	375.5	375.5	421.8	46.3
<u>Department of Public Safety</u>					
Temp Trans Privilege and Use Tax - 1% Fund	24,556.5	0.0	0.0	0.0	0.0
State Highway Fund	6,731.2	6,743.8	6,743.8	6,743.8	0.0
Arizona Highway Patrol Fund	19,225.1	19,658.9	19,658.9	20,297.3	638.4
Safety Enforcement and Transportation Infrastructure Fund	1,499.4	1,566.3	1,566.3	1,566.3	0.0
Crime Laboratory Assessment Fund	870.4	870.6	870.6	871.1	0.5
Auto Fingerprint Identification Fund	2,342.7	3,009.7	3,009.7	2,909.7	(100.0)
DNA Identification System Fund	5,471.5	6,321.2	6,321.2	6,321.2	0.0
Public Safety Equipment Fund	3,939.3	2,390.0	2,390.0	2,890.0	500.0
Crime Laboratory Operations Fund	13,544.7	14,719.8	14,719.8	14,719.8	0.0
Gang and Immigration Intelligence Team Enforcement Mission Fund	3,468.0	2,390.0	2,390.0	2,390.0	0.0
Motorcycle Safety Fund	205.0	205.0	205.0	205.0	0.0
Parity Compensation Fund	1,819.4	1,885.3	1,885.3	1,950.0	64.7
Highway User Revenue Fund	119,101.3	119,247.1	119,247.1	119,247.1	0.0
DPS Criminal Justice Enhancement Fund	2,872.7	2,871.2	2,871.2	2,872.5	1.3
Risk Management Fund	1,441.4	1,199.9	1,199.9	1,233.7	33.8
Automation Operations Fund	0.0	296.2	296.2	296.2	0.0
Agency Total	207,088.6	183,375.0	183,375.0	184,513.7	1,138.7
<u>Arizona Department of Racing</u>					
Racing Regulation Fund	2,565.3	2,895.9	2,895.9	2,895.9	0.0
<u>Radiation Regulatory Agency</u>					
State Radiologic Technologist Certification Fund	252.0	273.3	273.3	273.3	0.0
Radiation Regulatory Fee Fund	575.6	579.6	579.6	579.6	0.0
Agency Total	827.6	852.9	852.9	852.9	0.0
<u>Residential Utility Consumer Office</u>					
Residential Utility Consumer Office Revolving Fund	1,170.6	1,334.4	1,334.4	1,334.4	0.0
<u>Board of Respiratory Care Examiners</u>					
Board of Respiratory Care Examiners Fund	288.0	297.1	297.1	297.1	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2013 Expenditures	FY 2014 Appropriation	FY 2014 Executive Budget	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>Arizona State Arizona Retirement System</u>					
Retirement System Appropriated Fund	21,681.6	24,173.5	24,173.5	23,917.5	(256.0)
LTD Trust Fund	2,739.3	2,800.0	2,800.0	2,800.0	0.0
Agency Total	24,420.9	26,973.5	26,973.5	26,717.5	(256.0)
<u>Department of Revenue</u>					
Tobacco Tax and Health Care Fund	676.1	679.3	679.3	679.3	0.0
Department of Revenue Administrative Fund	24,131.2	24,980.2	24,980.2	24,980.2	0.0
DOR Liability Setoff Fund	1,007.8	1,087.2	1,087.2	397.2	(690.0)
Agency Total	25,815.1	26,746.7	26,746.7	26,056.7	(690.0)
<u>Department of State - Secretary of State</u>					
Election Systems Improvement Fund	2,060.9	2,941.0	2,941.0	2,941.0	0.0
Records Services Fund	586.8	741.0	741.0	741.0	0.0
Agency Total	2,647.7	3,682.0	3,682.0	3,682.0	0.0
<u>State Boards Office</u>					
Special Services Fund	203.9	231.0	231.0	231.0	0.0
<u>State Board of Technical Registration</u>					
Technical Registration Board Fund	1,767.1	2,119.5	2,119.5	2,119.5	0.0
<u>Department of Transportation</u>					
State Aviation Fund	1,604.3	1,624.4	1,624.4	1,624.4	0.0
State Highway Fund	326,270.4	337,323.2	337,323.2	340,785.1	3,461.9
Transportation Department Equipment Fund	17,916.9	27,001.5	27,001.5	18,501.5	(8,500.0)
Safety Enforcement and Transportation Infrastructure Fund	1,878.3	1,880.5	1,880.5	1,880.5	0.0
Air Quality Fund	35.3	74.5	74.5	74.5	0.0
Vehicle Inspection and Title Enforcement Fund	1,460.0	1,464.1	1,464.1	1,464.1	0.0
Motor Vehicle Liability Insurance Enforcement Fund	1,078.7	1,086.7	1,086.7	1,086.7	0.0
Highway Expansion and Extension Loan Program Fund	0.0	0.0	0.0	31,000.0	31,000.0
Driving Under Influence Abatement Fund	152.4	153.8	153.8	153.8	0.0
Highway User Revenue Fund	644.9	651.5	651.5	651.5	0.0
Agency Total	351,041.2	371,260.2	371,260.2	397,222.1	25,961.9
<u>State Treasurer</u>					
Boating Safety Fund	2,183.8	2,183.8	2,183.8	2,183.8	0.0
Treasurer Empowerment Scholarship Account Fund	0.0	40.0	40.0	40.0	0.0
State Treasurer's Operating Fund	2,360.3	2,583.4	2,583.4	2,583.4	0.0
State Treasurer's Management Fund	198.0	197.5	197.5	197.5	0.0
Agency Total	4,742.1	5,004.7	5,004.7	5,004.7	0.0
<u>ASU - Tempe</u>					
ASU Collections - Appropriated Fund	428,119.3	453,068.7	453,068.7	453,068.7	0.0
<u>ASU - Polytechnic</u>					
ASU Collections - Appropriated Fund	31,547.5	33,691.7	33,691.7	33,691.7	0.0
Technology and Research Initiative Fund	2,000.0	2,000.0	2,000.0	2,000.0	0.0
Agency Total	33,547.5	35,691.7	35,691.7	35,691.7	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2013 Expenditures	FY 2014 Appropriation	FY 2014 Executive Budget	FY 2015 Executive Budget	FY 2015 Changes and Adjustments
<u>ASU - West</u>					
ASU Collections - Appropriated Fund	37,054.2	39,380.3	39,380.3	39,380.3	0.0
Technology and Research Initiative Fund	1,600.0	1,600.0	1,600.0	1,600.0	0.0
Agency Total	38,654.2	40,980.3	40,980.3	40,980.3	0.0
<u>Northern Arizona University</u>					
NAU Collections - Appropriated Fund	107,409.1	120,281.1	120,281.1	120,281.1	0.0
<u>University of Arizona - Main Campus</u>					
U of A Main Campus - Collections - Appropriated Fund	267,677.3	271,507.7	271,507.7	271,507.7	0.0
<u>University of Arizona - Health Sciences Center</u>					
U of A Main Campus - Collections - Appropriated Fund	40,808.8	41,117.0	41,117.0	41,117.0	0.0
<u>Department of Veterans' Services</u>					
Veterans' Conservatorship Fund	497.5	906.3	906.3	906.3	0.0
State Home for Veterans Trust Fund	23,274.4	27,868.2	30,305.0	30,728.1	2,859.9
Agency Total	23,771.9	28,774.5	31,211.3	31,634.4	2,859.9
<u>State Veterinary Medical Examining Board</u>					
Veterinary Medical Examiners Board Fund	420.6	483.4	483.4	591.1	107.7
<u>Department of Water Resources</u>					
Water Resources Fund	2.2	640.4	640.4	640.4	0.0
Assured and Adequate Water Supply Administration Fund	8.0	266.4	266.4	266.4	0.0
Agency Total	10.2	906.8	906.8	906.8	0.0
<u>Department of Weights and Measures</u>					
Air Quality Fund	1,367.0	1,463.8	1,463.8	1,442.9	(20.9)
Motor Vehicle Liability Insurance Enforcement Fund	326.0	330.0	330.0	330.0	0.0
Agency Total	1,693.0	1,793.8	1,793.8	1,772.9	(20.9)
Other Appropriated Funds Operating Total	2,903,116.3	3,224,890.8	3,251,826.4	3,240,308.0	15,417.2

