

JANICE K. BREWER
Governor



DAVID RABER
Interim Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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October 14, 2009

Eileen Klein
Deputy Chief of Staff, Finance
Office of Governor Janice K. Brewer
1700 West Washington
Phoenix, AZ 85007

Dear Ms. Klein:

This letter and attached material is provided in response to your September 18, 2009, letter instructing each agency director to reduce their budget by an additional 15%. The target amount for the Arizona Department of Administration is \$169.9 million.

ADOA is responsible for providing core state government services to state agencies. These services provide for the continuity of state government operations. The consolidation of the functions within a single agency eliminates duplication, maximizes economies of scale, provides greater efficiencies and standardizes service delivery.

ADOA is keenly aware of the extent of the State's fiscal crisis and the necessity to reduce the State's operating budget by an estimated \$1.5 billion during the current fiscal year. The 15% reduction assignment has been incredibly challenging for ADOA because the target amount cannot be achieved without severe implications to State government operations, as well as the likely elimination of most ADOA services if not the agency in its entirety. Since ADOA's very existence is geared towards creating efficiencies and streamlining operations in state government it is difficult for us as individuals to imagine the State abandoning these core functions.

There are several reasons why a reduction of this magnitude is likely to lead to the elimination of most, if not all ADOA services. First, large segments of ADOA's budget are Special Line Items and "pass through" payments such as Certificates of Participation and Privatized Lease To Own contracts that the State has to pay. These obligations represent approximately \$55 million annually or five times ADOA's General Fund operating budget. Second, ADOA would have to make up this \$55 million difference from other budget units within the agency. However, ADOA does not have adequate funding from the General Fund to achieve the required amount, nor can the agency generate it from its other fund enterprise operations without eliminating those full-time

equivalents and the corresponding services. In turn, without the staff to provide the services, no revenue is generated and the programs cease to exist. Lastly, the projected transfer from the Health Insurance Trust Fund (HITF) is unachievable without rather extreme combination of increased premium collections and decreased benefits. The cumulative effect of these HITF changes is likely to lead to dramatic reductions in participation levels, which in turn reduces revenue to the point that the projected transfer cannot occur.

While ADOA's target amount is essentially \$170 million, we believe that only about \$13 million of that amount is achievable due to the cost allocation model. The attached documents distinguish between those targets that we believe can and cannot be achieved. Again, many of the services ADOA provides are core functions necessary for continuity of state government operations. ADOA would be hesitant to proceed with the implementation of the vast majority of these measures without direction and guidance from your office.

Moreover, we recognize that the \$13 million identified to date as achievable is woefully short of the \$170 million target and that your office and legislative counterparts continue to grapple with resolving the State's \$1.5 billion budget shortfall. The full implementation of the plan outlined by ADOA could likely generate more than \$13 million, however, it is not possible to determine the point of diminishing returns wherein employees are terminated, services are terminated and revenue is no longer generated. Clearly the agency will not be able to meet the \$170 million target. Consequently, we respectfully request the opportunity to work with you and your staff as we continue to explore other means to achieve further budget reductions.

In closing, please allow me to express my appreciation to you for your attention to and consideration of this material, as well as your patience as we continue our efforts to contribute more solutions in these economically difficult times.

Sincerely,

David Raber
Interim Director

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

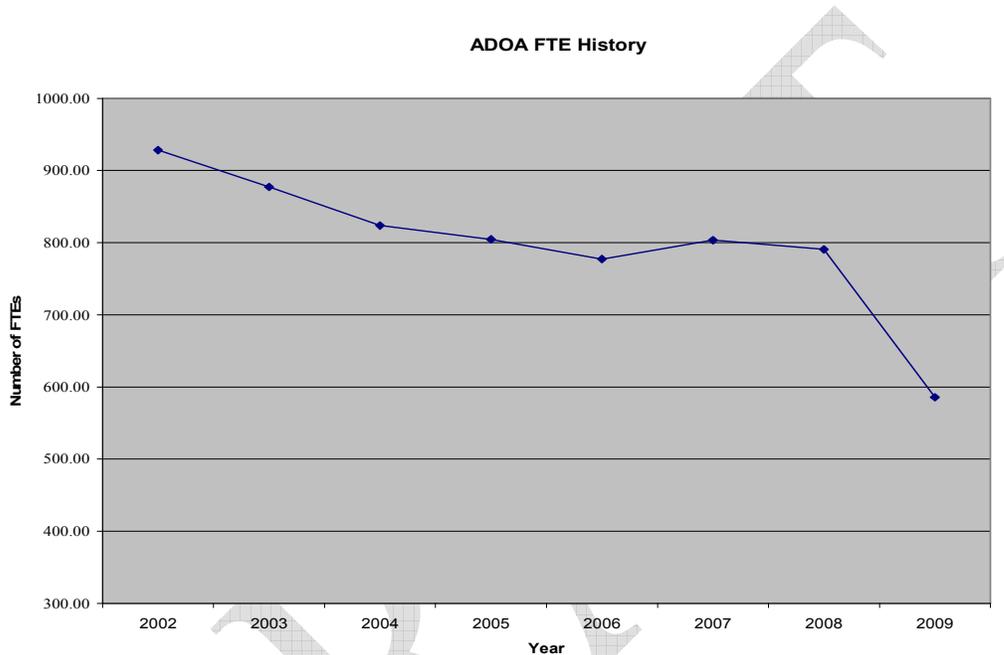
The Arizona Department of Administration provides administrative services to State government agencies, employees and their dependents, and retirees. ADOA receives funding from charges for services. The service charges are based on a schedule of rates that reflect the usage of the service by the agency, employee or retiree. **Of the approximately \$ 1.1 billion in expenditures made by ADOA, only \$11.1 million are General Fund appropriations made directly to ADOA for operating expenses.** All other funding is earned by the Department through the provision of services. If expenditures for other agencies are reduced, there will be a direct impact to the funding that is available to ADOA which is above and beyond the impacts from any other legislative actions affecting ADOA expenditures. In other words, the budget for ADOA will be reduced when other agencies face budget cuts; **any 15% reduction scenario fund transfers will be in addition to these reductions.**

For example, if a State agency was faced with a significant budget cut, it is expected that reductions in staffing will follow. Given the FY2009-FY2010 budget reductions, staffing levels in the ADOA Personnel System have already declined from 38,981 in January 2008 to 35,267 in September 2009. Further reductions to agency budgets are expected to result in more layoffs and reductions in force which will directly impact the budget of ADOA in the following ways:

- Funding for the Human Resources Division will decrease while demand for ADOA human resources services by the agencies will increase (e.g. RIF plan review, furlough policy development, etc.), and the potential liability of the State will increase as employees are separated from State service;
- The Benefits Services Division will see a reduction in revenue and expenditures from the Health Insurance Trust Fund for employees who lost health and dental insurance benefits; by policy, the State agencies must continue to pay for General Fund employees' health and dental charges until the following fiscal year, when JLBC staff adjusts those charges.
- The privatized telecommunication service AZNET and the ADOA telecommunication contract management division (TPO) see reduced revenues as telephone and data services for the RIF'd employees are cancelled.
- The Motor Pool will see a reduction in revenue as employees are RIF'd and no longer travel using ADOA vehicles;

- Demand for Surplus Property services by the agencies will increase as agencies consolidate locations and surplus equipment or furnishing related to the RIF'd employees. Surplus will physically remove the equipment from the agency site and attempt to recover as much value as possible. Currently, Surplus Property is required to transfer most of the recovered value to the General Fund.
- The Risk Management Division actuaries will review the RIF and estimate how the RIF increases or decreases the potential liabilities that must be insured for the agency. The new risk profile for that State agency will then result in increased or decreased risk management charges. A smaller labor pool should reduce the number of Workers' Compensation claims. However, less agency funding typically equates to reduced safety programs, safety employees, less employees doing more, etc., all of which may negate any claim reduction. Less attention to safety may also increase liability claims. Less focus on repair and maintenance expenditures for buildings, property and automobiles may increase the number of property claims.
- Some agencies will find that information technology activities would cost less if ADOA's Information Services Division (ISD) provided that service. In those cases, the State agency will RIF technical staff and pay ISD to provide that service, with a net savings to the agency, a corresponding, but significantly smaller increase in expenditures by ISD.
- Demand for lease negotiation, lease cancellation, and relocation assistance will increase as agencies RIF employees and reduce the amount of office space the agency occupies. Requests for this type of assistance have increased dramatically in the last 12 months.
- ADOA also provides services that are funded with the \$12 million in General Fund appropriation. When there are significant agency RIFs, the following occurs at ADOA:
 - The General Accounting Office notices an increase in workload involving the resolution of accounting problems due to the loss of accounting and budgeting staff at the agencies;
 - The State Procurement Office sees an increased workload as State agencies lose experienced procurement staff and rely on ADOA to provide guidance and direct procurements;
 - General economic conditions result in the degradation of physical security in the Capitol Mall area, which increases the workload of the Capitol Police. The Capitol Police are currently reporting an increase in violent crime and property damage in and around the Mall.
 - Years of underfunding for Building Renewal has resulted in more and more expensive failures of building systems such as plumbing, air conditioning and roof structures.

Previous years' budget reductions have already resulted in significant reductions in personnel at ADOA. At the beginning of FY 2003, ADOA had 928 full time equivalent (FTE) positions. At the beginning of FY 2009, ADOA was reduced to 790 FTEs. After the FY 2009 budget adjustments and what has been implemented to date on the FY 2010 budget, ADOA currently has 577 FTEs. This represents a 37% reduction in FTEs over 7 fiscal years. The chart below summarizes the FTE history:



The budget reductions have actual cash implications to ADOA. In FY 2009 ADOA transferred more than \$94.0 million from non-GF sources to the General Fund. In the FY 2010 budget, ADOA has an obligation to transfer another \$19.1 million from 14 different agency funds to the General Fund. These funds can only be made available for use in the General Fund through reductions in staff, delay of the replacement of equipment or increases in charges to agencies. ADOA does not charge a "profit" on its rates, but only collects to cover actual costs. None of these strategies results in cost reductions. For example, rate reductions to agencies for data center services did not occur, resulting in the loss of \$1.2 million of savings to agencies.

Failure to replace equipment results in increased costs, loss of productivity and data and catastrophic expenses resulting from the failure of entire systems. The failure of air conditioning equipment can render an entire building uninhabitable.

Statutory Changes:

ADOA currently operates under a myriad of legislative mandates. If the 15% Reduction Scenario is implemented in whole or in part, ADOA recommends that the entire body of statutory citations be reviewed for each of the section or sections affected. The citations are numerous and it is not always obvious the problem being solved with the mandate.

The ADOA statutory citations are an attachment to this document.

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Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
Benefit Services Division	15-187.01	Optional inclusion of charter school employees in state health and accident coverage; payment of premiums; advance notice; minimum period of participation; definition
Benefit Services Division	15-388	Optional inclusion of school district employees in state health and accident coverage; payment of premiums; advance notice; minimum period of participation; definition
Benefit Services Division	38-651	Expenditure of monies for health and accident insurance
Benefit Services Division	38-651.01	Group health and accident coverage for retired public employees and elected officials and their dependents
Benefit Services Division	38-651.02	Expenditure of funds for group life and group accidental death and dismemberment insurance; group life coverage for former elected officials
Benefit Services Division	38-651.03	Expenditure of funds for disability income insurance
Benefit Services Division	38-651.05	Flexible or cafeteria employee benefit plan; fund; exception
Benefit Services Division	38-652	Experience rating dividends and unused claim reserves; deposit; trust account; investment of monies; disposition of trust account funds; audit; report
Benefit Services Division	38-654	Special employee health insurance trust fund; purpose; investment of monies; use of monies; exemption from lapsing; annual report
Benefit Services Division	38-654 A.	Allows providing health, dental and accident coverage to employees; allows surviving spouses to continue coverage without State contribution for 36 months
Benefit Services Division	38-657	Long-term care insurance
Benefit Services Division	38-782	Group health and accident coverage for retired public employees and elected officials and their dependents
Benefit Services Division	38-783	Retired members; dependents; health insurance; premium payment; separate account; definitions
Benefit Services Division	38-810	Contributions
Benefit Services Division	38-817	Group health and accident coverage for retired members; payment; definition
Benefit Services Division	38-857	Group health and accident coverage for retired members; payment; definition
Benefit Services Division	38-906	Group health and accident coverage for retired members; payment; definition
Benefit Services Division	41-1609.01	Adult incarceration contracts; criteria
Capitol Police	41-795	Police officers; duties
Capitol Police	41-796	Regulation of traffic and parking; monetary penalties; hearing; state traffic and parking control fund; definition
Capitol Police	23-392	Overtime compensation for certain law enforcement or probation officer activities; option; definitions
Capitol Police	23-901	Definitions
Capitol Police	41-794	Employment of police personnel; capitol police reserve
Capitol Police	41-805	Off duty peace officers; lease or rental of law enforcement equipment
Director's Office	12-2029	Disobedience of writ; classification

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
Director's Office	10-1841	Claim for unclaimed shares or dividends
Director's Office	10-1842	Payment of claim
Director's Office	10-1843	Court action upon refusal to pay claim
Director's Office	11-145	Payment of costs of county formation
Director's Office	11-258	County fair fund; district fairs; operation of fair by corporation; county and state appropriations
Director's Office	12-1116	Actions for condemnation; immediate possession; money deposit
Director's Office	12-119	Facilities management
Director's Office	12-1602	Service of writ and answer
Director's Office	12-348	Award of fees and other expenses against the state or a city, town or county; reduction or denial of award; application; basis for amount of award; source of award; definitions
Director's Office	12-826	Report of judgments to legislature by governor; payment
Director's Office	13-2314.01	Anti-racketeering revolving fund; use of fund; reports
Director's Office	13-3864	Payment of account of agent; method as exclusive; classification
Director's Office	15-1029	Rights of bondholder; additional state tax
Director's Office	15-1204	Voucher; application; approval; requirements; budgets; prohibited uses; advances
Director's Office	15-1329	Salaries and subsistence of employees; payrolls
Director's Office	15-1371	Equalization assistance for state educational system for committed youth; state education fund for committed youth
Director's Office	15-1464	State aid per capita distribution for capital outlay; capital outlay fund; appropriation
Director's Office	15-1467	State aid appropriations; disbursement procedure; district fund
Director's Office	15-1626	General administrative powers and duties of board
Director's Office	15-1661	Annual appropriation; enrollment audit; expenditure; balance; salaries
Director's Office	15-185	Charter schools; financing; civil penalty; definitions
Director's Office	15-209	Disbursement of apportioned federal funds
Director's Office	15-341	15-341. General powers and duties; immunity; delegation
Director's Office	15-973	Apportionment of funds; expenditure limitation
Director's Office	17-261	Game and fish fund
Director's Office	17-261.01	Game and fish revolving fund

