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AGENDA ITEM:

FY13 Budget Update

CEO RECOMMENDATION(S):

- Accept the FY13 budget update and revisions as presented.

DETAIL:

Attached are three tables which provide the Board with an update of the FY13 Budget. The figures included in this update are based on projected FY12 Year End positions. FTF is anticipating it will end FY12 in a net positive cash position. These savings are expected to be realized in both the Administrative and Program Accounts.

Revenues:

FY12 savings will result in a gain to the anticipated carry forward revenues. In addition, as presented at the December Board meeting, FTF's FY11 annual audit resulted in collections being booked between fiscal years differently resulting in changes in fund balance. Lastly, FTF is anticipating FY12 collections (tobacco and interest income) to exceed budgeted forecasts.

All three of these changes have a positive effect on the cash position as FTF prepares to close FY12 and begin FY13.

The impact of these changes is summarized in the first table included as part of this agenda item (entitled "FY13 Tobacco Tax All Funds Report"). This report provides a line-item detail accounting for the administrative account fund, the statewide account, the regional account, as well as providing a program fund subtotal, and agency total.

The previously noted revenue updates can be seen in the top half of the report and in the revenue section. Changes in fund balance are a combination of both the audit adjustments as well as the anticipated FY12 under-expenditure. Anticipated excess collections are seen on a separate line in the same section of the report. These revised figures are compared to the original budget for FY13 approved by the Board at the September 2011 meeting.

The net impact of these changes, across the agency, is that carry forward balances are expected to grow significantly. However, in evaluating this increase it is important to keep in mind that as part of the FY12 budget it was assumed 100% of the regional carry forward balance would be spent. Instead of reducing this balance of \$89 million to zero, it is anticipated to actually grow

by some \$20 million. The three year funding plans presented by regions to the board in January 2012 presented a plan to spend down the regional carry forward within the next three years.

As such, the true increase is closer to \$35 million of which \$20 million is held at the regional level, \$7 million relates to the audit adjustments, another \$4 million is expected to be saved in under spending the statewide budget—as a result of the administrative account being under spent by \$1 million and collections coming in more than \$3 million higher than budgeted.

Expenditures:

While Revenues (and carry forward balances) are increasing significantly, FTF is also projecting the need for modest increase in expenditures. This increase centers on two specific drivers-- the state approved bonus pay package and organizational ERE rates.

It should be acknowledged these increases could have been covered through the identification of efficiencies/economies in other areas of the budget resulting in a net gain of zero, however considering the large positive revenues being realized as part of this budget year, and the long term revenue trends revealed as part of the Tobacco Tax Modeling work it was decided the more prudent course of action was to fund the modest increases.

These increases are as follows:

- Increasing the Employee Related Expenditure (ERE) budget from an agency average of 36% to 38%. This budget increase is driven by actual rates and changes to state contributions (like retirement) which will also place upward pressure on rates.
- Creating a funding line that will allow the 5% bonus pay package (salary and marginal ERE costs) to be implemented at FTF October 1 per the State's plan. In addition, FTF has also set aside the amount necessary to fully annualize the pay package.
- Continuing to fund the cost of the annual FTF summit.

The other significant update made to expenditures is moving from the lump sum budget originally approved in September to a breakout of line items. It is anticipated as FTF officially closes FY12 and moves into FY13 that this budget will be refined a bit more and adjustments between line items will be presented as part of the October meeting.

Regional Allocations:

As a result of changes in revenues between the various funding sources FTF has available, and how those dollars flow through the statutory funding waterfall, as well as the current practice (under the Board's direction) for how discretionary dollars at a regional level are allocated, regional allocations must be updated. This update is provided in the second table included as part of the agenda item. Each region's discretionary allocation within the "Other" category was adjusted slightly so that all regions' base allocation equaled that originally approved by the Board, and no region has to consider an unexpected swing in their bottom line as they get ready to start the year.

Statewide Funding Plan:

The third table included as part of this agenda item is an update to the statewide funding plan. Total allocation remains the same, but based on the current award process FTF is able to now more closely align resources so that the ability to spend the statewide funding plan budget is maximized while also being able to accommodate the slight state directed increases noted earlier. The bottom line allocation to the statewide funding plan remains constant, but slight updates in strategy allocations are reflected in the attached.