BUDGET

- [FY 2015 Executive Budget – Summary](#)
- [FY 2015 Executive Budget – State Agency Budgets](#)
- [FY 2015 Executive Budget – Sources and Uses of State Funds and Appendix](#)
- [Statement of Federal Funds for Fiscal Years 2013 through 2015](#)
- [Calculation of the Appropriation Limit for Fiscal Years 2012 and 2013](#)

STRATEGIC PLANNING

- [Five-Year Strategic Plans for State Agencies and the Master List of State Government Programs](#) includes:
 - Expenditures for each function or program of state government
 - Goals and performance measures for Fiscal Years 2013 through 2015
 - Agencies' strategic issues and strategies for addressing them for the next five years
 - Agencies' resource needs for the next five years

FEE COMMISSION

- [2013 Report](#)

HISTORICAL PERSPECTIVE

- [Revenue Data since 1971](#)
- [Expenditure Data since 1979](#)
- [Executive Budgets, Strategic Planning Documents, and Fee Commission Reports from Previous Years](#)

MONTHLY UPDATES

- Year-to-Date General Fund Revenue Collections
- [Monthly Budget Reports](#), including (a) Agencies' Statements of Year-to-Date Revenues and Expenditures for Every Fund, and Projections for the Remainder of the Fiscal, Year and (b) Agencies' Statements of Year-to-Date Expenditures from Appropriations, and Projections for the Remainder of the Fiscal Year

STATE AGENCY TECHNICAL RESOURCES

- [Instructions for Developing and Presenting Budget and Planning Requests and Information](#)
- [Managing for Results](#), Arizona's Strategic Planning Handbook (recognized by the Council of State Governments as an Exemplary State Management Program)

OTHER HELPFUL LINKS

- [Arizona's Official Website](#)
- [Governor's Website](#)
- [State Agencies' Websites](#)
- Searchable data base of the State accounting system ([Openbooks](#))
- [Arizona Employment and Population Statistics](#)
- [FY 2014 Appropriations Report](#)

Acknowledgement

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