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
Director's Office	17-271	Wildlife endowment fund
Director's Office	23-1081	Administrative fund; purposes and administration
Director's Office	23-705	Special administration fund
Director's Office	23-752	Levy assessment and distraint
Director's Office	23-901	Definitions
Director's Office	23-941	Hearing rights and procedure
Director's Office	26-173	Payment of mobilization expenses
Director's Office	26-233	Loss or destruction of property by national guard member; determination of responsibility; payment of federal claims or for replacement property
Director's Office	26-304	State emergency council; membership; powers and duties; definition
Director's Office	28-2006	Contract to transfer duties and responsibilities
Director's Office	28-2422.02	Spaying and neutering of animals fund; definitions
Director's Office	28-3053	School bus advisory council
Director's Office	28-3228	School bus drivers; requirements; rules; cancellation
Director's Office	28-361	Director; appointment; compensation
Director's Office	28-401	Intergovernmental agreements
Director's Office	28-5203	Motor carrier safety revolving fund
Director's Office	28-5809	Record examination
Director's Office	28-5945	Levy; salary; wages
Director's Office	28-6808	State tax
Director's Office	28-6922	Director; powers and duties
Director's Office	28-6925	Contract counsel fund; appropriation; exemptions; disbursements; reimbursement
Director's Office	28-6953	Updated program; annual report
Director's Office	28-7003	Construction program account transfers
Director's Office	28-7007	State highway fund; claims; payment
Director's Office	28-7008	State highway fund reimbursement; nonhighway costs
Director's Office	28-7094	Property acquisition; future needs; highway properties fund; rental revenue

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
Director's Office	28-7507	Notice; bond issuance
Director's Office	28-900	School bus rules
Director's Office	30-201	Administrative and operation budgets
Director's Office	30-203	Receipt of monies; disbursements; operation of accounting system; annual audit
Director's Office	3-1005	Arizona exposition and state fair fund
Director's Office	3-1084	Executive director; administrative services; reimbursement
Director's Office	31-207	Payment of claims
Director's Office	31-227	Reimbursing county for expense of prosecution
Director's Office	31-250	Definition of work crew
Director's Office	31-253.	Use of prisoners in prison construction; definition
Director's Office	31-474	Contracts implementing state's participation in compact; prerequisite approval; authorized provisions; determination of suitability of institution and confinement
Director's Office	32-2107	Powers and duties of commissioner; compensation; administration of department; seal; revolving fund - real estate
Director's Office	32-2904	Powers and duties
Director's Office	32-2905	Executive director; compensation; duties
Director's Office	32-905	Executive director of board; duties; other personnel; immunity
Director's Office	33-1704	Enforcement of lien
Director's Office	3-415	Administrative services; reimbursement
Director's Office	34-454	Establishment and use of life cycle cost methods and procedures; definition
Director's Office	34-471	Lighting standards for state and community college buildings; life cycle costing; evaluation standards; shielding
Director's Office	35-101	Definitions
Director's Office	35-113.01	Request for federal funds
Director's Office	35-149	Disposition of private funds; contributions and suspense funds; exception
Director's Office	35-150	Current record of revenues; enforcement powers
Director's Office	35-174	Vacancy savings; definition; personal services and employee related expenditures; reversion
Director's Office	35-182	Certification of claims
Director's Office	36-209	Reports by superintendent and deputy director

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
Director's Office	36-210	Expenditures
Director's Office	36-214	Arizona state hospital; private operation
Director's Office	36-215	State hospital revolving fund; nonreversion
Director's Office	36-557	Purchase of community developmental disabilities services; application; contracts; limitation
Director's Office	37-1132	Refunds to record title owners
Director's Office	3-717	State egg inspection fund
Director's Office	37-204	37-204. Advances for survey; repayment
Director's Office	37-503	37-503. Disposition of personal property unlawfully abandoned on state land
Director's Office	37-623.02	Emergencies; prohibiting fireworks; liabilities and expenses; fire suppression revolving fund
Director's Office	38-651.04	Procurement of insurance; combining of coverages
Director's Office	38-653	Rules and regulations
Director's Office	38-656	Optional inclusion of city, town, county, special taxing district, authority, public entity and community college district employees in state health and accident coverage; payment of premiums; advance notice; minimum period of participation; definition
Director's Office	38-658	Report to joint legislative budget committee
Director's Office	38-717	Liability insurance and immunity for the board
Director's Office	38-842	Definitions
Director's Office	38-847	Local boards
Director's Office	38-871	Annuity and deferred compensation governing committee; members; powers and duties
Director's Office	41-1007	Award of costs and fees against a department in administrative hearings; exceptions; definitions
Director's Office	41-104	Offer of reward for information leading to apprehension of convict or arrest and conviction of felon; authorization for payment
Director's Office	41-1011	Publication and distribution of code and register
Director's Office	41-1012	Code; publication of rules; distribution
Director's Office	41-1013	Register
Director's Office	41-1091	Substantive policy statements; directory
Director's Office	41-1051	Governor's regulatory review council; membership; terms; compensation; powers
Director's Office	41-1052	Council review and approval

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
Director's Office	41-1053	Council review of summary rules
Director's Office	41-1055	Economic, small business and consumer impact statement
Director's Office	41-1056	Review by agency
Director's Office	41-1056.01	Impact statements; appeals
Director's Office	41-1057	Exemptions
Director's Office	41-109	Prevention of child abuse fund; definitions
Director's Office	41-1092.12	Private right of action; recovery of costs and fees; definitions
Director's Office	41-1105	Monies for promotion of state interests and public service; procedures; uses
Director's Office	41-1178	Reports; audits; submission
Director's Office	4-112	Powers and duties of board and director of department of liquor licenses and control; investigations; county and municipal regulation
Director's Office	41-121	Duties
Director's Office	41-1365	State monument and memorial repair fund; purpose; report
Director's Office	41-1604.04	Investment of special service fund monies; approval; deposit of proceeds
Director's Office	41-1605	Power to accept and expend gifts
Director's Office	41-1641	Corrections fund; uses; prior approval; exemption from lapsing
Director's Office	41-1682	Private prisons; prohibitions; liability for services; financial responsibility
Director's Office	41-1711	Department of public safety; purpose; location; qualifications of director; responsibilities
Director's Office	41-1713	Powers and duties of director; authentication of records
Director's Office	41-174	Access to public records and state offices
Director's Office	41-1825	Peace officers' training fund
Director's Office	41-1830.03	Prosecuting attorneys' advisory council training fund
Director's Office	41-1830.31	Private prison escapee fund; monies; uses; lapsing; definitions
Director's Office	41-1902	Membership; terms; vacancies; compensation
Director's Office	41-191.02	Antitrust enforcement revolving fund; receipts and disbursements; exemption; report; data collection
Director's Office	41-191.04	Collection of debts owed the state; reports; remedies
Director's Office	41-191.05	Colorado river land claims revolving fund; use; accounting; audit; disposition of monies

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
Director's Office	41-191.09	Attorney general legal services cost allocation fund; contributions; exemptions
Director's Office	41-1952	Department of economic security; director; search committee; appointment; compensation
Director's Office	41-1954	Powers and duties
Director's Office	41-2503	Definitions
Director's Office	41-2661	State agency office paper recycling
Director's Office	41-2810	Power to accept and expend gifts; department of juvenile corrections fund
Director's Office	41-2813	Agreements with federal or private agencies and institutions; contract review
Director's Office	41-2831	State educational system for committed youth; report
Director's Office	41-2956	Termination period for agencies; funds; equipment; personnel; documents; bonds
Director's Office	41-3016.06	Department of administration; termination July 1, 2016
Director's Office	41-3505	Information technology fund
Director's Office	41-3532	Alternative methods of access to electronic or information technology; complaint procedure; rules
Director's Office	41-3751	Contracts for goods and services; religious organizations; definition
Director's Office	41-401	Constitutional defense council; members; powers; revolving fund; definitions
Director's Office	41-511.12	Annual report
Director's Office	41-543	Indian affairs commission publications fund
Director's Office	41-622.01	Revolving fund for joint insurance purchase retention pools
Director's Office	41-622.02	Consumer loss recovery fund
Director's Office	41-701	Department of administration; director; appointment
Director's Office	41-701.01	Definitions
Director's Office	41-702	Deputy director; department organization; assistant directors; compensation of officers
Director's Office	41-703	Duties of the Director
Director's Office	41-705	Racing investigation fund
Director's Office	41-706	State employee living donor leave; definitions
Director's Office	41-766	Agreements for services and facilities
Director's Office	41-767	Coordination with department of economic security

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
Director's Office	41-796.01	Adjusted work hours
Director's Office	41-821	Arizona historical society; powers; officers; duties of board of directors
Director's Office	41-825	Permanent Arizona historical society preservation and restoration revolving fund
Director's Office	41-831	Prescott historical society of Arizona; organization; officers; election by membership; property held in trust; expenditure of legislative appropriations
Director's Office	41-902	Fiscal controls on institutions
Director's Office	41-905	Credit transfers for intra-institutional sales
Director's Office	41-951	Qualification for pension; adjustment
Director's Office	41-953	Certificate of eligibility
Director's Office	41-954	Pension roll warrants
Director's Office	41-983	Acceptance of gifts; special fund; official agency
Director's Office	41-983.01	Arizona arts trust fund
Director's Office	42-1002	Department of revenue; director; appointments; search committee; compensation
Director's Office	42-1116	Disposition of tax revenues
Director's Office	42-1117	Tax refund account
Director's Office	42-1201	Levy and distraint; definition
Director's Office	42-1254	Appeal to tax court
Director's Office	42-2060	Refund if items of income transfer from one year to another
Director's Office	42-2064	Reimbursement of fees and other costs; definitions
Director's Office	42-2071	Reimbursement of bank costs caused by erroneous tax levies
Director's Office	42-5004	Department records
Director's Office	43-432	Refund for excess withholding
Director's Office	44-1305	Waste tire fund and program
Director's Office	44-1531.01	Revolving fund; use of fund
Director's Office	44-1813	Employment of personnel; criminal records check
Director's Office	45-898.01	Indemnification and insurance
Director's Office	46-138.01	Public assistance and administration revolving fund

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
Director's Office	46-204	Granting of assistance; notice to applicant; award; certification to department of administration; reimbursement
Director's Office	46-206	Payment of assistance; authority of department of administration; limitation upon payment from state funds; methods of payment
Director's Office	48-2710	Liability of state for assessments against state lands included within district; effect of sale to private owner
Director's Office	48-3202	Investigations and findings of state certification board upon certifying bonds
Director's Office	48-3204	Issuance of certificate; form
Director's Office	49-1261	Water quality bonds
Director's Office	49-1277	Water supply development bonds
Director's Office	49-322	Water quality appeals board
Director's Office	49-542.06	Roadside testing of diesel vehicles; contract; test standards; cut points
Director's Office	49-551	Air quality fee; air quality fund; purpose
Director's Office	49-902	Acquisition of site; powers and duties of director; criteria applicable to future sites
Director's Office	49-903	Development of facility
Director's Office	49-904	State facility trust fund; fees
Director's Office	5-104.02	Levy of tax on gross receipts; disposition; verification and financial audit; definition
Director's Office	6-135	Department revolving fund; use of fund
Director's Office	8-365	Financial arrangements
Director's Office	8-548.04	Financial arrangements
Director's Office	9-624	Request for state lease purchase
General Accounting Office	12-1598	Definitions
General Accounting Office	12-1598.01	Scope of article
General Accounting Office	12-1598.02	Grounds for issuance of writ of garnishment of earnings
General Accounting Office	12-1598.03	Application for writ of garnishment for earnings
General Accounting Office	12-1598.04	Issuance of writ of garnishment for earnings; service and return of writ; lien on nonexempt earnings
General Accounting Office	12-1598.05	Initial lien
General Accounting Office	12-1598.06	Time for answer
General Accounting Office	12-1598.07	Objection to garnishment, answer or nonexempt earnings statement; hearing

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
General Accounting Office	12-1598.08	Answer of garnishee to writ of garnishment of earnings; filing; delivery; notice
General Accounting Office	12-1598.09	Discharge of garnishee
General Accounting Office	12-1598.10	Continuing lien on earnings; order
General Accounting Office	12-1598.11	Continuing lien procedure; nonexempt earnings statement
General Accounting Office	12-1598.12	Reporting by judgment creditor
General Accounting Office	12-1598.13	Contempt proceedings; default of garnishee
General Accounting Office	12-1598.14	Priority
General Accounting Office	12-1598.15	Taxing costs
General Accounting Office	12-1598.16	Forms
General Accounting Office	12-1598.17	Mailing; receipt; presumptions
General Accounting Office	12-1601	Salaries subject to garnishment
General Accounting Office	12-1603	Procedure
General Accounting Office	12-1604	Liability of officer for failure to perform duties
General Accounting Office	14-3971	Collection of personal property by affidavit; ownership of vehicles; affidavit of succession to real property
General Accounting Office	14-3972	Effect of affidavit
General Accounting Office	14-3973	Small estates; summary administrative procedure
General Accounting Office	14-3974	Small estates; closing by sworn statement of personal representative
General Accounting Office	23-327	Treble wages for minors paid less than minimum fair wage
General Accounting Office	23-350	Definitions
General Accounting Office	23-351	Designation of paydays for employees; payment; exceptions; violation; classification
General Accounting Office	23-352	Withholding of wages
General Accounting Office	23-353	Payment of wages of discharged employee; violation; classification
General Accounting Office	23-354	Preference of wages in insolvency proceedings or upon death of employer
General Accounting Office	23-355	Action by employee to recover wages; amount of recovery
General Accounting Office	23-356	Wage claims
General Accounting Office	23-357	Investigation of wage claims