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FY13 Tobacco Tax All Funds Report
 As of September 20, 2011

UNAUDITED

	Agency		Admin		Programs		Statewide Programs		Regional Programs	
	FY13 Original Budget	FY13 Budget R1	FY13 Original Budget	FY13 Budget R1	FY13 Original Budget	FY13 Budget R1	FY13 Original Budget	FY13 Budget R1	FY13 Original Budget	FY13 Budget R1
Revenue										
Balance Forward										
Organizational Fund Balance	\$175,322,225	\$188,152,690	\$1,835,203	\$69,927,723	\$107,229,705	\$10,995,262	\$118,224,967			
Fund Balance Allocated	\$19,770,000	\$17,924,784	\$0	\$1,034,784	\$19,770,000	(\$2,880,000)	\$16,890,000	(\$288,000)	\$1,689,000	\$15,201,000
Regional Programs Carry Forward	\$0	\$109,898,811	\$0	\$109,898,811	\$0	\$109,898,811	\$109,898,811	\$0	\$0	\$109,898,811
Previous Year's Revenue										
Allocated	\$129,600,000	\$132,800,000	\$320,000	\$13,280,000	\$116,640,000	\$2,880,000	\$119,520,000	\$288,000	\$11,952,000	\$107,568,000
Unallocated	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Means of Financing	\$324,692,225	\$324,084,060	\$3,189,987	\$84,242,507	\$243,639,705	\$120,894,073	\$364,533,778	\$0	\$13,641,000	\$232,667,811
Annual Expenditures										
Personal Services										
ERE			\$9,232,891	\$9,232,891	\$7,667,880	\$1,565,011	\$1,565,011	\$840,510	\$840,510	\$724,501
Base (previous year's budget)		\$3,295,102	\$2,754,746	\$2,754,746	\$540,356	\$540,356	\$540,356	\$279,536	\$279,536	\$260,820
Marginal Incr to Budget Based on Actual Rate		\$207,348	\$153,000	\$153,000	\$54,348	\$54,348	\$54,348	\$39,858	\$39,858	\$14,490
Salary Package (w/ ERE)										
Legislative Manate		\$477,877	\$396,888	\$396,888	\$80,989	\$80,989	\$80,989	\$43,496	\$43,496	\$37,493
Marginal Incr to Annualize St. Package		\$159,292	\$159,292	\$159,292	\$26,996	\$26,996	\$26,996	\$14,499	\$14,499	\$12,498
Travel In-State		\$396,497	\$396,497	\$396,497	\$330,842	\$330,842	\$330,842	\$15,855	\$15,855	\$49,800
Travel Out-of-State		\$83,848	\$83,848	\$83,848	\$73,443	\$73,443	\$73,443	\$10,405	\$10,405	\$0
Professional & Outside Services		\$1,677,992	\$1,677,992	\$1,677,992	\$575,700	\$575,700	\$575,700	\$1,102,292	\$1,102,292	\$634,282
Other Operating Expenditures		(\$11,165,894)	(\$11,309,294)	(\$11,309,294)	\$1,650,706	\$1,650,706	\$1,650,706	\$143,400	\$143,400	\$35,200
Internal Printing		\$197,911	\$197,911	\$197,911	\$64,261	\$64,261	\$64,261	\$0	\$0	\$0
External Printing		\$57,182	\$57,182	\$57,182	\$50,182	\$50,182	\$50,182	\$2,800	\$2,800	\$2,800
Equipment		\$184,761	\$184,761	\$184,761	\$182,241	\$182,241	\$182,241	\$2,520	\$2,520	\$0
Transfers		\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$0	\$0	\$0
Aid to Organizations		\$22,198,015	\$22,198,015	\$22,198,015	\$0	\$0	\$0	\$2,198,015	\$2,198,015	\$24,046,851
Sub-Total	\$149,370,000	\$176,522,822	\$1,222,184	\$14,182,184	\$136,410,000	\$25,930,638	\$162,340,638	\$97,853	\$13,738,853	\$148,601,785
One-Time Exps	\$0	\$132,600	\$132,600	\$132,600	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$149,370,000	\$27,285,422	\$176,655,422	\$176,655,422	\$136,410,000	\$25,930,638	\$162,340,638	\$97,853	\$13,738,853	\$148,601,785
Ending Balance	\$175,322,225	\$96,798,638	\$1,835,203	\$69,927,723	\$68,092,520	\$94,963,435	\$202,193,140			
Projected Rev (Tobacco + Interest)	\$124,416,000	\$15,515,892	\$139,931,892	\$139,931,892	\$124,416,000	\$15,515,892	\$139,931,892	\$139,931,892	\$139,931,892	\$139,931,892
	\$299,738,225	\$112,314,530	\$412,052,755	\$412,052,755	\$80,534,120	\$386,792	\$83,920,912	\$83,920,912	\$83,920,912	\$83,920,912