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
General Accounting Office	23-358	Review of department determination
General Accounting Office	23-359	Effect of department determination
General Accounting Office	23-360	Penalty
General Accounting Office	23-361	Rules and regulations
General Accounting Office	23-362	Minimum wage; prohibition
General Accounting Office	23-362; Version 2	Definitions
General Accounting Office	23-363	Minimum wage
General Accounting Office	23-364	Enforcement
General Accounting Office	23-365	Reliance on administrative rule or regulation
General Accounting Office	23-391	Overtime pay; work week
General Accounting Office	23-392	Overtime compensation for certain law enforcement or probation officer activities; option; definitions
General Accounting Office	28-6992	Director of department of administration; comptroller of fund
General Accounting Office	28-7004	Payroll preparation
General Accounting Office	28-7005	Revolving account; small expenses
General Accounting Office	35-102	Fiscal year
General Accounting Office	35-103	Annual financial reports; notification; payments
General Accounting Office	35-111	Executive budget; revisions
General Accounting Office	35-112	Forms for budget unit estimates; date of transmittal
General Accounting Office	35-113	Submission of budget estimates
General Accounting Office	35-114	Continuous financial planning; submission of tentative budget report; appropriations estimate report
General Accounting Office	35-115	Contents of budget report
General Accounting Office	35-116	Supervisory powers of governor relating to budget report; exceptions
General Accounting Office	35-117	Participation of governor-elect in budget hearings
General Accounting Office	35-118	Transmission of budget report to legislature
General Accounting Office	35-119	Assistance to appropriation committees
General Accounting Office	35-120	Additional powers of governor

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
General Accounting Office	35-121	Format of appropriations
General Accounting Office	35-122	Strategic plans; program lists; compilation
General Accounting Office	35-123	Nonappropriated monies; report
General Accounting Office	35-124	Performance pay component; identification
General Accounting Office	35-131	Accounting system; reports; notice of deficiency; forms
General Accounting Office	35-131 A.	Statewide Uniform Accounting System - policies, procedures, AFIS
General Accounting Office	35-131 B	Financial Records Management
General Accounting Office	35-131 C	Requirement for monthly financial report to the governor
General Accounting Office	35-131 E	Annual Financial Report
General Accounting Office	35-131 F	Annual Report Explanation for Discrepancies
General Accounting Office	35-131 G	Reconciliation of Annual Report Discrepancies
General Accounting Office	35-131 H	Uniform classification for assets, liabilities, receipts and expenditures
General Accounting Office	35-131 I	Receipt of financial statements and information from budget units
General Accounting Office	35-141	General fund; payment of salaries and expenses
General Accounting Office	35-142	Monies kept in funds separate from state general fund; receipt and withdrawal
General Accounting Office	35-142.01	Reimbursement of appropriated funds; receipt and deposit
General Accounting Office	35-143	Collection through budget units; time for collection; failure to collect; liability
General Accounting Office	35-143.01	Special funds; appropriation; reversion; use
General Accounting Office	35-144	Budget stabilization fund; definitions
General Accounting Office	35-145	Control of taxes receivable from counties; statements from county treasurer; violation; penalty
General Accounting Office	35-146	Deposit of receipts by budget units
General Accounting Office	35-147	Treasurer's deposits; preparation and disposition
General Accounting Office	35-148	Payment for interagency services as credit to account of agency; transfer of miscellaneous state monies to general fund; exceptions
General Accounting Office	35-151	Encumbrance documents; issuance and disposition
General Accounting Office	35-151 A	Encumbrance documents; issuance an disposition
General Accounting Office	35-151 B	Encumbrance documents; issuance an disposition

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
General Accounting Office	35-151 C	Encumbrance documents; issuance and disposition
General Accounting Office	35-151 D	Encumbrance documents; issuance an disposition
General Accounting Office	35-152	Special masters; payment of fees and expenses
General Accounting Office	35-154	Unauthorized obligations; effect; liability
General Accounting Office	35-155	Cash deposit as an alternative to a surety bond
General Accounting Office	35-171	Bookkeeping procedures for treasurer
General Accounting Office	35-172	Authorized expenditures classed as appropriated
General Accounting Office	35-173	Allotment of appropriations; limitations; exceptions
General Accounting Office	35-173 A - G	Allotment of appropriations; limitations; exception
General Accounting Office	35-181.01	Presentation, approval and payment of claims and payrolls; amended claims
General Accounting Office	35-181.02 A - B	Audit, adjustment and settlement of claims; procedures for rejection
General Accounting Office	35-181.03	Audit of nonprofit corporations receiving state monies; definition
General Accounting Office	35-183	Countersigning of warrants and vouchers
General Accounting Office	35-184	Numbering of warrants
General Accounting Office	35-185	Disbursements of monies
General Accounting Office	35-185.01	Treasurer's warrant notes; form; redemption; exception
General Accounting Office	35-185.02	Treasurer's warrant note redemption fund; receipt; appropriation
General Accounting Office	35-186	Duplicate warrants; notice; bond; form and effect
General Accounting Office	35-186 A- B	Duplicate warrants; notice; bond; form and effect
General Accounting Office	35-187	Warrants; limitation on payment
General Accounting Office	35-188	Allowance of set-off against state; audit of claim
General Accounting Office	35-189	Issuance of certificate for claim for which no appropriation made
General Accounting Office	35-190	Incurring obligations after close of fiscal year; lapsing appropriations; exceptions
General Accounting Office	35-191	Adminsitrative adjustment, refunds; presentation and disposition of claims; exemption
General Accounting Office	35-192	Authorization for declaration of disaster; authorization for liabilities and expenses; priorities and limitations; review and report of expenditures
General Accounting Office	35-192.01	Reimbursement procedures

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
General Accounting Office	35-192.02	Travel advances; administration; reimbursement
General Accounting Office	35-193	Revolving funds
General Accounting Office	35-196	Illegal withholding or expenditure of state monies; civil liability
General Accounting Office	35-196.01	Expenditure of state monies for certain purposes
General Accounting Office	35-196.02	Use of public funds for abortion prohibited; exception
General Accounting Office	35-196.03	Refunds for invalid tax laws; appropriation required
General Accounting Office	35-196.04	Use of public monies for human cloning; prohibition; definition
General Accounting Office	35-197	Violations; classification
General Accounting Office	35-211	Approval, allowance or payment of unauthorized claim; liability of parties; penalty
General Accounting Office	35-212	Injunctive and civil remedies; definition
General Accounting Office	35-213	Failure of attorney general to bring action; action by taxpayer; bond; amount of recovery and attorney fees
General Accounting Office	35-214	Inspection and audit of contract provisions
General Accounting Office	35-215	Influencing, obstructing or impairing audit; classification
General Accounting Office	35-311	State board of investment; membership; powers and duties
General Accounting Office	35-341	Definitions
General Accounting Office	35-342	Payment of agency accounts; delinquency; interest
General Accounting Office	35-401	Definitions
General Accounting Office	35-402	Issuance of bonds
General Accounting Office	35-403	Form and contents of bonds
General Accounting Office	35-404	Amount of bonds; limitation
General Accounting Office	35-405	Resolution for issuance
General Accounting Office	35-406	Sale of bonds; use of proceeds
General Accounting Office	35-407	Payment of bonds and interest
General Accounting Office	35-408	Rights of holder of bond
General Accounting Office	35-421	State loan commissioners; issuance of bonds; exemption of bonds from taxes
General Accounting Office	35-422	Denominations and terms of bonds

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
General Accounting Office	35-423	Interest coupons
General Accounting Office	35-424	Sale of bonds; notice, publication and bids
General Accounting Office	35-425	Delivery of bonds
General Accounting Office	35-426	Application of proceeds to redemption of indebtedness; notice to redeem
General Accounting Office	35-427	Tax levy for amortization of bonds; determination of tax rate; additional levy; application of monies; violation; penalty
General Accounting Office	35-428	Redemption of bonds; notice; record of bonds redeemed
General Accounting Office	35-429	Issuance of state bonds for county, municipal or school district indebtedness
General Accounting Office	35-430	Cancellation of redeemed bonds; record of redemption; transmittal of abstract of record; payment of interest
General Accounting Office	35-431	Registration of bond; effect; entry of registration
General Accounting Office	38-501	Application of article
General Accounting Office	38-502	Definitions
General Accounting Office	38-503	Conflict of interest; exemptions; employment prohibition
General Accounting Office	38-504	Prohibited acts
General Accounting Office	38-505	Additional income prohibited for services
General Accounting Office	38-506	Remedies
General Accounting Office	38-507	Opinions of the attorney general, county attorneys, city or town attorneys and house and senate ethics committee
General Accounting Office	38-508	Authority of public officers and employees to act
General Accounting Office	38-509	Filing of disclosures
General Accounting Office	38-510	Penalties
General Accounting Office	38-511	Cancellation of political subdivision and state contracts; definition
General Accounting Office	38-601	Effect of payment of legal salary
General Accounting Office	38-602	Limitation on action for salary; waiver of right to additional salary
General Accounting Office	38-606	Suspension of salary pending determination of contested title to office; exception
General Accounting Office	38-607	Recovery of payment to disqualified persons
General Accounting Office	38-608	Compensation or time off for legal holidays
General Accounting Office	38-609	Retention of salary of subordinate; classification

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
General Accounting Office	38-610	Leave of absence for military training; definition
General Accounting Office	38-610.01	Leave of absence and compensation for officers and employees during active military service
General Accounting Office	38-611	Compensation of certain state officers and employees
General Accounting Office	38-612	Administration of payroll salary deductions
General Accounting Office	38-613	State employee suggestion program awards; fund
General Accounting Office	38-614	Merit awards; county employees; merit award system board; special merit award fund
General Accounting Office	38-615	Payment for accumulated sick leave; limit; definition
General Accounting Office	38-616	Retiree accumulated sick leave fund; administration; contribution
General Accounting Office	38-617	County safety incentive awards
General Accounting Office	38-618	Performance based incentives program
General Accounting Office	38-618.01	Performance pay for state employees; applicability; definition
General Accounting Office	38-619	Performance based incentives program oversight committee; definition
General Accounting Office	38-621	Persons eligible to receive travel expenses
General Accounting Office	38-622	Authorization for travel; claims
General Accounting Office	38-623	Means of travel; rates
General Accounting Office	38-624	Lodging expenses; meal and incidental expense reimbursement and long-term subsistence allowance; items covered by reimbursement; amount predetermined by department of administration
General Accounting Office	38-625	Receipts for transportation
General Accounting Office	38-626	Out-of-state travel; approval; exemptions
General Accounting Office	38-626.01	Authorization for certain out-of-state travel by state employees
General Accounting Office	38-627	Use of state equipment out of state
General Accounting Office	38-735	ASRS Contributions to be made
General Accounting Office	38-747	ASRS service purchase credit administration, rules, limits, etc.
General Accounting Office	38-848	Fund manager
General Accounting Office	38-873	Payroll salary deductions; department of administration
General Accounting Office	41-172	Duties; administering oaths; appointment of deputy state treasurer

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
General Accounting Office	41-722	Powers and duties relating to finance
General Accounting Office	41-723	Governor's office of strategic planning and budgeting; duties
General Accounting Office	41-724	Exemptions
General Accounting Office	41-732	Duties relating to general accounting activities
General Accounting Office	41-733	Examination of witnesses
General Accounting Office	41-734	Preservation of accounts; copies; fees
General Accounting Office	41-735	Internal audit; authority to examine records; divulgence of restricted information; violation; classification; public records exception
General Accounting Office	41-736	Forest reserve monies
General Accounting Office	41-737	Forms for reports by county assessors and treasurers
General Accounting Office	41-738	Membership in national organizations; attending conventions
General Accounting Office	41-739	Drawing illegal warrant; classification
General Accounting Office	41-740	Nonperformance of duty; classification
General Accounting Office	5-113	Disposition of revenues and monies; funds; committee
General Accounting Office	43-413	Within 15 days of termination, or 30 days after end of calendar year, employer to provide a summary statement including earnings and taxes withheld.
General Accounting Office	43-416	Failure to remit withheld funds, class 4 felony
General Services Division	15-189	Charter schools; vacant buildings; list; used equipment
General Services Division	15-189.02	Charter schools; public bidding requirements
General Services Division	34-451	Energy conservation standards for public buildings
General Services Division	34-452	Solar design standards for state buildings; energy life cycle costing
General Services Division	34-453	Energy performance goals for state buildings
General Services Division	34-456	Use of energy savings; definitions
General Services Division	36-106	Acquisition of lands and buildings
General Services Division	41-1078	Reporting; compliance with time frames
General Services Division	41-1252	Powers and duties; staffing
General Services Division	41-1304	Powers and duties
General Services Division	41-1304.05	State capitol building areas and other facilities; jurisdiction; maintenance

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
General Services Division	41-1361	Governmental mall commission; members; terms; compensation; definition
General Services Division	41-1363	Monuments and memorials within governmental mall; legislative authorization; approval; procedure
General Services Division	41-1364	Alteration or modification to monuments and memorials within governmental mall; procedures; approval
General Services Division	41-1958	Acquisition of lands and buildings; lease-purchase agreements; lease or sublease of lands or buildings
General Services Division	41-790	Definitions
General Services Division	41-790.01	Exemptions; exception
General Services Division	41-791	Powers and duties relating to public buildings maintenance; compensation of personnel
General Services Division	41-791.01	Powers and duties relating to facilities planning and construction; exemption
General Services Division	41-791.02	Powers and duties relating to acquiring property; lease purchase agreements; eminent domain
General Services Division	41-791.03	Management of certain properties
General Services Division	41-791.04	Lease purchase financing; eligible municipal convention center projects; eligible projects lease purchase fund
General Services Division	41-792	Lease cost review board; members; duties; square footage lease costs
General Services Division	41-792.01	Capital outlay stabilization fund; authorization for collection of rental; basis of payment; distribution of monies collected; transfer of payment; lease-purchase building operating and maintenance fund; definition
General Services Division	41-793	Building systems; capital improvement plans
General Services Division	41-793.01	Formula for building renewal monies; legislative appropriations
General Services Division	41-793.02	Renovation or replacement of state buildings; building life extension study; definition
General Services Division	41-806	Use of renewable energy; department of administration facilities; definitions
General Services Division	45-313.01	Water free urinals; state buildings
Human Resources Division	1-301	Holidays enumerated
Human Resources Division	1-302	Closing of offices and courts; transaction of certain judicial business
Human Resources Division	13-3102	Misconduct involving weapons; defenses; classification; definitions
Human Resources Division	13-3102.01	Storage of deadly weapons; definitions
Human Resources Division	15-1331	Equity study for school personnel
Human Resources Division	16-402	Absence from employment for purpose of voting; application therefor; violation; classification
Human Resources Division	23-1361	Blacklist; definition; exceptions; privileged communications; immunity

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
Human Resources Division	23-1501	Severability of employment relationships; protection from retaliatory discharges; exclusivity of statutory remedies in employment
Human Resources Division	23-1502	Constructive discharge
Human Resources Division	23-212	Employment of unauthorized aliens; prohibited
Human Resources Division	23-351	Designation of paydays for employees; payment; exceptions; violation; classification
Human Resources Division	23-353	Payment of wages of discharged employee; violation; classification
Human Resources Division	23-363	Minimum wage
Human Resources Division	23-391	Overtime pay; work week
Human Resources Division	23-392	Overtime compensation for certain law enforcement or probation officer activities; option; definitions
Human Resources Division	23-601	Definitions of words and phrases
Human Resources Division	26-168	Absence from employment for military duty; vacation and seniority rights; violation; classification
Human Resources Division	26-171	National guard training; inspection by department of defense; camp or field duty ordered by governor
Human Resources Division	35-174	Vacancy savings; definition; personal services and employee related expenditures; reversion
Human Resources Division	35-196.01	Expenditure of state monies for certain purposes
Human Resources Division	35-501	Department of Revenue records of bond issues; debt level analysis and report
Human Resources Division	36-2926	Use of cost savings; preparation of budget recommendations; cooperation of other agencies
Human Resources Division	38-211	Nominations by governor; consent of senate; appointment
Human Resources Division	38-231	Officers and employees required to take loyalty oath; form; classification; definition
Human Resources Division	38-401	Office hours for state offices
Human Resources Division	38-431	Definitions
Human Resources Division	38-444	Asking or receiving illegal gratuity or reward; classification
Human Resources Division	38-448	State employees; access to internet pornography prohibited; cause for dismissal; definitions
Human Resources Division	38-481	Employment of relatives
Human Resources Division	38-492	Preferences
Human Resources Division	38-532	Prohibited Personnel practice; violation; reinstatement; exceptions; civil penalty
Human Resources Division	38-538.02	Use of state motor vehicles; personal vehicle reimbursement
Human Resources Division	38-592	Public service orientation programs; implementation

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
Human Resources Division	38-601	Effect of payment of legal salary
Human Resources Division	38-608	Compensation or time off for legal holidays
Human Resources Division	38-610	Leave of absence for military training; definition
Human Resources Division	38-610.01	Leave of absence and compensation for officers and employees during active military service
Human Resources Division	38-611	Compensation of certain state officers and employees
Human Resources Division	38-612	Administration of payroll salary deductions
Human Resources Division	38-616	Retiree accumulated sick leave fund; administration; contribution
Human Resources Division	38-618	Performance based incentives program
Human Resources Division	38-618.01	Performance pay for state employees; applicability; definition
Human Resources Division	38-711	Definitions
Human Resources Division	39-101	Permanent public records; quality; storage; violation; classification
Human Resources Division	39-128	Disciplinary records of public offices and employees; disclosure; exceptions
Human Resources Division	41.763.04	Reduction in force procedures
Human Resources Division	41-1461	Definitions
Human Resources Division	41-1463	Discrimination; unlawful practices; definition
Human Resources Division	41-1464	Other unlawful employment practices; opposition to unlawful practices; filing of charges; participation in proceedings; notices and advertisements for employment
Human Resources Division	41-706	State employee living donor leave
Human Resources Division	41-761	Personnel administration
Human Resources Division	41-762	Definitions
Human Resources Division	41-763	Powers and duties of the director relating to personnel
Human Resources Division	41-763.01	Annual report and recommendation
Human Resources Division	41-763.02	Special market adjustments; committee
Human Resources Division	41-763.03	Voluntary separation program
Human Resources Division	41-763.04	Reduction in force procedures
Human Resources Division	41-764	Contribution of pro rata share for personnel division fund
Human Resources Division	41-769	Refusal of examination or certification

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
Human Resources Division	41-770	Causes for dismissal or discipline
Human Resources Division	41-771	Exemptions
Human Resources Division	41-772	Prohibitions; violation; classification; civil penalty; protection of civil or political liberties
Human Resources Division	41-773	Unlawful acts; violation; classification
Human Resources Division	41-774	Certification by division
Human Resources Division	41-775	Violation; classification
Human Resources Division	41-776	Gifts and donations for employee recognition
Human Resources Division	41-777	Information technology personnel; criminal history records; definitions
Human Resources Division	41-778	State employees; mentoring
Human Resources Division	41-781	Personnel board; members; appointment; term; meetings; compensation
Human Resources Division	41-783	Powers and duties of the personnel board
Information Services Division	41-711	Establishment of automation operation center; fund; report
Information Services Division	41-704	Emergency telecommunication services; administration; revolving fund
Management Services Division	33-1023	Sale of property; disposal of proceeds
Management Services Division	41-101.03	Travel Reduction Program
Management Services Division	49-551.5	Travel Reduction Program Air quality fee; air quality fund; purpose
Management Services Division	49-588	Travel Reduction Program requirements for major employers
Management Services Division	41-2069	Disposition of seized property
Management Services Division	41-2601	Definitions materials management
Management Services Division	41-2602	Material management rules
Management Services Division	41-2603	Surplus material program
Management Services Division	41-2604	Authority for transfer of material
Management Services Division	41-2605	Fees and charges
Management Services Division	41-2606	Surplus materials revolving funds
Management Services Division	41-2607	Allocation of proceeds from sales, transfers or disposal of surplus materials
Management Services Division	41-803	Operation of state motor vehicle fleet; public service announcements; energy conservation; alternative and clean burning fuels; definitions

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
Management Services Division	41-804	Motor vehicle pool revolving fund
Management Services Division	49-588	Requirements for major employers
Management Services Division	35-193.02	State Boards Office
Management Services Division	35-193.02	Print Shop
Management Services Division	35-193.02	Mail room
Risk Management	23-962 A.	Insurance by governmental units; payment of premiums
Risk Management	23-962 C.	Insurance by governmental units; payment of premiums
Risk Management	41-621	Purchase of insurance; coverage; limitations; exclusions; definitions
Risk Management	41-621.01	Contractors or subcontractors; pooling of property, liability and workers' compensation coverage; exemptions; board of trustees; contract; termination; audit; insolvency
Risk Management	41-622	Risk management revolving fund; construction insurance fund; self-insured losses and administrative costs; budget requests
Risk Management	41-623	Risk management and loss control
Risk Management	41-624	Definitions; commissions on sales of insurance to the state; violations; classification
Risk Management	41-625	Environmental risk management; purpose; administration
Risk Management	23-901 et seq	Liability and workers compensation insurance
State Procurement Office	15-213	Procurement practices of school districts and charter schools; definitions
State Procurement Office	34-201	Notice of intention to receive bids and enter contract; procedure; doing work without advertising for bids; county compliance
State Procurement Office	34-455	Performance contracting; definitions
State Procurement Office	35-391.06	Sudan Investments and Business Operations Prohibition on government contracts
State Procurement Office	35-393.06	Iran Investments and Business Operations Prohibition on government contracts
State Procurement Office	41-2501	Applicability
State Procurement Office	41-2502	Determinations
State Procurement Office	41-2503	Definitions
State Procurement Office	41-2504	Supplementary general principles of law applicable
State Procurement Office	41-2511	Authority of the director
State Procurement Office	41-2512	Delegation of authority by the director
State Procurement Office	41-2513	Authority to contract for certain services

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
State Procurement Office	41-2514	State procurement rules
State Procurement Office	41-2515	Collection of data concerning public procurement
State Procurement Office	41-2516	Procurement advisory groups
State Procurement Office	41-2531	Definitions
State Procurement Office	41-2532	Methods of source selection
State Procurement Office	41-2533	Competitive sealed bidding
State Procurement Office	41-2534	Competitive sealed proposals
State Procurement Office	41-2535	Procurements not exceeding a prescribed amount; small businesses; simplified construction procurement program
State Procurement Office	41-2536	Sole source procurement
State Procurement Office	41-2537	Emergency procurements
State Procurement Office	41-2538	Competitive selection procedures for certain professional services
State Procurement Office	41-2539	Cancellation of invitation for bids or requests for proposals
State Procurement Office	41-2540	Responsibility of bidders and offerors
State Procurement Office	41-2541	Prequalification of contractors
State Procurement Office	41-2542	Bid and contract security
State Procurement Office	41-2543	Cost or pricing data
State Procurement Office	41-2544	Types of contracts
State Procurement Office	41-2545	Approval of accounting system
State Procurement Office	41-2546	Multiterm contracts
State Procurement Office	41-2547	Right to inspect plant
State Procurement Office	41-2548	Right to audit records
State Procurement Office	41-2549	Reporting of anticompetitive practices
State Procurement Office	41-2550	Retention of procurement records
State Procurement Office	41-2551	Record of procurement actions
State Procurement Office	41-2552	Change order
State Procurement Office	41-2553	Procurement of information systems and telecommunications systems; definitions

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
State Procurement Office	41-2554	Procurement of earth moving, material handling, road maintenance and construction equipment; definitions
State Procurement Office	41-2555	Request for information
State Procurement Office	41-2556	Demonstration projects
State Procurement Office	41-2557	Unsolicited proposals
State Procurement Office	41-2558	General services administration contracts
State Procurement Office	41-2559	Public-private partnership contracts
State Procurement Office	41-2561	Definition
State Procurement Office	41-2562	Duties of the director
State Procurement Office	41-2563	Exempted services
State Procurement Office	41-2564	Relationship with using agencies
State Procurement Office	41-2565	Maximum practicable competition
State Procurement Office	41-2566	Specifications prepared by architects and engineers
State Procurement Office	41-2567	Specifications for energy consumptive material
State Procurement Office	41-2568	Specifications for recycled materials
State Procurement Office	41-2571	Definitions
State Procurement Office	41-2572	Construction by state employees; construction by inmates of public institution
State Procurement Office	41-2573	Bid security
State Procurement Office	41-2574	Contract performance and payment bonds
State Procurement Office	41-2576	Contract payment retention; partial payment
State Procurement Office	41-2577	Progress payments
State Procurement Office	41-2578	Procurement of specified professional and construction services; definition
State Procurement Office	41-2579	Project delivery methods for design and construction services
State Procurement Office	41-2580	Construction contracts; void provisions
State Procurement Office	41-2585	Contract clauses
State Procurement Office	41-2586	Indemnity agreements in construction and architect-engineer contracts void; definitions
State Procurement Office	41-2591	Cost principles rules

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
State Procurement Office	41-2601	Definitions
State Procurement Office	41-2602	Material management rules
State Procurement Office	41-2603	Surplus material program
State Procurement Office	41-2604	Authority for transfer of material
State Procurement Office	41-2605	Fees and charges
State Procurement Office	41-2606	Surplus materials revolving funds
State Procurement Office	41-2607	Allocation of proceeds from sales, transfers or disposal of surplus materials
State Procurement Office	41-2611	Rules of procedure
State Procurement Office	41-2612	Subject of rules
State Procurement Office	41-2613	Debarment and suspension of contractors
State Procurement Office	41-2614	Judicial review
State Procurement Office	41-2615	Exclusive remedy
State Procurement Office	41-2616	Violation; classification; liability; civil penalty; enforcement authority
State Procurement Office	41-2617	Contracts for procurement of construction; delay; recovery of damages by contractor
State Procurement Office	41-2631	Definitions
State Procurement Office	41-2632	Cooperative purchasing authorized
State Procurement Office	41-2633	Use of payments received by a supplying public procurement unit
State Procurement Office	41-2634	Public procurement units in compliance with chapter requirements
State Procurement Office	41-2635	Contract controversies
State Procurement Office	41-2636	Procurement from Arizona industries for the blind, certified nonprofit agencies for disabled individuals and Arizona correctional industries; definitions
State Procurement Office	41-2637	Compliance with federal requirements
State Procurement Office	41-2661	State agency office paper recycling
State Procurement Office	41-2662	State agency purchase of recycled materials
State Procurement Office	41-2671	Definitions
State Procurement Office	41-2672	On line bidding
State Procurement Office	41-2673	State electronic commerce fund

Arizona Department of Administration Statutory Citations

Division	Statute	Short Description
State Procurement Office	41-2703	Waiver of solicitation and award procedures
State Procurement Office	41-2704	Remedies
State Procurement Office	41-4401	Government procurement; e-verify requirement; definitions
State Procurement Office	41-624	Definitions; commissions on sales of insurance to the state; violations; classification
Telecommunications Program Office	41-712	Telecommunications program office; state contractor; cost of operation; employees; report
Telecommunications Program Office	41-713	Telecommunications fund; report

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
DEPARTMENT OF ADMINISTRATION**

GENERAL FUND

FY 2010 General Fund Budget 19,043,500

AGENCY REDUCTION TARGET - GENERAL FUND \$2,856,525

Issue Title¹	Reductions Amount
General Accounting Office	\$534,500
State Procurement Office	\$186,400
Capitol Police Department	\$413,400
Governor's Regulatory Review Council	\$94,300
General Services Division	\$763,500
Mailroom	\$22,000
Management Services Division	\$136,800
Director's Office	\$55,600
Reserve	\$650,000
	<hr/>
Issue Total	\$2,856,500
	<hr/> <hr/>
Fund Total as a Percentage of General Fund Reduction Target	100%

¹ Please complete the attached Description and Impact Statement for each issue.