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(May 23, 2012)

STATEWIDE FUNDING PLAN

Strategy	Total Allocation:	Original Allotment	Current Allotment	Proposed New Allotment	Awarded	Expended	Recalculated Unawarded
Capacity Building	\$13,641,000	\$200,000	\$200,000	200,000			\$200,000
Communications		\$700,000	\$700,000	700,000	FTF Directed		\$700,000
Evaluation		\$437,000	\$437,000	437,000	FTF Directed		\$437,000
Evaluation Department		\$860,000	\$860,000	860,000	FTF Directed		\$860,000
Helpline		\$100,000	\$100,000	100,000	100,000		-
Oral Health		\$150,000	\$150,000	150,000			\$150,000
Parent Kits - statewide		\$1,600,000	\$1,600,000	1,600,000			\$1,600,000
Physician Education & Outreach		\$250,000	\$250,000	235,000	234,861		\$139
Quality First		\$5,806,000	\$5,806,000	5,477,700	Informational subtotal of QF figures below		
Assesment				4,514,013	4,514,013		-
FTF Program Administration				495,000	FTF Directed		\$495,000
Licencing (DHS)				222,694			\$222,694
QF Reserve				245,993			\$245,993
Scholarships TEACH		\$3,263,000	\$3,263,000	3,506,300			\$3,506,300
Workforce Capacity – Therapist Scholarships		\$275,000	\$275,000	275,000			\$275,000
Hold for Salary and ERE Adjustments				100,000			\$100,000
Total Allotment:		\$13,641,000	\$13,641,000	\$13,641,000	\$4,848,874		\$8,792,126
Total Unallotted:							

Allocation Update

<i>Region</i>	<i>Revised FY13 Allocations (by sources)</i>			
	<i>Population</i>	<i>Discretionary</i>	<i>Other</i>	<i>Total</i>
State		11,952,000	1,689,000	13,641,000
Central Maricopa	5,161,393	985,520	984,022	7,130,935
Central Phoenix	10,319,802	3,481,392	1,921,565	15,722,759
Central Pima	6,138,874	1,754,279	1,152,690	9,045,843
Cochise	1,447,958	851,722	272,370	2,572,050
Coconino	1,071,332	662,533	203,870	1,937,735
Cocopah Tribe	19,590	58,560	3,616	81,766
Colorado River Indian Tribes	129,021	74,172	24,145	227,338
Gila	341,489	205,069	64,541	611,099
Gila River Indian Community	617,825	232,121	114,319	964,265
Graham/Greenlee	427,730	255,889	80,770	764,389
Hualapai Tribe	29,866	78,952	5,573	114,390
La Paz/Mohave	2,201,904	1,281,910	413,229	3,897,043
Navajo Nation	2,420,366	1,353,719	450,213	4,224,298
Navajo/Apache RPC	704,522	422,965	133,145	1,260,632
North Phoenix	6,266,187	1,404,675	1,188,324	8,859,185
North Pima	1,425,927	173,380	274,858	1,874,165
Northeast Maricopa	2,228,936	269,670	429,685	2,928,292
Northwest Maricopa	6,587,149	1,509,926	1,248,179	9,345,254
Pascua Yaqui	134,150	74,383	24,906	233,439
Pinal	3,571,304	827,643	676,442	5,075,390
Salt River Pima Maricopa Indian Community	210,940	68,982	39,343	319,265
San Carlos Apache	309,835	171,063	57,471	538,369
Santa Cruz	740,516	426,107	138,608	1,305,232
South Phoenix	9,320,781	3,051,996	1,738,350	14,111,126
South Pima	3,043,154	1,774,693	571,324	5,389,170
Southeast Maricopa	7,614,572	1,441,513	1,452,098	10,508,183
Southwest Maricopa	2,256,147	574,329	425,774	3,256,250
Tohono O'odham Nation	351,647	196,596	65,404	613,647
White Mountain Apache	401,939	222,311	74,584	698,834
Yavapai	2,207,734	1,276,176	413,661	3,897,571
Yuma	2,973,410	1,729,753	557,921	5,261,084
Regional Total	80,676,000	26,892,000	15,201,000	122,769,000
Grand Total	80,676,000	38,844,000	16,890,000	136,410,000