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
DEPARTMENT OF ADMINISTRATION**

ALL NON-GENERAL FUNDS

FY 2010 All Non-General Funds Budget (less Federal Funds) 1,113,442,800

AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) \$167,016,420

Fund	Reduction Amount	Percent Reductions
Capital Outlay Stabilization (Appropriated) 1600	\$2,734,100	1.6%
Construction Insurance Fund (Non-Appropriated) 4219	\$384,500	0.2%
Treasurers Warrant Note Redemption Fund (Non-Appropriated) 1029	\$0	0.0%
Statewide Donations (Non-Appropriated) 2025	\$7,000	0.0%
Corrections Fund (Appropriated) 2088	\$92,200	0.1%
Air Quality Fund (Appropriated) 2226	\$114,800	0.1%
State Employee Ride Share (Non-Appropriated) 2261	\$74,800	0.0%
State Traffic and Parking Control Fund (Non-Appropriated) 2453	\$700	0.0%
Consumer Loss Recovery Fund (Non-Appropriated) 2469	\$7,500	0.0%
ADOA Special Events Fund (Non-Appropriated) 2503	\$7,700	0.0%
Payroll Administration Fund (Non-Appropriated) 9230	\$1,100	0.0%
Special Employee Health (Appropriated) 3015	\$787,500	0.5%
Admin - AFIS II Collections (Non-Appropriated) 4203	\$371,600	0.2%
Motor Pool Revolving (Appropriated) 4204	\$1,707,600	1.0%
DOA 911 Emergency Telecommunication Service Revolving (Non-Appropriated) 2176	\$4,335,000	2.6%
Retiree Accumulated Sick Leave (Non-Appropriated) 3200	\$1,723,700	1.0%
State Surplus Property (Appropriated) 4214 ***	\$566,700	0.3%
Personnel Division Fund (Appropriated) 1107 ***	\$2,378,500	1.4%
IGA and ISA Fund (Non-Appropriated) 2500 ***	\$1,046,000	0.6%
ERE / Benefits Administration (Non-Appropriated) 3035 ***	\$5,050,800	3.0%

Fund	Reduction Amount	Percent Reductions
Admin - Special Services Fund (Non-Appropriated) 4208 ***	\$299,100	0.2%
Co-op St Purchasing (Non-Appropriated) 4213 ***	\$315,700	0.2%
Risk Management Fund (Appropriated) 4216 ***	\$13,870,800	8.3%
Automation Operations Fund (Appropriated) 4230 ***	\$3,112,800	1.9%
Telecommunications Fund (Appropriated) 4231 ***	\$998,300	0.6%
Certificate of Participation (Non-Appropriated) 5005 ***	\$22,026,400	13.2%
PLTO (Non-Appropriated) 2495 ***	\$1,760,400	1.1%
Special Employee Health (Non-Appropriated) 3015 ***	\$103,241,100	61.8%
<p>*** INDICATES FUNDS THAT CANNOT GENERATE THE TARGET AMOUNT WITH ANY AMOUNT OF LEGISLATIVE ACTION - Please see narrative for further information</p>		
Issue Total	\$167,016,400	100%
All Non-General Funds Total as a Percentage of Agency Non-GF Reduction Target		100%

**Health Insurance Trust Fund
Stress Scenarios**

target transfer amount = 103,241,100

Assumptions:

All Revenues January - June are from Non-GF sources, i.e. sweep completed by Dec. 31

15% RIF indicates loss of Non-GF revenues due to RIF

15% Reduction in Expenditures from RIF mean expenditures decrease due to RIF'd employees

30% Reduction in Expenditures from Benefit Changes is the Benefit reduction to accomplish 103.0 million GF transfer

The Reduction in Expenditures from Benefit Claims lags one month to account for IBNR effect

"Healthy Employee" disenrollment refers to employees that can't afford or don't want to participate in reduced plan

"Healthy Employees" revenue decreases are greater than expenditure decreases because sicker employees won't disenroll

Current HITF Projections								
Beginning Balance Jan 1 2010	112,346,668	Jan	Feb	March	April	May	June	Total Jan - June 2010
Revenues		51,717,010	59,733,073	62,257,598	57,137,613	54,732,051	54,816,309	340,393,655
Current Projected Expenditures		56,407,952	59,089,220	73,764,023	66,606,856	62,614,540	70,410,162	388,892,753
Ending Balance		<u>107,655,726</u>	<u>108,299,579</u>	<u>96,793,154</u>	<u>87,323,912</u>	<u>79,441,422</u>	63,847,570	63,847,570
IBNR		67,125,000	67,400,000	67,674,000	67,949,000	68,224,000	68,499,000	
15% Reduction Projection due to RIF								
Original Revenues		51,717,010	59,733,073	62,257,598	57,137,613	54,732,051	54,816,309	340,393,655
15% Reduction in Non-GF Revenues from RIF		(7,757,552)	(8,959,961)	(9,338,640)	(8,570,642)	(8,209,808)	(8,222,446)	(51,059,048)
New Estimated Revenues		<u>43,959,459</u>	<u>50,773,112</u>	<u>52,918,958</u>	<u>48,566,971</u>	<u>46,522,243</u>	<u>46,593,863</u>	289,334,606
Original Estimated Expenditures		56,407,952	59,089,220	73,764,023	66,606,856	62,614,540	70,410,162	388,892,753
15% Reduction In Expenditures from RIF		-	(8,863,383)	(11,064,603)	(9,991,028)	(9,392,181)	(10,561,524)	(49,872,720)
30% Reduction in Expenditures from Benefit Changes		-	(15,067,751)	(18,809,826)	(16,984,748)	(15,966,708)	(17,954,591)	(84,783,624)
New Projected Expenditures		<u>56,407,952</u>	<u>35,158,086</u>	<u>43,889,594</u>	<u>39,631,079</u>	<u>37,255,651</u>	<u>41,894,046</u>	254,236,408
New Ending Balance		<u>99,898,175</u>	<u>115,513,201</u>	<u>124,542,566</u>	<u>133,478,458</u>	<u>142,745,049</u>	<u>147,444,866</u>	147,444,866
GF Transfer								(103,241,100)
FY 2010 Ending Balance								44,203,766

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: General Fund and Capital Outlay Stabilization Fund (COSF)
Operating Monies

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

General Fund: \$2,856,500

COSF Operating: \$2,734,100

Total: \$5,590,600

Issue Description and Statement of Effects

ADOA's General Fund budget consists of an operating appropriation and five special line item (SLI) appropriations. ADOA cannot alter 3 SLI expenditures (ENSCO, Telecommunications Lease and Utilities SLIs) due to the contractual nature of the obligations funded with the monies. The fourth SLI, Arizona Financial Information System is used to fund the State's accounting system, which represents a fixed cost. The final SLI, \$2,430,000 for County attorney immigration enforcement, is a statutory obligation and cannot be reduced without a statutory change. **If the County attorney immigration enforcement obligation is reduced to zero, ADOA will meet the target amount with less significant reductions.**

A statutory change to the County attorney enforcement SLI obligation would help, but even then many of the following effects will occur; without the change to the County attorney enforcement SLI, the effects may be understated. The dramatic divisional reductions reflect the effects of fixed costs which cannot be avoided. The complexity of the ADOA budget cannot be understated.

General Accounting Office (GF = \$534,500 + COSF = \$205,600) would reduce 28.0 FTEs out of 35.0 filled General Fund positions with the following effects:

AFIS

- In summary, we will not be able to provide anything other than standard systems reports and limited problem resolution which will only be provided for extreme priorities.
- If the system goes down, we may not be able to bring it back up. We will be substantially at risk for failure, jeopardizing virtually all State payments for goods and services.
- The system would not get legislatively mandated modifications.
- There would be no support for AZProcure or additional interfaces.
- There will be very limited agency liaisons/agency assistance. Agencies will need to leave a voice mail or send an email and we will conduct triage and only respond to the extremely critical issues.
- We will only be able to respond to very limited agency information requests. This includes information requested by OSPB and JLBC.
- We will need to mandate electronic payments to vendors and only deal with limited exceptions. This will require a law change.
- Handwrites would be substantially reduced, impacting the ability of the State to make prompt payments and meet other obligations, increasing costs to the State as a result of interest charges and other penalties.
- There will be the potential of damages for not paying vendors on time due to lack of staff.

Payroll

- Only the basics to get employees paid will be done.
- We will no longer provide garnishments, levies, child support (which may result in the State being liable for the amount of the garnishment or levy) or bus cards, which will be in violation of state payroll and child support enforcement statutes.
- Payment of employment taxes and the preparation of the appropriate Federal and State returns would be jeopardized. Not performing these functions or performing them inaccurately or not timely will result in millions of dollars in fines and penalties.
- There will be very limited agency assistance. Agencies will be forced to leave a voice mail or send an email and we will conduct triage and only respond to the extremely critical issues.
- We will only be able to respond to very limited agency information requests. This includes information requested by OSPB and JLBC.
- We will need to mandate electronic payments to employees and only deal with limited exceptions. This will require a law change.
- Handwrites would be substantially reduced, increasing the likelihood of damages and penalties for not paying employees accurately or timely.

- There will be the potential for treble damages for not paying employees on time due to our lack of staff.
- There will be no support for the new electronic Employee Time Entry (ETE) project. Implementation of this project will increase efficiency and reduce costs.
- We will no longer be able to test the new tax or other deductions that need to be implemented each year which may result in erroneous tax withholdings and payments, along with corresponding penalties.
- If the system goes down, we may not be able to bring it back up. We will be substantially at risk for failure.

Other Groups

- There will no longer be an Internal Audit Group. This will leave the State open to potential fraud and misuse of funds as agencies cut back on their staffing also.
- We will no longer produce the Comprehensive Audited Financial Report, (CAFR), the State's audited financial statements. We will no longer be in compliance with federal regulations. Not producing a CAFR will increase the cost of financing significantly due to lower bond ratings.
- There will no longer be a Federal Group. We will no longer prepare the Single Audit or the Statement of Expenditures of Financial Awards (SEFA). We will no longer participate in the Cash Management Improvement Act (CMIA) and thus no Treasury State Agreement (TSA) will be produced. These actions will also render the State of Arizona not in compliance with federal government regulations and result in penalties assessed.
- As a result of not being in compliance with federal regulations, we will jeopardize losing \$9.6 billion of federal assistance annually. In addition we will also jeopardize \$4.3 billion of American Reinvestment and Recovery Act (ARRA) funding up to and including possible repayment. Without these essential components of federal reporting, the State of Arizona will likely be suspended and disbarred from receiving federal assistance.
- We will also no longer prepare the Statewide Cost Allocation Plan (SWCAP) potentially losing \$2-\$3 million annually in indirect cost recovery.
- The responsibility of setting up grants in AFIS will be transferred to the agencies. Without central oversight, grants will be misclassified, resulting in inaccurate reporting for Federal programs.
- We will no longer continue the Transparency project if it has not already been completed. If it has been completed, we will no longer be able to support the project. In either case, we will not be in compliance with the State law on transparency.

- We will not participate in the federally mandated 3% Withhold. We will be subject to annual fines of 3% of vendor payments, or 3% of \$23 billion (approximately \$690 million).
- We will do the best we can to set up new funds, process fund transfers and allotment adjustments. Legal requirements for payments and transactions will be delayed or not met.
- The GAO files will no longer be maintained causing potential issues including but not limited to court cases and the federal government.
- There will no longer be daily warrant reconciliation. Not reconciling the warrants could lead to fraudulent use of warrant stock.
- We will no longer process agency requests for copies of cleared warrants. This may result in a lack of support and credit for payments
- The GAO will no longer have a front desk to provide agency assistance and warrant distribution increasing the costs and impairing the timing of distribution.
- Public information requests will not be fulfilled.
- All travel and policy exception review will be extremely limited. This could lead to unnecessary, and potentially illegal, costs to the State since accountability is significantly impaired.
- Guidance to agencies thru policies and procedures will be significantly reduced and limited to most critical issues. The result will be increased payment problems and errors in financial data and reports.

State Procurement Office (GF = \$186,400 + COSF = \$68,400) would reduce 11.0 FTEs out of 13.0 filled positions, with the following effects:

- Contract Administration will be almost completely eliminated. Two (2) Procurement Officers will be left to administer nearly one thousand (1,000) contracts. Another 3-4 FTEs will be available to operate the procurement system and install the purchasing system, which is necessary to increase any potential procurement savings.
- Delegations of procurement authority to the agencies will have to be increased. Currently there are fifteen (15) agencies with Unlimited Delegated Procurement Authority. This number will be increased by approximately 100% to thirty (30) agencies.
- Policies and Procedure updates will be discontinued. Policies and procedures will become dated and procurement operations will become less standardized across the State.
- Procurement training standards will no longer be maintained. Procurement training classes were discontinued with the FY2009 Reduction. An FY2010 Reduction would eliminate all remaining training personnel and therefore the maintenance of any training standards.
- Procurement compliance and enforcement will be discontinued. Agencies will self-report their compliance with all procurement rules and

- regulations. Allegations of inappropriate activities will be documented and forwarded to the agencies to resolve.
- Fifteen (15) fewer solicitations will be conducted per year. Approximately six (6) fewer Statewide solicitations and nine (9) fewer Single Agency solicitations will be conducted. Opportunities to create more favorable contracts will be lost, resulting in increased costs to State agencies.
 - Approximately one hundred thirty (130) or 13% of SPO's contracts will be extended beyond their five (5) year statutory limit. This will incur approximately 4% in increased costs to the State due to lack of competition, increased contractor leverage and dated requirements.
 - For the Agency solicitations remaining, cycle times will increase by 4 weeks from a current average of 5 weeks.
 - For the Statewide solicitations remaining, cycle times will increase by 8 weeks, from an average of 27 weeks

Capitol Police Department (GF = \$413,400 + COSF = \$156,700) would reduce 24.5 FTE positions out of 35.0 filled.

- Law enforcement and security coverage at the Tucson complex would be eliminated and significantly reduced in Phoenix, placing the community and infrastructure at greater risk.
- Communications staff positions would be eliminated. Capitol Police would attempt to secure dispatch capability from another police force, at an undetermined cost. This would result in threats to officer safety.
- Elimination of all non-officer positions.
- It may be necessary to reduce the number of sworn officer positions as the effects of the cuts to other divisions become more clear.
- Cuts at this level would severely reduce the operational capability of the Department. ADOA is very concerned that cuts to the CPD at this level cannot be accomplished without incurring unacceptable levels of risk for the remaining officers, the community and State assets.

Governor's Regulatory Review Council (GF = \$94,300 + COSF = \$34,600) would reduce 4.0 out of 5.0 filled FTE Positions.

- The remaining staff member would be able to collect regulatory review packages and submit them un-reviewed to the Council. There would be no legal analysis or economic impact statements. The Council would be forced to review rules packages without a clear understanding of the effects of the rules on citizens.

General Services Division (GF = \$763,500 + COSF = \$2,190,000) would reduce 36.0 out of 38.0 filled positions.

- GSD will not conduct building inspections of new construction or perform quadrennial inspections of 3,500 structures in the Building System

- Inventory. The program was previously reduced from 5.0 FTE's to 3.0 FTE's which necessitated ADOA abrogate its statutory responsibility to conduct quadrennial inspections.
- GSD will not provide Capital Project plans and specifications, construction contracts, or construction change orders. GSD will not review and approve contractor progress payments or statutory and code compliance for other agencies.
 - The ADOA Building System Building Inventory of over 3,500 buildings will be abandoned.
 - Each tenant agency of an ADOA facility would require facility management staff and be left to determine their own processes for facility management resulting in confusion, a myriad of standards and practices, underutilized and inefficiently managed state-owned office space, inappropriate and mismanaged tenant improvements resulting in building and fire & life safety code violations, indoor air quality violations and negligence of environmental hazards. The associated duties and costs for administering and managing office buildings would be transferred to tenant agencies.
 - If the costs were transferred to tenant agencies, the dispersion of the space management program costs and responsibilities would cost more than the centralized program costs in ADOA. There would be no benefit of the economies of scale because there would be no central authority.
 - GSD will no longer provide installation and support for card readers, panic buttons, fire alarm links, door controllers, motion sensors, CCTV monitoring systems and other ancillary mechanisms in State owned buildings and garages. It is unclear who would operate the various systems or who would produce badges for all facilities previously operated by ADOA.
 - Agencies would be responsible for preventative maintenance on their buildings.
 - Reducing the Utility SLI will require agencies to run HVAC system at higher than 81 degrees in the summer and cooler than 68 degrees in the winter. There would be no GSD accounting staff to evaluate and pay the bills.
 - Oversight of remote locations off the Capitol Mall, including maintenance, HVAC and grounds maintenance support would revert to the tenant agencies, along with the costs of those activities.
 - Custodial service would be dramatically reduced and in complete chaos due to the provisions of SB 1314.
 - The grounds activities, including mowing, trimming, planting and cleaning would be eliminated for all outdoor spaces and the Capitol Mall and in Tucson.

- HVAC maintenance and operation would become the responsibility of tenant agencies, at much higher cost.
- Plumbing and electrical support would become the responsibility of tenant agencies, at much higher cost.
- State agency operations will be disrupted by equipment failure and the agencies will be responsible for assuming the costs of repair.
- **Agencies would get no COSF rent relief in FY 2010 because of the requirement that ADOA transfer the savings amount to the General Fund.**

Mailroom (GF = \$22,000 + \$8,100) would reduce 2.0 FTE out of 3.0 filled positions.

- This would result in the severe disruption of the security screening of mail prior to delivery. Inbound correspondence will be delayed for an undetermined amount of time. Interagency courier service would be eliminated, the cost effective Tucson mail shuttle service curtailed and over 70 agencies would have to process their own outbound US mail.

Rent Charges for COSF, PLTO and COP buildings An additional 30 FTE Positions would need to be reduced from the above programs.

- COP and PLTO rents are contractual obligations that cannot be reduced. Failure to pay COP and PLTO rents will result in a swift and dramatic reduction in the State's credit rating. ADOA rejects any option to reduce PLTO and COP rent payments.
- ADOA pays GF and COSF rent centrally to reduce complexity and workload. The rent could be reduced by re-allocating space, although the GSD staff that is responsible for that activity would be eliminated. At a minimum some as yet unidentified additional staff within ADOA, up to 30 positions, would be eliminated to provide funds for this non-negotiable charge and further erode the delivery of the services outlined previously.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: Construction Insurance Fund

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

Construction and Insurance Fund: \$384,500

Total: \$384,500

Issue Description and Statement of Effects

The Construction and Insurance Fund provides insurance coverage to State agencies for liability claims associated with the construction and design of State buildings and roadways. Revenue is received via an assessment of .34% on all construction expenditures. Agencies are required to submit annually to Risk Management a worksheet detailing expected construction expenditures for the related fiscal year. ADOT provides the majority of the revenue received with the three Universities second.

At this point, the fund does not have sufficient cash to make a required \$1.5 million transfer to the General Fund. We are still waiting for ADOT to complete the required worksheet and forward their assessment (as calculated on the worksheet) to the fund.

Once we receive ADOT's worksheet and assessment, we will know if the fund can make the required GF transfer, pay anticipated liability claims, and transfer the current proposed reduction amount. However, based on past history if all assessments are received and a material number of construction projects have not been cancelled, we should be able to meet our current obligations and transfer the proposed reduction amount.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: Statewide Donations Fund (Non-Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

Statewide Donations Fund: \$7,000

Total: \$7,000

Issue Description and Statement of Effects

The Statewide Donations Fund consists of monies donated to ADOA for the purposes of providing employee recognition, fund open enrollment and job fair advertising, and from a private sector grant for the State's 911 Fund.

The \$7,000 cannot be transferred from the any portion of the 911 Grant without violating the terms of the grant. The job fair and open enrollment monies have already been expended. If there is a sufficient balance from the employee recognition monies, transferring the monies would violate the intention of the donation, i.e. to recognize the dedication and hard work of the employees.

ADOA will make this transfer from a different fund source if required.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: Corrections Fund (Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

Corrections Fund: \$92,200

Total: \$92,200

Issue Description and Statement of Effects

Construction Services manages design and construction of large capital projects using private sector architects, engineers, and construction contractors. This includes project management of large or complex repairs funded by Building Renewal or Risk Management. The majority of costs for Construction Services are funded through projects from other agencies. The appropriation from the Corrections Fund currently provides project management support for the Department of Corrections (ADC) and Department of Juvenile Corrections (ADJC).

A further 15% reduction would result in loss of project oversight for ADC and ADJC projects. This will result in construction cost increases and future Risk Management claims for asbestos exposure and construction flaws.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: Air Quality Fund (Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

Air Quality Fund: \$114,800

Total: \$114,800

Issue Description and Statement of Effects

Monies in this fund are used to provide bus subsidies in accordance with the Trip Reduction Program. Trip Reduction is a legally binding commitment for implementation of the Maricopa County Trip Reduction Program. Failure to comply with the program could likely result in the imposition of federal sanctions outlined in the Clean Air Act by EPA.

The effect of the reduction and transfer to the General Fund would be a reduction in the bus subsidy for State employee travel

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: State Employee Travel Reduction Fund (Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

State Employee Travel Reduction: \$74,800

Total: \$74,800

Issue Description and Statement of Effects

The State of Arizona Travel Reduction Programs Office is a major component of the county-wide Trip Reduction Program (A.R.S. § 49-588) which is a committed transportation control measure in several EPA-approved air quality plans. The Trip Reduction Program is a legally binding commitment for implementation and failure to do so could likely result in the imposition of federal sanctions outlined in the Clean Air Act by EPA.

This office receives both federal (\$135,000) and Air Quality funds (\$400,000) on an annual basis. Since federal monies cannot be swept, this document addresses a reduction in the remaining \$363,900 (\$400,000 minus \$36,100 earlier sweep from the provisions of HB 2643) of FY 2010 Air Quality funds.

In March of this year, the Maricopa Association of Governments (MAG) expressed serious concern that this office could no longer fulfill all of our contractually-obligated, court-ordered pollution control measures with our reduced staffing levels.

A 15% reduction of \$74,800 would require the elimination of one temporary employee position and one full-time employee position. This will jeopardize our federal funding since we would be unable to fulfill the requirements of our funding agreement. ADOA will also have to conduct another RIF in FY 2011 to provide a position for a soldier returning from extended military orders.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Titles: State Traffic and Parking Control Fund (Non-Appropriated)
Consumer Loss Recovery Fund (Non-Appropriated)
ADOA Special Events Fund (Non-Appropriated)
Payroll Administration Fund (Non-Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

State Traffic and Parking Control Fund: \$700
Consumer Loss Recovery Fund: \$7,500
ADOA Special Events Fund: \$7,700
Payroll Administration Fund: \$1,100

Total: \$17,000

Issue Description and Statement of Effects

ADOA believes the impacts to reducing these amounts to be trivial, with the exception of the Special Events Fund. The reduction of \$7,700 would require the RIF of the individual who coordinates with State departments and citizens wishing to use the Capitol Mall public spaces for events. Without this coordination, events may expose the State to liabilities that should be born by organizers, and events may overlap and interfere with each other.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: Special Employee Health Insurance Trust Fund (Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

Special Employee Health Insurance Trust Fund: \$787,500

Total: \$787,500

Issue Description and Statement of Effects

The appropriated portion of the Special Employee Health Insurance Trust Fund (HITF) funds the administration of the State's employee benefit program. The Benefits Services Division (BSD) of ADOA administers a program that includes health and dental coverage for employees, their dependents and retirees. Other benefits administered include vision, life, and short term and long term disability coverage.

The proposed budget reduction would have to be accomplished through a combination of staff and expenditure reductions. The staff reduction would require the Reduction in Force (RIF) of two covered positions, layoff of one uncovered position; cost shift of a half FTE, reduction of one FTE to half time, and elimination of 4.5 vacant positions. The estimated personal services and ERE value of the staff reduction is \$576,225.

The balance of the required reduction would be accomplished through expenditure reduction. This will require \$150,000 reduction of the Wellness Special Line Item (SLI) and termination of the Mayo Clinic contracted Health Risk Assessment and associated web portal, and a further reduction of \$61,275 in Wellness expenditures.

If the reduction is implemented, workload from positions eliminated through RIF and layoff will be distributed to remaining staff. Any reduction of staff and/or the continuation of the hiring freeze would be detrimental to the administration of benefits to State employees, retirees, and COBRA participants. It is anticipated that there will be further staffing reductions in State agencies;

instead of reducing workload in the BSD more work results as RIF'd employees explore their benefit options with regard to retirement or COBRA and early retirement.

The enactment of the American Recovery and Reinvestment Act (ARRA) has changed the provisions of COBRA, which has increased COBRA participation in the health plan due to the 65% federally-subsidized premium. The ARRA has required change in the administration of the program as well such as required additional notifications to those eligible, tracking of participants and their payments, and reporting requirements to recover the federal subsidy portion of the premium.

Given the additional administrative requirements and expected growth in COBRA participation, implementation of this reduction option will have a negative impact on the service times to our customers and create greater risk of error. Errors in the administration of benefits could pose a financial risk to the State of penalties for COBRA or HIPAA violations.

The goal of the Wellness Program in conjunction with the health plan is to educate employees and retirees on how to lead a healthier lifestyle and prevent illness thereby reducing the volume and costs of health claims. Implementation of this reduction and termination of the Mayo Clinic contract for the Health Risk Assessment and life-style coaching could have a negative impact and lead to increased cost of health claims. The impact can not be measured as the number and dollar value of potential claims that may have been avoided can not be calculated. Without the Health Risk Assessment, the State will be unable to benchmark and measure the health of our health plan population.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: Admin - AFIS II Collections (Non-Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

Admin - AFIS II Collections: \$371,600

Total: \$371,600

Issue Description and Statement of Effects

Revenue to this fund comes from a per transaction assessment on agency funds to provide operational monies for the General Accounting Office. Reductions in this fund will increase the adverse impacts to GAO which are described in the General Fund section of this document.

STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS

Department of Administration

Issue Title: Motor Pool Revolving (Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

Motor Pool Revolving: \$1,707,600

Total: \$1,707,600

Issue Description and Statement of Effects

Revenues to this fund come from monthly charges for the use of ADOA Fleet vehicles, and for variable fuel charges. ADOA Fleet provides vehicle services to over 70 agencies boards and commissions. Services provided include: extended dispatch vehicles; taxi or short term vehicles; and fueling services. Extended Dispatch vehicles make up the majority of the Fleet and are assigned to agencies on a permanent basis. They are used by State employees in the performance of their duties. Examples would include: probation surveillance; juvenile corrections; agricultural inspection and enforcement; and land management and fire suppression staff.

Fleet program customers initially fund the procurement of a vehicle. Then, each month, part of the monthly service charge is set aside to fund the replacement vehicle when it is time to be replaced. Under the current budgetary footnote, the replacement standard is an average of 120,000 miles. Once this milestone is reached, the vehicle should be replaced using the monies paid by the agencies and held in reserve. **Over the past 11 years, the Fleet Program has transferred over \$20,000,000 to the General Fund (\$10,652,000 of that in the last three years alone) rather than replacing vehicles.**

The 15% reduction target amount of \$1,707,600 will result in the ADOA Fleet not replacing any vehicles in FY 10.

In order for the Fleet to remain revenue neutral, replacement of 150 to 200 vehicles per year should occur. This is because approximately one percent of the Extended Dispatch fleet rolls into the lower Tier II rate status on a monthly basis

(10-14% per year annualized). If not replaced, there will be a year over year loss in revenue of \$350,000 to \$400,000. Presently, over 40% of the Fleet is in Tier II status.

Moreover, and equally important, regular vehicle replacement is part of every fleet operating strategy because old cars cost more to maintain. Why do old vehicles cost more to maintain? The associated maintenance costs increase due to system failures such as air conditioning, rack and pinion steering, transmissions, rear differentials, fuel pumps, etc.

If the Fleet Management Program is required to continue to contribute significant funds to the General Fund and defer replacement of vehicles the Fleet will then be faced with the reality that it has: an aged fleet; increasingly high maintenance costs; limited funds for replacement; and no mechanism by which the Program can recover short of a multi-million dollar infusion of General Fund monies in future years.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: 911 Emergency Telecommunication Service Revolving Fund (Non-Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

911 Emergency Telecommunication Service Revolving Fund: \$4,335,000

Total: \$4,335,000

Issue Description and Statement of Effects

The Emergency Telecommunication Services Fund (911 Fund) administers and disburses monies deposited in the emergency telecommunication services revolving fund for the State of Arizona call center purchases. Currently, 95% of all taxes received are available for call center services and only 5% is available for Administrative oversight. The ADOA is only authorized to use 3% of these funds for the administration and management of the program and 2% is distributed to the 911 System Administrators for Contract Network Management at the local level.

A reduction of 15% would reduce the 911 Fund by \$4,335,000. This reduction in the 911 Fund would severely impact the ability of State 911 call centers to operate and provide emergency services to the public. With the current tax rate at \$.20, the annual collection rate does not meet the annual expenditures of the program. Since FY06 there has been a 40% reduction in revenue due to a legislative tax reduction.

In the FY10 budget, \$13,738,600 is being expended for network costs, \$11,271,300 for equipment costs and \$2,723,000 for equipment maintenance costs. None of these costs are currently paid for by the 911 Centers around the State. Costs for 911 network, equipment and maintenance would have to be undertaken by the local communities and the communities are unable to absorb the cost of supporting this infrastructure. Each community provides all funding for personnel to support the operation of the 911 Centers. Without infrastructure funding, choices would have to be made between retaining law enforcement

officers, fire department personnel, emergency medical personnel or eliminating the first line of defense, the 911 operation and personnel.

Communities will not be able to absorb the funding of this valuable service by themselves.

ADOA does not believe this cut can be achieved.

Since FY02, \$40 million dollars of 911 funds (Emergency Telecommunication Services Fund) have been swept and transferred to the general fund. The most recent fund sweep occurred in FY09 of \$25 million dollars, putting the fund in jeopardy of going into a deficit in FY12.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: Retiree Accumulated Sick Leave (Non-Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

Retiree Accumulated Sick Leave: \$1,723,700

Total: \$1,723,700

Issue Description and Statement of Effects

Monies deposited into the RASL fund are the result of a charge (.4%) against total payroll. These monies are used, in accordance with ARS 38-615 and 38-616, to make payments to employees who have retired with a Sick Leave balance that exceeds 500 hours. Additionally, the General Accounting Office is allowed to use up to 1.5% of the amounts deposited into the fund to administer the program. The total payment is limited to \$30,000. The payments can be made in a lump sum or over a 3 year period, which provides some flexibility to manage the cash flow.

Assuming there are no significant changes to the number of employees retiring during FY 2010, we should be able to make payments to retired employees and cover GAO payroll costs while absorbing a \$1.7 million cut. However, if, as a result of budget cuts, the number of employees retiring increases, such a reduction could impact our ability to make payments to retirees.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: State Surplus Property (Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

State Surplus Property: \$566,700

Total: \$566,700

Issue Description and Statement of Effects

The State Surplus Property Program provides the State of Arizona with a legal centralized mechanism to re-utilize surplus State property to State agencies, political subdivisions, schools, and certain not for profits, and then sells to the public the property which cannot be re-utilized.

The program is funded through a fee for service model which allows the program to retain a portion of the proceeds from sale to fund operations.

The appropriation / expense cap for the program for FY10 is \$3,778,100. Projected revenues for the program for FY10 are \$2,400,000. The \$1,378,000 difference between the appropriations / expense cap and projected revenues is important as the reductions are based upon revenues which the program will not collect, nor are available for transfer to the General Fund.

Laws 2009 Chapter 11 Section 110 stipulates the Department transfer \$488,000 to the General Fund by June 30th, 2010 from the State Surplus Property Revolving Fund. To affect this transfer, the Department anticipated not reimbursing the ADOA Fleet and other certain reimbursable agencies on the sale of their property and paying the balance (estimated to equal \$280,000) out of the Motor Pool Revolving Fund.

ADOA believes that much of the property and associated revenues / reimbursements generated by the Surplus Program comes from constitutionally protected or federally protected sources and cannot be diverted to support the General Fund. Examples would include: the HURF fund; Highway Patrol Fund

(DPS HURF); Game and Fish Fund; and federally funded property from the Department of Economic Security or AHCCCS. Further, the program assists local governments and school districts with disposal and it is not contemplated that these reimbursements could be diverted.

In FY09, approximately 75% of the program revenues were generated on the disposal of property from the aforementioned fund sources. It is anticipated they will account for the same or higher percentage of the revenues in FY10. Thus, the only proceeds which could be diverted have to come from non protected State sources. Historically, the primary source of these revenues has been sales proceeds stemming from the sale of Motor Pool Revolving Fund funded vehicles. However, since the Motor Pool has not purchased replacement vehicles since FY 08, there has not been significant surplus activity.

An additional 15% reduction in expenses and reimbursements would amount to \$566,700 and represents 23% of TOTAL projected revenues of \$2,400,000. To date, the program has already expended over \$444,000 in reimbursements and operational expenses.

The program is not projecting sufficient sales proceeds to fund the additional \$566,700 reduction / transfer. Further, this transfer equates to more than the entire payroll expense of the program for the remainder of the year. Elimination of the entire staff would close the program and provide no mechanism to generate the revenue necessary to fund the transfer to the General Fund.

The vast majority of the rest of the operational expenses including COSF rent, risk management, AZNET charges and other fixed costs cannot be averted. Variable costs directly related to the provision of service such as trash removal, materials handling maintenance etc, are necessary to provide the service.

Since the only option available to fund the transfer is to RIF all the employees, the result will be no revenue to the fund for the second half of FY 2010. The State Surplus Property Program effectively has no viable strategy to fund this transfer.

The program relies on staff to pick up, receive, stock, store and issue property which in turn generates revenue to pay for the expenses of the program and fund the reimbursements to the authorized agencies. Further, facilities costs, risk management and other fixed costs have already been or will be obligated and there is no mechanism by which the program can gain relief from these charges.

In the final analysis there is no mechanism including closing the program which will result in the program accomplishing the additional requested reduction and transfer to the General Fund for FY 10.

ADOA does not believe this cut can be achieved.

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**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: Personnel Division Fund

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

Personnel Division Fund: \$2,378,500

Total: \$2,378,500

Issue Description and Statement of Effects

This issue has three components:

- (1.) the effects of the currently implemented budget,
- (2.) the loss of revenue to the fund from statewide payroll reductions, and
- (3.) the transfer of \$2,378,500 to the General Fund

First, the Human Resources Division has been severely impacted in 2 ways by previous budget reductions:

1. declining revenues to the Personnel Division Fund due to the decline in the state workforce (total decline in FY2010 of 6.9%)
2. the Legislature FRATS and Personnel Reductions for the Personnel Division Fund (HB 2643, Section 110 Transfer to the General Fund \$2,628,700)

The combination of the decline in the revenues to the personnel division fund and the fund transfers have already resulted in the Human Resources Division conducting Reduction in Force/Layoffs and eliminating services to customers. The Human Resources Division now has a 52% vacancy rate with only 64 of the 124 positions filled.

Second, assuming that potential furloughs, salary reductions and RIFs occur within the ADOA Personnel System, revenues to the Personnel Division Fund will decrease. While ADOA cannot predict the total number of RIFs, if we assume that 15% of the State employees are RIF'd, revenues to the fund will decrease by \$1.2 million. Further reductions from the elimination of Performance Pay (2.75%) and a 10% furlough reduction would result in the loss of another \$839,000 in revenue, for a total reduction of \$2,048,200. The Human

Resources Division estimates its personal services and ERE for the period January - June, FY 2010 to be less than \$3.1 million, implying that the Human Resources Division will have approximately 20-25 personnel employed for the second half of FY 10. This scenario does not yet consider the impact of a 15% transfer; these impacts are expected solely on the reductions in funding from other agency budgets. Such an event will be catastrophic to the Human Resources Division, resulting in a vacancy rate of approximately 75% and decentralizing all human resources responsibilities to the agencies. Consequently, each state agency would be required to take on additional human resources responsibilities that currently ADOA provides. This would result in significant costs to the State since duplication of efforts would be created and increased liability to the State due to inconsistent administration of personnel between agencies.

Third, assuming that the target transfer amount of \$2,378,500 is then implemented, all of the remaining staff would be RIF'd. There would be no staff to operate the State wide payroll system and no HR staff; and software licensing agreements would be go unpaid. Human Resources believes that it would cost \$11 million and take 12-18 months to outsource the payroll system, and the privatized system would cost more (\$3.4M currently vs. \$11M outsourced), would capture less information, and would not provide the full functionality of services that the current system provides. The additional functionality of the current system would be lost and responsibilities decentralized to the agencies, requiring an estimated \$19.3M in additional costs to be borne by the agencies.

The total combined impact of the expected loss of revenue from statewide payroll reductions, and the fund transfer will result in the complete elimination of the Human Resources Division, including the inability to operate a statewide payroll system. The effects include the following:

1. A centralized entity to manage the State's workforce would no longer exist.
2. ADOA would not be in compliance with all of the statutes that prescribe its duties relating to personnel administration.
3. The Governor's Office and the Legislature would no longer have one point of contact for state workforce information.
4. The Governor's Office and the Legislature would no longer have one central entity to provide oversight of new programs that impact state employees.
5. There would be no oversight of consistent application of Federal Laws, State Laws and Rules.
6. ADOA would no longer be able to support or maintain the Human Resources Information Solution and other centralized systems and there

would be no payroll system. The State would then be in violation of Federal and State laws requiring biweekly paychecks for its employees.

The following table demonstrates how the reduction in revenue coupled with the target amount will result in the elimination of the division.

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Personnel Division Fund**Base Revenue Estimate: January 1 - June 30, 2010**

	Revenue	Notes
Original Revenue Estimate	\$7,300,000	Estimated Revenue to Human Resources Division from State Agencies
Assumption: 15% FTE reduction	(\$1,095,000)	Assumes State agencies reduce FTE counts by 15%
Assumption: statewide mandatory furlough	(\$730,000)	Assumes State employees are furloughed 1 day per pay period
Assumption: rescind performance pay	(\$164,250)	Eliminate performance pay of 2.25% of base pay rate
Total Loss of Revenue	<u>(\$1,989,250)</u>	Total loss of revenue due to statewide payroll reduction measures
GF transfer amount	(\$2,378,500)	Amount to be transferred from Human Resources to the General Fund
Total Reductions Necessary	<u>(\$4,367,750)</u>	Total all reductions necessary to account for lost revenue and GF transfer
Average FTE Cost per half year	\$30,000	Average Personal Services and ERE for HR employee for 6 months
Required Human Resources FTE Reductions	(145.6)	The number of FTE positions to be eliminated to meet required reductions
Current HR FTE count	64.25	The number of FTE position current filled in Human Resources, available to be cut

ADOA does not believe this cut can be achieved.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: IGA and ISA Fund (Non-Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

IGA and ISA Fund: \$1,046,000

Total: \$1,046,000

Issue Description and Statement of Effects

The IGA and ISA Fund receives monies from State agencies to pay for construction projects and for security services to agencies with special security needs. All funds are provided from other State agency funds. The services are contracted with ADOA through Interagency Service Agreements or Intergovernmental Service Agreements.

A portion of this budget is the Central Services Bureau (CSB), which would be required to reduce their staff from four to three employees with a 15% reduction. This would result in a reduction of service levels to their customers. Processing time objectives would not be met. There could be late fees associated with the slower turn around time on paying invoices. There would also be the potential for more errors resulting in losses to the State. Agencies utilizing CSB services will notice more accounting issues, assuming those issues are discovered.

Transferring \$1,046,000 is not possible. The current balance in the fund is only \$1,612,049 and most of that amount is now due or will be shortly for construction projects in progress.

Additionally, ADOA does not believe revenues projected at the beginning of the year will materialize if State agency budgets are reduced mid-year as agencies cancel ISAs for security and other projects are cancelled.

ADOA does not believe this cut can be achieved.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: ERE Benefits Administration Fund

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

ERE Benefits Administration Fund: \$5,050,800

Total: \$5,050,800

Issue Description and Statement of Effects

This fund represents collections from State agencies and State employees for the Basic Life Insurance Benefit and Non-ASRS Long Term Disability payments. Only \$1.9 million is estimated to be State money to fund the basic life and non-ASRS Long-Term Disability (LTD) premiums for the period of January 1 through June 30, 2010. The balance of the revenues are employee funds paid for the supplemental life, dependent life, short term disability, vision, and flexible spending (medical reimbursement and dependent care reimbursement) programs. Those benefits are not a cost of the State and are not available for transfer.

Reductions in service are a possible means to meet the budget targets. The reduction would be as follows:

- Basic Life Insurance. This benefit is currently paid at 100% by the State. We estimate eliminating the \$15,000 basic life policy will save the State approximately \$700,000 between January 1 and June 30, 2010.
- Non-ASRS Long-Term Disability. This benefit is currently paid at 100% by the State. We estimate eliminating the non-ASRS long-term disability policy will save the State approximately \$1.2 million between January 1 and June 30, 2010.

ADOA does not believe this cut can be achieved.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: Admin - Special Services Fund (Non-Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

Admin - Special Services Fund: \$299,100

Total: \$299,100

Issue Description and Statement of Effects

The Special Service Fund receives monies for printing, mailing and repair services. All activities in the fund are the result of State agency requests for service. The current FY 10 revenue estimates for the services are as follows:

Admin-Special Services Fund (Non-Appropriated)		
Admin-Special Services Fund (Appropriated)		
Activity	FY 10 Revenue	Note
Print Shop	\$ 609,000	
Mailroom	\$ 1,170,000	\$1,004,000 of this revenue is pass through in the form of postage applied by the Mailroom but paid for by the agency sending the mail
Repair Services		
State Boards	\$ 186,000	Appropriated portion
Office	\$ 217,500	
Total Revenue:	\$ 2,182,500	

ADOA is experiencing decreases in revenues to these funds as State agencies economize. Currently the print shop and repair services functions are only marginally sustainable for the balance of the fiscal year. ADOA is considering

the elimination of those services to avoid potential losses in those business lines. The majority of the revenue to the fund is in the form of pass-through monies for the purchase of postage. These amounts, along with other fixed overhead costs cannot be cut. ADOA cannot provide for a 15% reduction to be taken from the Admin-Special Services Fund, as this fund charges for services that could not be provided with the transfer of nearly \$300,000.

The State Boards Office would also be required to reduce their staff from three to two employees, keeping the manager and one staff. This would result in a reduction of service levels to their customers. Processing time objectives would not be met. There could be late fees associated with the slower turn around time on paying invoices. There would also be the potential for more errors resulting in losses to the State. With a staff of two, separation of duties and internal controls would be lacking.

ADOA does not believe this cut can be achieved.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: Cooperative State Purchasing Agreement Fund (Non-Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

Cooperative State Purchasing Agreement Fund: \$315,700

Total: \$315,700

Issue Description and Statement of Effects

The Cooperative State Purchasing Agreement Fund (Coop Fund) is used by the State Procurement Office (SPO) to provide political subdivisions of the State with access to State contracts by funding procurement efforts and procurement and purchasing technology. Political subdivisions benefit from access to State contracts because of bulk pricing agreements. Political subdivisions also benefit by not having to conduct their own procurements. Additionally, the State generates cost savings as the political subdivisions' volume of purchases under most contracts exceeds the State's volume of purchases, allowing the State to realize greater volume purchase savings.

The fund's revenues come from a 1% administrative fee on all purchases made by political subdivisions. State agencies DO NOT pay into the fund and are not charged in any other way for SPO procurements.

Currently ADOA is in the process of replacing the State Procurement System. The previous system utilized end of life and unsupported software, was at the maximum storage capacity for the software processes and was difficult for vendors and agencies to use. The cost of maintaining the previous system was also increasing significantly every year. ADOA is now using revenue from the fund to replace the procurement system and install a statewide purchasing system. Collecting statewide spending on State contracts allows SPO to make better and more cost effective procurements, ultimately resulting in lower costs to State agencies and the political subdivisions.

If the target transfer amount of \$315,700 is enacted, the implementation of the system and the resultant savings generated by the system will greatly be

jeopardized. Any delay in implementation of the system will result in increased costs to every user of State contracts and could potentially result in ADOA defaulting on lease agreements made for the installation of the system.

ADOA does not believe this cut can be achieved.

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**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: Risk Management Fund

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

Risk Management Fund: \$13,870,800

Total: \$13,870,800

Issue Description and Statement of Effects

The Risk Management Division is composed of four activities: Workers' Compensation, Property, Liability, and Loss Prevention. A reduction of this magnitude can only be achieved through either a proportionate reduction in Workers' Compensation, Property, or Liability expenditures or a total elimination of one of the three activities. These three activities account for 98% of the total Risk Management Fund expenditures.

The following are factors in considering the target reduction:

- A reduction in or elimination of Workers' Compensation expenditures will not stop employees from being injured on the job. Workers' Compensation is constitutionally protected. Workers' Compensation pays for a portion of the employees' lost wages and the entire medical costs of the job-related injury. The legislature will have to determine how to fund the 15%, 20% or 100% of employees who will not receive this benefit. Note: Injured employees cannot turn to their group health plan for medical assistance as job-related injuries are excluded from health plans.
- A financial reduction in Property, Liability or Workers' Compensation expenditures will reduce our ability to obtain excess insurance. Decisions will have to be made as to increasing deductibles or reducing limits on our excess insurance programs, making the cost of a catastrophic event, should one occur, more costly. The General Fund would be responsible for the additional claims costs that could not be covered by Risk Management.
- Over 3,000 liability claims are filed each year; we have 60 days by statute to respond or not respond. If we do not respond or deny the claim, the claimant can file a lawsuit. On average, only six claims per year make it to

trial. Our ability to resolve claims before trial will be hampered, thus increasing the number of claims brought to trial and increasing legal defense and settlement expenditures.

- A reduction in or elimination of liability claim expenditures will not reduce the number of liability claims filed against the State its agencies and its employees. Even though liability claims are provided Risk Management coverage by statute, the legislature will have to decide how to pay the 15%, 20% or 100% of claims that we cannot pay. Unpaid claims may end up as adjudicated judgments against the State at a greater amount than a settled claim. Interest will be applied to the unpaid judgments. Judgments and interest roll into subsequent fiscal years compounding expenditures into future years.
- A reduction in or elimination of property coverage will not prevent accidental damage or criminal activity to our buildings and property. Approximately 15%, 20% or 100% of damage or theft of State-owned buildings, property and automobiles will not be repaired or replaced. Even though property claims are statutorily covered by Risk Management, agencies will need to seek relief elsewhere.
- Outsourcing services will not save any money. The average hourly rate, including benefits, for an in-house adjuster is \$28/hour versus a "Third Party Adjustment Firm" currently contracted at \$60/hour. Outsourcing will still need some in-house adjusting oversight. Also, past history of outsourcing workers' compensation has shown that the hourly claim adjusting savings was only a portion of the total savings accrued by keeping the function in-house. The prior outsourced organization did not maintain good cost-containment measures such as: medical bill audit review, subrogation recoveries, managed care, early claims notification – all of which will increase workers' compensation program costs substantially.

In summary, the Risk Management Division cannot achieve permanent reductions at the target level since most of the costs are determined by uncontrollable events such as a worker's injury; third party personal injury, bodily injury or death; and property damage. Reduction in appropriations will only delay payment while interest costs, legal costs, penalties and loss of productivity accrue as new, unfunded costs. There may be reserve amounts in the fund that would be available for transfer, but again these are not permanent reductions.

ADOA does not believe this cut can be achieved. The costs eliminated will only be transferred to the General Fund at a later date.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: Automation Operations Fund (Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

Automation Operations Fund: \$3,112,800

Total: \$3,112,800

Issue Description and Statement of Effects

The Automation Operations Fund revenues are derived from State agencies fees paid for mainframe computer, server hosting and software support services provided by ADOA Information Services Division. ADOA sells services to 114 State agencies, Arizona State University and the Hawaii AHCCCS program. Six agencies provide 95% of the revenues to the fund: AHCCCS Arizona, AHCCCS Hawaii, ADOT, ADOA, DOC and DOR. The ADOA Data Center is a highly desirable Level 3 facility with redundant power supplies, upgraded environmental and fire suppression systems, high-level security features and off-site disaster recovery facilities. This infrastructure is essential to maintaining a secure and reliable data center in the 21st Century.

This issue has two components: (1.) General Fund transfers enacted as part of the current FY 10 appropriation, (2.) the proposed 15% transfer of \$3,112,800 to the General Fund.

First, as part of HB 2643, Section 110 Transfer of fund monies to the State general fund; fiscal year 2009-2010, the Automation Fund was required to transfer to the General Fund \$3,401,500. This amount represents 17% of the gross revenues to the fund. This transfer is yet to be completed as Data Center revenues are billed on a monthly basis. ISD does not carry balances in the fund and does not charge "profit", but is statutorily required to recover costs only. The FY 09 and FY 10 General Fund transfers eliminate all cash in the fund recovered through accumulated depreciation, resulting in the postponement of equipment refresh. This serious situation makes the State's systems perform less efficiently, creates

the potential for equipment failure and puts State data at risk. Any further transfers will intensify these problems.

Because of the currently enacted transfers, ISD has also been unable to provide rate reductions to agencies utilizing data center services. Since FY 2003, ISD has achieved \$65 million in cost savings and cost avoidance through rate reductions to our customers. These savings help offset budget reductions to agencies and help control the costs of program growth in agencies with caseload driven budgets.

Second, the proposed 15% reduction and transfer to the General Fund of \$3,112,800 represents an additional 16% of gross revenues to the fund. Because of the timing of the measure coming half-way through the fiscal year, ISD could not provide this amount without raising rates by 32% to agencies utilizing the ISD services. Such an increase eliminates the efficiencies of consolidating data and would incentivize agencies to abandon ISD and duplicate, on a large and incredibly inefficient scale, the services that ALREADY exist within ADOA.

ADOA-ISD has created a model data center operation that provides enormous efficiencies to State government. Further transfers from the Automation Fund to the General Fund only increase inefficiencies and the total cost of data services to the State.

ADOA does not believe this cut can be achieved. Agency behavior will change with increased rates, resulting in a net increase in costs for agencies.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: Telecommunications Fund (Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

Telecommunications Fund: \$998,300

Total: \$998,300

Issue Description and Statement of Effects

The Telecommunication Fund consists of a portion of the telecommunications charges assessed on agencies by the privatized telecommunication provider under the AZNET program. The assessment funds the Telecommunications Program Office (TPO). The TPO manages the AZNET contract with the private provider, represents all agency interests in the contract, including auditing the contract and determining where deficiencies result in refunds to State agencies. The budget for this activity has two components: the operating budget and an amount appropriated from the fund for Infrastructure improvements. The TPO is authorized from its operating budget for 18.0 FTE positions, but currently only has 10.0 filled positions from the operating appropriation of \$1,909,600.

This issue has three components: (1.) General Fund transfers enacted as part of the current FY 10 appropriation, (2.) the expected loss of revenue to the fund from statewide FTE reduction and the resulting reduction in the number of telephone and data sets ("seats") and (3.) the transfer of \$998,300 to the General Fund.

First, as part of HB 2643, Section 110 Transfer of fund monies to the State general fund; fiscal year 2009-2010, the Telecommunications Fund was required to transfer to the General Fund \$7,985,800. The majority of the transfer (\$5,800,000) actually represented the entire appropriated amount for infrastructure (\$4,713,700), with the remaining \$1.1 million coming from the last of the balance in the fund. As a result, no additional equipment will be added to the AZNET system in FY 2010 due to this provision. The target amount represents 15% of the appropriation, but HB 2643 already transferred MORE than the appropriation. The 15% calculation ignores the provisions of this.

Second, if all agency budgets are reduced by 15 percent the revenues to the Telecommunications Fund are automatically reduced. Thus, the cut in the agencies' revenues means a cut in revenues for the existing TPO appropriation of \$1,909,600. The TPO estimates that a 15 percent cut to other agencies would reduce revenues for the appropriation by \$291,300. This reduction in revenues will require the layoff of four staff above the five that already have been dismissed as a result of FTE reductions in FY 2009. The ability to provide oversight of the outsourcing vendor already has greatly diminished. Only 6.5 FTE would remain, including 2 FTE for Level 1 Help Desk. The primary function of TPO is to reduce the costs to the State. This downsizing of TPO to eliminate oversight means the State will pay the vendor more and the actual cost for the State will be more. This second scenario is unavoidable if there is a statewide FTE reduction.

Third, the target transfer of \$998,000 would represent the majority of the \$1,077,975 that will be available beginning January 1, 2010. The combination of this target transfer plus the provisions of HB 2643 would effectively end the State's contract management of the AZNET program, which would likely increase costs to State agencies.

ADOA does not believe this cut can be achieved.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: COP Fund (Non-Appropriated), PLTO Fund (Non-Appropriated)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

COP Fund: \$22,026,500

PLTO Fund: \$1,760,400

Total: \$23,786,900

Issue Description and Statement of Effects

Both of these funds are pass-through accounts which collect monies from State agencies to pay COP and PLTO contractual obligations. COP and PLTO rents are contractual obligations that cannot be reduced. Failure to pay COP and PLTO rents will result in a swift and dramatic reduction in the State's credit rating. ADOA rejects any option to reduce PLTO and COP rent payments.

ADOA does not believe this cut can be achieved.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Administration

Issue Title: Special Employee Health Insurance Trust Fund (HITF)

Issue Priority: Prioritization will be based on the options' effects on the continuity of government

Reduction Amounts:

Special Employee Health Insurance Trust Fund: \$103,241,100

Total: \$103,241,100

Issue Description and Statement of Effects

The non-appropriated portion of the Special Employee Health Insurance Trust Fund (HITF) consists of monies used for claims for self-insured health benefit claims, for premiums for fully insured dental plan, and for fully insured premiums for retiree health insured plans. The fund receives its revenue from State agency contributions, State employee and retiree contributions.

The fund consists of three components:

- an amount sufficient for claims during the fiscal year
- a reserve amount sufficient to pay claims that occur during the fiscal year but will not be paid until the following fiscal year due to the normal delay in the claims processing process
- monies that are collected and immediately transferred to pay medical and dental premiums for health and dental plans that are not self insured by the State. These are also known as "pass-through" amounts.

Funding for the three components of the fund is determined for each fiscal year so that there are sufficient monies available to satisfy the obligation of paying the claims and premiums. To achieve the savings of the 15% target sum of \$103.2 million, ADOA would have to generate a combination of increased collections and decreased payments equal to \$103.2 million. This can be accomplished through a combination of the decreasing benefits (and thus claims) and increasing revenues.

ADOA believes that contractual issues prevent benefit changes during the middle of a fiscal year.

If legal issues could hypothetically be resolved, the first option is increasing co-pays, which while generating a trivial amount of revenue to the system does decrease claims costs by discouraging utilization. ADOA increased co-pays by \$10 for most office visits as part of the Plan Year 2010 contribution strategy for an estimated net savings of \$10 million, which includes decreased utilization. ADOA does not believe that the strategy is scalable, i.e. raising co-pays \$100 does not generate \$100 million in savings. The sickest patients will continue to pay the higher co-pays. Some illnesses will not be addressed until they become severe or chronic, which will incur higher costs than the benefits of the increased co-pay revenue.

The second option, decrease benefits to achieve \$103.2 million in claims savings, will create even more significant hardships for enrollees; a sample of options totaling only \$54.2 million is below:

- Eliminate the Mental Health and Substance Abuse Services. We estimate the savings from a total elimination will be nearly \$9.8 million from January 1 through June 30, 2010. (This is estimated at \$11 million less \$1.2 million for adverse actions for the higher cost level of care due to emergency visits and hospitalizations as affected individuals deteriorate from lack of available care.)
- Eliminate Maternity Coverage. We estimate the loss of coverage will save the Plan approximately \$8 million between January 1 and June 30, 2010. (This is estimated at \$10 million less \$2 million for adverse actions for the higher cost level of care due to emergency visits and hospitalizations from lack of available care.)
- Eliminate Prescription Drug Benefits. We estimate this will save the State \$36.4 million between January 1 and June 30, 2010. (This is estimated at \$52 million less \$15.6 million for adverse actions for the higher cost level of care due to emergency visits and hospitalizations as affected individuals deteriorate from lack of prescription availability.)

The third option, increase premiums to achieve the \$103.2 million in additional revenues, has a different set of implications. The premium schedule would be as follows:

Plan Type	Tier	Current Employee Contribution PYE 2010	Target Employee Contribution January 1 - June 30, 2010
EPO	Employee only	\$ 39	\$ 195
	Employee + 1 adult	\$ 97	\$ 586
	Employee + 1 child	\$ 79	\$ 390
	Family	\$ 178	\$ 769
PPO	Employee only	\$ 159	\$ 546
	Employee + 1 adult	\$ 328	\$1,303
	Employee + 1 child	\$ 309	\$1,092
	Family	\$ 443	\$1,575

The health insurance benefit is voluntary to the participant. The contribution increases indicated above would have the secondary effect of decreasing enrollment, potentially significantly, thereby reducing the revenue generated from the contribution increase.

Combining the three options in some form will most likely result in the decrease of the health and productivity of the employees while simultaneously decreasing enrollment, perhaps significantly, requiring further cost reductions or revenue increases. Significant changes will result in adverse selection as the healthiest members leave the system, members with other options leave the system for those options and the best employees leave State service for positions with better compensation and benefits. This will leave the State with a concentration of the sickest, least productive employees.

It should be noted that the estimates above are based on actuarial models that consider some of the dynamics of change. Those estimates should be carefully evaluated as the amount of change required to achieve the target goal is most likely beyond the actuarial model's ability to estimate the adverse and unintentional impacts. Significant changes could result in employees' enrollment in AHCCCS, reducing the fiscal advantages.

ADOA fears that should this reduction be implemented, the program will enter into a state where benefit reductions and declining enrollment ends with no employee or retiree able to afford the premiums and no money transferred to the General Fund. ADOA has a financial model to describe these circumstances.

Finally, there will be significant Federal penalties from any transfer from the HITF; those penalties will include refunds to the Federal government for the Federal portion of the amount transferred. The Federal government could also refuse to fund any future payments to the HITF, thereby creating an inequity for employees from agencies with large amounts of Federal funding.

ADOA does not believe this cut can be achieved.

DRAFT